

SHAWNEE STATE UNIVERSITY
Portsmouth, Ohio

FINANCIAL STATEMENTS
June 30, 2012 and 2011

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REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

(Conitnued)

Columbus, Ohio
October 12, 2012

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

This section of Shawnee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2012. 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 Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements have been prepared in accordance with 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. 39, *Determining Whether Certain Organizations Are Component Units*, the Shawnee State University Development Foundation's Financial Statements have been included in this annual report. This information has been provided on separate financial statements. Shawnee State University's "Management's Discussion and Analysis" and Shawnee State University's "Notes To Financial Statements" reflect only information related to the University.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Total net assets decreased \$896,004.
- Total assets decreased \$2,258,656. Current assets decreased \$1,687,690 and non-current assets (excluding capital assets) increased \$633,256 primarily as the result of the increased value of Investments. Increased depreciation related to the expansion of the University's Student Center is a significant factor in the net capital assets decrease of \$1,204,222.
- Total liabilities decreased \$1,362,652; current liabilities decreased \$770,459 as a result of a reduction in Wages Payable due to June 29, 2012 pay date in Fiscal Year 2012 and non-current liabilities decreased \$592,193 primarily due to the principal payment on bonds payable related to the University Center renovation.
- Total revenue decreased \$2,698,436 from 2011 to 2012 compared with an increase of \$5,262,782 from 2010 to 2011.
- Total expenses increased \$1,254,638 from 2011 to 2012 as compared with \$4,379,834 from 2010 to 2011.
- Operating Expense increased \$1,264,526 primarily as a result of increased institutional support, auxiliary and depreciation expenses.
- Operating Revenue increased \$1,306,657 due to an increase in student tuition and fee revenue.
- Non-operating revenue decreased \$3,380,930 as a result of decreased investment revenue and the loss of ARRA federal stimulus funding.
- Non-operating expenses decreased \$9,888 primarily as a result of reduced interest payments on capital asset related debt.

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

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 the Shawnee State University Development Foundation. The basic financial statements for Shawnee State University include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. The basic financial statements for the Shawnee State University Development Foundation include a statement of financial position and a statement of activities.

STATEMENT OF NET ASSETS AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets present information about the University and its activities in a way that helps answer the question, "How did Shawnee State University do financially during 2012?" The Statement of Net Assets includes all short-term and long-term assets and liabilities, both financial and capital. 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 assets are one indicator of the improvement or deterioration of the University's financial health. Non-financial factors such as student retention rate, enrollment growth, and condition of facilities must also be considered.

STATEMENT OF NET ASSETS

The Statement of Net Assets, 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 minus total liabilities equal net assets. The University's assets, liabilities, and net assets as of June 30, 2012, 2011, and 2010 are presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 9,636,852	\$ 11,324,542	\$ 11,115,524
Capital assets, net	88,305,166	89,509,388	88,071,924
Other non-current assets	<u>17,518,053</u>	<u>16,884,797</u>	<u>16,552,816</u>
Total assets	<u>115,460,071</u>	<u>117,718,727</u>	<u>115,740,264</u>
Liabilities:			
Current liabilities	5,693,858	6,464,317	6,850,260
Non-current liabilities	<u>19,061,858</u>	<u>19,654,051</u>	<u>20,346,715</u>
Total liabilities	<u>24,755,716</u>	<u>26,118,368</u>	<u>27,196,975</u>
Net Assets:			
Invested in capital assets, net of related debt	72,681,896	72,803,461	72,096,794
Restricted, expendable	349,699	379,909	512,843
Unrestricted	<u>17,672,760</u>	<u>18,416,989</u>	<u>15,933,652</u>
Total net assets	<u>\$ 90,704,355</u>	<u>\$ 91,600,359</u>	<u>\$ 88,543,289</u>

Total assets of the University decreased \$2,258,656 in 2012. Current assets decreased \$1,687,690 and non-current assets (excluding capital assets) increased \$633,256. The decrease in current assets in 2012 is predominantly attributable to a third payroll in the month of June (paid on June 29, 2012), a

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

transfer of cash to investments and an increase in accounts receivables. Net capital assets decreased \$896,004. Total liabilities decreased \$1,362,652 and current liabilities decreased \$770,459 in 2012 from 2011 due to a reduction in accrued wages and benefits since a payroll was paid on June 29, 2012 instead of being accrued. The decrease of \$592,193 in 2012 from 2011 in non-current liabilities is attributable to the reduction in bonds payable and deferred revenue related to the University Center project.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The statement of revenues, expenses and changes in net assets presents the results of operations for the University. The change in net assets during the fiscal year is a measurement of the change in the overall financial condition of the University. The University's revenues, expenses, and changes in net assets for fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues			
Tuition, fees, and other student charges	\$ 24,714,784	\$ 22,716,106	\$ 20,431,305
Grants and contracts	3,357,255	4,129,536	4,870,064
Sales and services	1,910,816	1,824,775	1,738,558
Miscellaneous income	475,849	481,630	357,222
Non-operating revenues			
Investment income	102,056	1,998,979	1,388,600
State appropriations	16,120,703	15,511,269	15,172,781
State appropriations – State Fiscal Stabilization Funds	-	2,158,210	2,056,558
Other grants	16,224,179	16,159,410	14,292,001
Capital appropriations	<u>595,946</u>	<u>1,220,109</u>	<u>630,153</u>
Total revenues	<u>63,501,588</u>	<u>66,200,024</u>	<u>60,937,242</u>
Operating expenses			
Instruction and research	21,129,397	21,266,619	21,029,373
Public service	2,154,204	2,874,777	3,456,141
Academic support	2,820,322	3,058,492	2,747,627
Student services	4,105,408	4,010,556	3,805,205
Institutional support	10,395,977	8,996,219	8,066,606
Operation and maintenance of plant	5,177,885	5,230,931	4,848,292
Scholarships and fellowships	7,870,245	7,779,164	6,730,334
Depreciation	3,561,196	3,098,850	2,603,891
Auxiliary enterprises	6,329,988	5,964,488	5,444,932
Non-operating expenses			
Interest on capital debt	765,334	788,791	-
Loss on disposal of capital assets	75,888	62,318	18,970
Amortization of debt issuance cost	<u>11,748</u>	<u>11,749</u>	<u>11,749</u>
Total expenses	<u>64,397,592</u>	<u>63,142,954</u>	<u>58,763,120</u>
Increase (decrease) in net assets	<u>\$ (896,004)</u>	<u>\$ 3,057,070</u>	<u>\$ 2,174,122</u>

Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reason, and critical analysis/logical thinking. To enrich the lives of the community, the University provides opportunities for continuing personal and professional development, intellectual discovery, and appreciation for the

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SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

creative and performing arts. The University charges students tuition and fees in accordance with approved University policy, as constrained by State laws. Based on State regulations, rates charged for undergraduate in-state tuition and fees increased 3.46% effective Fall 2011 semester.

During 2012, the University generated revenues from tuition and fees in excess of \$24.7 million attributable to the 3.46% increase in undergraduate tuition and fees, a 4.59% increase in graduate tuition and fees and increased enrollment. Tuition and fees represent 38.9% of the University's total revenue in 2012, 34.3% in 2011 and 33.5% in 2010.

The 18.7% decrease in operating Grants and Contracts revenue from \$4,129,536 in 2011 to \$3,357,255 in 2012 and the 25.1% decrease in Public Service expenses from \$2,874,777 in 2011 to \$2,154,204 in 2012 are both a result of several grants (Educational Opportunity Center and Talent Search grants being the largest) maturing or nearing the end of their grant cycle in 2012.

The 15.6% increase in Institutional Support expense from \$8,996,219 in 2011 to \$10,395,977 in 2012 is primarily attributable to the start-up costs and additional salaries and benefits associated with the new campus police force, the bad debt expense required to increase the University's allowance for doubtful accounts, increased compensated absence expenses and additional advertising costs in new markets to increase/maintain current enrollment levels. Depreciation expense of \$3,561,196 in 2012 is a 14.9% increase over the \$3,098,850 depreciation expense in 2011. The increase is predominantly attributable to a full year of depreciation expense for the University Center renovation completed in fiscal year 2011.

State appropriations represent 25.4% of the University's total revenue in 2012, 26.7% in 2011, and 28.3% in 2010. The University received no state fiscal stabilization funds in 2012 compared to receiving \$2,158,210 in 2011 and \$2,056,558 in 2010. These percentages and amounts illustrate that tuition and fee revenue alone is not sufficient to cover relevant operational expenses. The University is dependent upon a predictable and relatively stable level of state appropriation funding.

During 2012, investment income amounted to a positive \$102,056 as compared to a positive \$1,998,979 during 2011 and a positive \$1,388,600 during 2010. The decrease in investment markets in general is mirrored in the University's decrease in investment income.

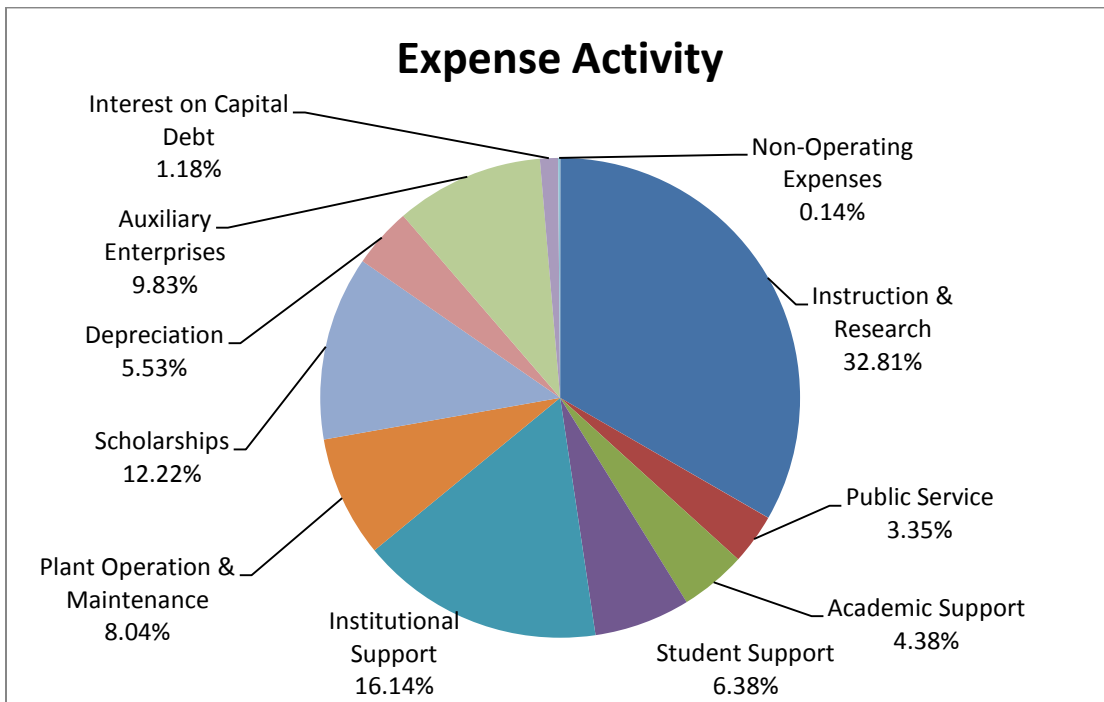
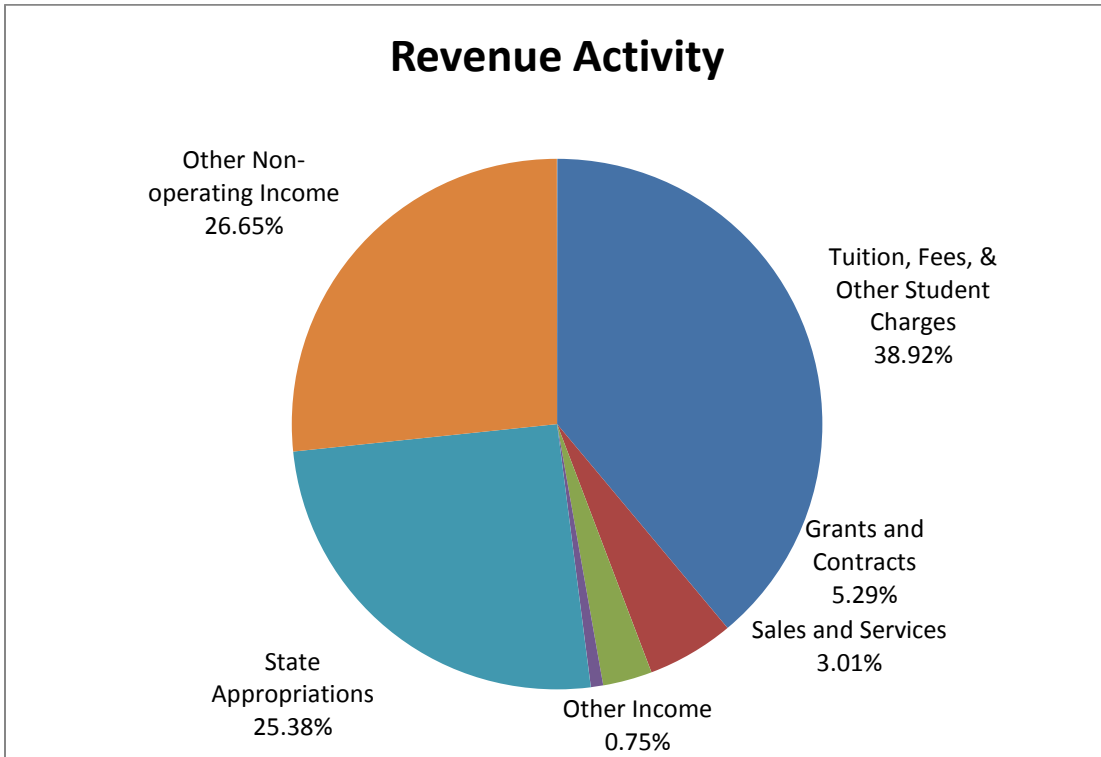
Pell Grants and certain other grants are considered non-exchange transactions and therefore are reflected as non-operating revenue. The Federal grants portion of Other Grants revenue experienced a 5.3% decrease. Income from federal aid programs such as Pell, SEOG, ACG and Veteran's Benefits amounted to \$12.5 million in 2012 as compared with \$13.1 million in 2011. These grants represent 25.5% of the University's total revenue in 2012, 24.4% in 2011, and 23.5% in 2010.

Capital appropriations decreased from \$1,220,109 in 2011 to \$595,946 in 2012 as a result of the completion of two projects, the Student Business Center in the University Center and the installation of the Campus Wide Public Address System in 2011. The majority of the 2010 capital appropriations were related to the University Student Center Expansion Project and land acquisitions. No major state funded construction projects were completed in 2012.

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SHAWNEE STATE UNIVERSITY
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the fiscal years ended June 30, 2012 and 2011

The following graphs summarize Shawnee State University's revenue and expense activity for the fiscal year ending June 30, 2012.



(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

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 ending June 30, 2012. A comparison of cash sources and uses during fiscal years 2012, 2011, and 2010 is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Cash provided (used) by:</u>			
Operating activities	\$ (31,659,294)	\$ (31,322,044)	\$ (30,597,185)
Non-capital financing activities	32,629,493	33,764,852	31,537,753
Capital and related financing activities	(2,981,313)	(4,514,718)	(9,172,038)
Investing activities	<u>(526,649)</u>	<u>3,869,061</u>	<u>7,377,112</u>
Net increase (decrease) in cash and cash equivalents	(2,537,763)	1,797,151	(854,358)
Cash and cash equivalents –			
Beginning of the year	<u>5,327,736</u>	<u>3,530,585</u>	<u>4,384,943</u>
End of the year	<u>\$ 2,789,973</u>	<u>\$ 5,327,736</u>	<u>\$ 3,530,585</u>

Cash and cash equivalents decreased by \$2,537,763 from 2011 to 2012, compared to an increase of \$1,797,151 from 2010 to 2011 mainly due to a third payroll in the month of June (paid on June 29, 2012), a transfer of cash to investments and an increase in accounts receivables.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the University had \$88,305,166 in net capital assets. This reflects an overall decrease of \$1,204,222 in net capital assets from 2011.

Capital assets, net of depreciation
at June 30,

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Land	\$ 8,003,370	\$ 7,934,297	\$ 7,934,297
Land Improvements	6,928,632	6,928,632	6,928,632
Buildings and Improvements	64,659,216	66,319,725	46,712,394
Equipment	3,656,072	3,674,693	3,608,117
Library Books	4,607,964	4,596,607	4,593,108
Construction in Progress	<u>449,912</u>	<u>55,434</u>	<u>18,295,376</u>
Totals	<u>\$ 88,305,166</u>	<u>\$ 89,509,388</u>	<u>\$ 88,071,924</u>

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SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

Debt Administration

At June 30, 2012, the University had one outstanding General Revenue Bonds Payable totaling \$15,970,000; \$560,000 of which is due within one year. This reflects an overall decrease of \$535,000 in the General Revenue Bonds Payable liability from 2011.

Outstanding Debt at Year End

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Revenue Bonds Payable:			
4.0% to 5.0% - Series 2007	\$ <u>15,970,000</u>	\$ <u>16,505,000</u>	\$ <u>17,015,000</u>

The Series 2007 Bonds were issued for the purpose of paying the cost to renovate and construct a new addition to the University Center and for the refunding of the outstanding Series A and Series B Bonds.

Current Financial Issues and Concerns

Shawnee State University's Fiscal Year 2012 (FY12) financial performance was impacted by enrollment growth, a reduction in grant income and state funding, and a significant reduction in investment income compared to FY11. Operating expenses were contained except for increases in institutional support (15.6%), depreciation expense (14.9%) and auxiliary enterprises (6.1%). These expenditures were increased due to the needs of an expanding campus related to enhanced safety and security measures, increased housing units, a full-year of depreciation for the renovated University Center, increased bad debt expense, and expanded and focused recruitment initiatives.

With 2.8% enrollment growth and the application of the state allowable tuition rate increase, the University realized a gain in student tuition and fees of 8.8% over the prior year. However, these gains were offset by a reduction in FY12 state revenue appropriations due to the discontinuation of the one-time ARRA-federal stimulus funding previously relied upon by the state to partially fund its commitment to higher education. In addition to the state revenue reduction, the University realized a significant reduction in non-operating revenue due to investment income that reflects continued volatility in the financial markets.

The continued allocation of Shawnee State's special supplement in whole or in part has, by legislative mandate, been tied to the acceptance of a utilization plan by the Chancellor and the State of Ohio's Controlling Board. During 2012, the University worked diligently and in collaboration with the Chancellor's office resulting in the approval of this plan. Historically, this revenue has been important to the institution's and the state's objective for lower tuition in the region. In FY12, the amount of the special supplement was about \$2.5 million which represents over 15% of our total FY12 state funding (\$16.1 million). It is apparent that the future of this special supplement is tenuous. Therefore, the development of a method to reduce the special supplement in a manner that will mitigate the loss of this revenue has been undertaken. Other factors that have implications upon revenue include the economic environment affecting students' and parents' abilities to acquire personal funding for higher education. The volatility of institutional and personal revenue sources is a theme that continues for higher education in the nation.

Despite long-term cost-containment measures that were continued during FY12 the University's net assets decreased by \$896,004. As with prior years, the University continued to scrutinize all vacancies before replacing personnel, realigned job duties and responsibilities where feasible, maintained broadly categorized contingency accounts for major expenditures, and continued direct communications about budgetary priorities to campus budget directors. These efforts have proved effective and will continue through the next fiscal year.

As with prior years, the reduction of federal and state grant dollars will continue to force greater reliance upon general operating funds. The University was confronted with this reality in FY12 with the

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SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal years ended June 30, 2012 and 2011

discontinuation or reduction of resources for a number of grant-funded programs. In each situation, the University was compelled to examine the implications on the youth in our community to no longer have access to the positive and life-long experiences these programs provide.

Ohio public universities' fiscal conditions are measured annually via ratios established by Senate Bill 6 ("SB 6"). This ratio is derived from a calculation that considers plant debt, operating expenses, total revenues, and changes to net assets. The University's FY11 composite ratio was 4.0 (maximum is 5.0).

Shawnee State University continues to support statewide collaborative initiatives and participates fully in joint purchasing agreements that provide discount arrangements. The combination of initiatives we have implemented include: increasing the number of joint purchasing contracts available to our campus, negotiating pricing discounts with major vendors, and expanding the utilization of the University's payment card by nearly 67% over FY11. In concert, these efforts have maximized savings due to reduced costs that would not have otherwise been realized. Further, we continue to assess the financial viability of our auxiliary operations and in 2012 reached agreement with the private owner of our student housing to increase the University's management fees beginning with fall semester 2012.

Throughout fiscal year 2012, the University has maintained its commitment to modernize and upgrade its business, technology, and communications systems. This effort will continue through FY13 with the implementation of VoIP and expanded virtualization of computing systems.

Shawnee State University has demonstrated its ability to respond to external influences affecting institutional finances through teamwork and hard decisions. This approach has been crucial to effectively navigate the extended unstable economic climate within which we reside. Simultaneously, it has been necessary to sustain the momentum required of a growing institution by allocating diminishing resources for a myriad of priorities that include but are not limited to: enhancing student life and support services, adopting research-driven instructional delivery methods, providing high-quality scientific laboratories and state-of-the-art equipment that improve student outcomes, implementing operating procedures and key measures that ensure the safety and security of all campus populations, and meeting the ever-increasing commitments required by federal and state regulatory mandates.

As has been our practice, Shawnee State has affirmatively and proactively re-evaluated institutional strategic plans, policies, and processes within the context of a changing and growth environment. We have and will continue to modify and adjust where prudent and in a manner that strengthens the University's commitment to its stated mission.

SHAWNEE STATE UNIVERSITY
 STATEMENTS OF NET ASSETS
 June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,789,973	\$ 5,327,736
Short-term investments	<u>247,538</u>	<u>265,187</u>
Total cash and short-term investments	3,037,511	5,592,923
Receivables		
Accounts (net of allowance for doubtful accounts of \$1,813,958 in 2012 and \$1,321,181 in 2011, respectively)	6,286,891	5,420,800
Notes	91,685	82,802
Amounts due from primary government	13,882	12,375
Interest receivable	10,126	8,775
Inventory	44,369	39,546
Deferred charges	11,749	11,749
Prepaid items	<u>140,639</u>	<u>155,572</u>
Total current assets	9,636,852	11,324,542
Non-current assets		
Investments	17,271,323	16,626,317
Deferred charges	246,730	258,480
Capital assets, net	<u>88,305,166</u>	<u>89,509,388</u>
Total non-current assets	<u>105,823,219</u>	<u>106,394,185</u>
Total assets	<u>\$ 115,460,071</u>	<u>\$ 117,718,727</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY
STATEMENTS OF NET ASSETS
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 994,427	\$ 498,605
Accrued wages and benefits	2,129,853	3,493,586
Compensated absences payable	217,180	196,152
Bonds payable	560,000	535,000
Accrued interest payable	63,484	65,267
Deferred revenue	1,540,577	1,484,127
Deposits held by and due to others	<u>188,337</u>	<u>191,580</u>
Total current liabilities	5,693,858	6,464,317
Non-current liabilities		
Compensated absences payable	1,954,622	1,765,365
Deferred revenue	1,697,236	1,918,686
Bonds payable	<u>15,410,000</u>	<u>15,970,000</u>
Total non-current liabilities	<u>19,061,858</u>	<u>19,654,051</u>
Total liabilities	<u>24,755,716</u>	<u>26,118,368</u>
Net assets		
Invested in capital assets, net of related debt	72,681,896	72,803,461
Restricted		
Expendable		
Loans	112,916	112,983
Other	236,783	266,926
Unrestricted	<u>17,672,760</u>	<u>18,416,989</u>
Total net assets	<u>90,704,355</u>	<u>91,600,359</u>
Total liabilities and net assets	<u>\$ 115,460,071</u>	<u>\$ 117,718,727</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 2,042,631	\$ 1,977,515
Investments	12,768,635	13,205,361
Contributions receivable, net	1,349,290	425,659
Beneficial interest in trusts held by others	1,144,954	1,156,011
Other assets	<u>192,381</u>	<u>183,200</u>
Total assets	<u>\$ 17,497,891</u>	<u>\$ 16,947,746</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	26,121	\$ 3,809
Deposits held and due to others	111,778	92,707
Annuity payment liability	<u>324,109</u>	<u>467,438</u>
Total liabilities	<u>462,008</u>	<u>563,954</u>
Net assets		
Unrestricted	64,030	156,927
Temporarily restricted	9,213,579	8,472,377
Permanently restricted	<u>7,758,274</u>	<u>7,754,488</u>
Total net assets	<u>17,035,883</u>	<u>16,383,792</u>
Total liabilities and net assets	<u>\$ 17,497,891</u>	<u>\$ 16,947,746</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$12,251,656 in 2012 and \$12,251,747 in 2011)	\$ 24,714,784	\$ 22,716,106
Federal grants and contracts	2,225,814	2,806,985
State grants and contracts	332,774	460,477
Local grants and contracts	287,523	249,632
Private gifts, grants and contracts	511,144	612,442
Sales and services	1,910,816	1,824,775
Miscellaneous	<u>475,849</u>	<u>481,630</u>
Total operating revenues	<u>30,458,704</u>	<u>29,152,047</u>
EXPENSES		
Operating expenses		
Education and general		
Instruction and departmental research	21,129,397	21,266,619
Public service	2,154,204	2,874,777
Academic support	2,820,322	3,058,492
Student services	4,105,408	4,010,556
Institutional support	10,395,977	8,996,219
Operation and maintenance of plant	5,177,885	5,230,931
Scholarships and fellowships	7,870,245	7,779,164
Depreciation expense	3,561,196	3,098,850
Auxiliary enterprises	<u>6,329,988</u>	<u>5,964,488</u>
Total operating expenses	<u>63,544,622</u>	<u>62,280,096</u>
Operating loss	<u>(33,085,918)</u>	<u>(33,128,049)</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	16,120,703	15,511,269
State appropriations-State Fiscal Stabilization Funds	-	2,158,210
Federal, state and local grants and contracts	15,410,720	15,333,618
Private grants and contracts	813,459	825,792
Investment income	102,056	1,998,979
Interest on capital asset related debt	(765,334)	(788,791)
Loss on disposal of capital assets	(75,888)	(62,318)
Amortization of debt issuance cost	<u>(11,748)</u>	<u>(11,749)</u>
Net non-operating revenues	<u>31,593,968</u>	<u>34,965,010</u>
Change in net assets before capital appropriations	(1,491,950)	1,836,961
Capital appropriations	<u>595,946</u>	<u>1,220,109</u>
CHANGE IN NET ASSETS	(896,004)	3,057,070
NET ASSETS		
Beginning of year	<u>91,600,359</u>	<u>88,543,289</u>
End of year	<u>\$ 90,704,355</u>	<u>\$ 91,600,359</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
 STATEMENTS OF ACTIVITIES
 Year ended June 30, 2012 with comparative 2011 totals

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2012</u>	<u>Total 2011</u>
Revenues, gains and other support					
Contributions	\$ 79,638	\$1,718,238	\$ 3,841	\$ 1,801,717	\$ 733,973
Investment income, net	(87,860)	143,243	-	55,383	2,396,651
Losses on uncollectable contributions	(100)	(11,446)	(55)	(11,601)	(12,079)
Net assets released from restrictions	<u>1,108,833</u>	<u>(1,108,833)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,100,511</u>	<u>741,202</u>	<u>3,786</u>	<u>1,845,499</u>	<u>3,118,545</u>
Expenses					
Scholarships and other student aid	197,370	-	-	197,370	211,963
Institutional support	796,216	-	-	796,216	428,802
Guest speakers and lecturers	8,355	-	-	8,355	11,447
Management and general expenses	<u>191,467</u>	<u>-</u>	<u>-</u>	<u>191,467</u>	<u>189,889</u>
Total expenses and losses	<u>1,193,408</u>	<u>-</u>	<u>-</u>	<u>1,193,408</u>	<u>842,101</u>
Change in net assets	(92,897)	741,202	3,786	652,091	2,276,444
Net assets at beginning of year	<u>156,927</u>	<u>8,472,377</u>	<u>7,754,488</u>	<u>16,383,792</u>	<u>14,107,348</u>
Net assets at end of year	<u>\$ 64,030</u>	<u>\$9,213,579</u>	<u>\$ 7,758,274</u>	<u>\$17,035,883</u>	<u>\$ 16,383,792</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2011</u>
Revenues, gains and other support				
Contributions	\$ 33,117	\$ 429,031	\$ 271,825	\$ 733,973
Investment income, net	844,730	1,551,921	-	2,396,651
Losses on uncollectable contributions	-	(12,079)	-	(12,079)
Net assets released from restrictions	<u>686,433</u>	<u>(686,433)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,564,280</u>	<u>1,282,440</u>	<u>271,825</u>	<u>3,118,545</u>
Expenses				
Scholarships and other student aid	211,963	-	-	211,963
Institutional support	428,802	-	-	428,802
Guest speakers and lecturers	11,447	-	-	11,447
Management and general expenses	<u>189,889</u>	<u>-</u>	<u>-</u>	<u>189,889</u>
Total expenses and losses	<u>842,101</u>	<u>-</u>	<u>-</u>	<u>842,101</u>
Change in net assets	722,179	1,282,440	271,825	2,276,444
Net assets at beginning of year	<u>(565,252)</u>	<u>7,189,937</u>	<u>7,482,663</u>	<u>14,107,348</u>
Net assets at end of year	<u>\$ 156,927</u>	<u>\$ 8,472,377</u>	<u>\$ 7,754,488</u>	<u>\$ 16,383,792</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Cash received from tuition, fees, and other student charges	\$ 23,764,007	\$ 22,222,628
Cash received from gifts, grants and contracts	2,869,993	3,531,279
Cash received from sales and services	1,860,456	1,851,720
Cash received from miscellaneous services	475,849	481,630
Cash payments to suppliers for goods and services	(13,760,716)	(14,570,186)
Cash payments to employees for services	(27,249,569)	(25,506,055)
Cash payments for employee benefits	(11,749,069)	(11,553,896)
Cash payments for scholarships and fellowships	<u>(7,870,245)</u>	<u>(7,779,164)</u>
Net cash from operating activities	(31,659,294)	(31,322,044)
Cash flows from non-capital financing activities		
State appropriations	16,120,703	17,669,479
Non-exchange Gifts, Grants and Contracts	16,490,549	16,159,410
Net cash from agency transactions	<u>18,241</u>	<u>(64,037)</u>
Net cash from non-capital financing activities	32,629,493	33,764,852
Cash flows from capital and related financing activities		
Capital appropriations	606,535	1,396,952
Payments for capital acquisitions	(2,269,648)	(4,598,070)
Principal payments	(535,000)	(510,000)
Interest payments	<u>(783,200)</u>	<u>(803,600)</u>
Net cash from capital and related financing activities	(2,981,313)	(4,514,718)
Cash flows from investing activities		
Interest on investments	339,317	323,875
Proceeds for sales and maturities of investments	62,190	4,261,546
Purchase of securities	<u>(928,156)</u>	<u>(716,360)</u>
Net cash from investing activities	<u>(526,649)</u>	<u>3,869,061</u>
Net change in cash and cash equivalents	(2,537,763)	1,797,151
Cash and cash equivalents, beginning of year	<u>5,327,736</u>	<u>3,530,585</u>
Cash and cash equivalents, end of year	<u>\$ 2,789,973</u>	<u>\$ 5,327,736</u>

(Continued)

SHAWNEE STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (33,085,918)	\$ (33,128,049)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	3,561,196	3,098,850
Changes in assets and liabilities		
Accounts receivable	(1,237,496)	(756,461)
Notes receivable	(8,883)	(6,330)
Prepaid items	11,108	(25,212)
Inventory	(4,823)	12,487
Accounts payable	495,822	(426,665)
Accrued wages and benefits	(1,358,564)	144,040
Compensated absences payable	210,285	67,293
Deferred revenue	<u>(242,021)</u>	<u>(301,997)</u>
Net cash used by operating activities	<u>\$ (31,659,294)</u>	<u>\$ (31,322,044)</u>

See accompanying notes to financial statements.

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 Ohio. 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 non-voting student members are appointed to the Board of Trustees for staggered two year terms.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Reporting Entity*, the University's financial statements are included, as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report. The financial statements of the Shawnee State University Development Foundation are included in this report in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*. This Statement provides additional guidance to determine whether certain organizations, such as not-for-profit foundations, for which the primary institution is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the primary entity. Generally, this statement requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of an institution.

The Shawnee State University Development Foundation (the "Foundation") is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors 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 resources, or income thereon, the resources the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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.

Basis of Presentation

In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* and subsequent standards issued by GASB, the University has elected to report as an entity engaged in business-type activities. GASB 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 assets categories:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**
 - Nonexpendable*** – Net assets subject to externally imposed stipulations that they be maintained permanently by the University.

 - Expendable*** – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These net assets principally represent amounts for specified capital construction projects.

- **Unrestricted:** Net assets whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets 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.

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, liabilities, net assets, revenues, expenses, changes in net assets and cash flows.

Basis of Accounting

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

Revenue is recorded on the accrual basis when the exchange takes place. Expenses are recognized at the time they are incurred.

Deferred Revenue

Deferred revenue is predominantly made up of three 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 second is the net original issue premium of General Receipt Bonds issued in 2007. This revenue is computed using an effective interest rate method over the life of the bonds. The third is revenue received from the University food service and bookstore vendors. These funds are designated for improvements to the dining facilities and the bookstore as part of the University Center renovation project. The funding is dependent on retaining the respective contracts with these vendors. The straight line method will be used to amortize the revenue over the ten year periods of the contracts.

Income Taxes

The Internal Revenue Service has determined the University to be exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

For the year ended June 30, 2005, the University implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This statement amends certain custodial risk provisions of GASB Statement No. 3 and addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at fair value. The University has investment management agreements with the Common Fund and Mellon, as permitted by State statute. The agreements allow (within statute limits) investment in both debt and equity instruments.

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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. 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, 2012.

For purposes of the statement of cash flows and presentation on the statement of net assets, all investments with original maturities of three months or less at the time they are purchased by the University are presented on the financial statements as cash equivalents.

Short-term investments represent investments with maturities of between 90 days and one year.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and 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.

Capital Assets

Capital assets utilized by Shawnee State University are reported on the statement of net assets. 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 fair market values as of the date received. Shawnee State University maintains a capitalization threshold of one thousand, five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The University does not possess any infrastructure.

All reported capital assets except for land, land improvements, library books 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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Machinery and Equipment	5-20 years
Licensed Vehicles	5-10 years

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. No capitalized interest was recorded for fiscal years 2012 and 2011.

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.

Operating Revenues and Expenses

The University's policy for defining operation activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services or payments made for services or goods received. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Statements Nos. 24, 34 and 35, including state appropriations, Pell grants and investment income.

Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. 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 non-operating revenues in the University's financial statements based on whether or not they are considered exchange transactions. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Charges

Debt issuance cost and fees on long-term debt are recorded as deferred charges in the year paid and amortized over the life of the debt issuance instead of being expensed.

Budgetary Process

Although not required under the Ohio Revised Code, estimated budgets are adopted by the University Board of Trustees in June 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 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

Adoption of New Accounting Pronouncements – In fiscal year 2012, the provisions of the following GASB Statements became effective:

GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. This pronouncement had no impact on the University's financial statements or disclosures.

GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provision* clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This pronouncement had no impact on the University's financial statements or disclosures.

Adoption of these Statements did not have a material impact on the University's financial position or results of operations.

Newly Issued Accounting Pronouncements – In addition to Statements No. 57 and 64, GASB has issued the following pronouncements which are listed by effective dates.

- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership into which state and local governments are increasingly entering.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- GASB Statement No. 61, The Financial Reporting Entity: Omnibus, issued November 2010. The provisions of this Statement are effective for periods beginning after June 15, 2012. This Statement is designed to improve financial reporting for government entities by amending the requirements of Statement No. 14, The Financial Reporting Entity and Statement No. 34, Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments, to better meet user needs and to address reporting entity issues that have arisen since those Statements were issued in 1991 and 1999, respectively.
- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements issued December 2010. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to enhance the usefulness of its Codification by incorporating guidance the previously could only be found in certain Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued June 2011. The provisions of this Statement are effective for periods beginning after December 15, 2011. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transaction will continue to impact a government's financial statements in the future.
- GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.
- GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62, issued March 2012. The provisions of this Statement are effective for periods beginning after December 15, 2012. The objective of this Statements is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, issued June 2012. The provisions of this Statement are effective for periods beginning after June 15, 2014. This Statement is intended to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

Management has not yet determined the impact these GASB Statements will have on the University's financial statements and disclosures.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain 2011 items have been reclassified to conform to the 2012 presentation. Reclassifications had no impact on the change in net assets or total net assets.

NOTE 3 - DEPOSITS AND INVESTMENTS

The University invests in those instruments identified by state statute. Specifically, authorized investment instruments consist of obligations of the U. S. Treasury, agencies and instrumentalities of the U. S. Government, bonds and other obligations of the State of Ohio and its political subdivisions, collateralized certificates of deposit, and the State Treasury Asset Reserve of Ohio ("STAR Ohio"), which is managed by the State of Ohio. The University also has investment management agreements with the Common Fund and Mellon, as permitted by state statute. The agreements allow (within statute limits) investment in both debt and equity instruments.

Deposits

Custodial credit risk: At June 30, 2012, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$4,210, deposits held by trustee, and investments) was \$2,785,763 and the bank balance was \$3,365,881. The difference in the carrying amount and bank balance primarily results from outstanding checks. At June 30, 2011, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$4,543, deposits held by trustee, and investments) was \$5,323,193 and the bank balance was \$6,024,902. Under the Dodd-Frank Act, noninterest-bearing checking accounts have unlimited deposit insurance through December 31, 2012.

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, 2012, the University had the following investments and maturities using the segmented time distribution method:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
Bond Mutual Funds	\$ 6,403,495	\$ -	\$ 1,284,794	\$ 5,118,701
Money Market Funds	348,967	287,331	61,636	-
STAR Ohio Funds	<u>4,036,754</u>	<u>4,036,754</u>	-	-
	\$ 10,789,216	\$ <u>4,324,085</u>	\$ <u>1,346,430</u>	\$ <u>5,118,701</u>
Equities and Equity Funds	<u>6,729,645</u>			
	\$ <u>17,518,861</u>			

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2011, the University had the following investments and maturities using the segmented time distribution method:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
Bond Mutual Funds	\$ 5,766,242	\$ -	\$ 2,550,882	\$ 3,215,360
Money Market Funds	365,918	304,980	60,938	-
STAR Ohio Funds	<u>3,435,044</u>	<u>3,435,044</u>	<u>-</u>	<u>-</u>
	9,567,204	<u>\$ 3,740,024</u>	<u>\$ 2,611,820</u>	<u>\$ 3,215,360</u>
Equities and Equity Funds	<u>7,324,300</u>			
	<u>\$ 16,891,504</u>			

Investments at June 30, 2012 and 2011 are shown in the statement of net assets as current in the amount of \$247,538 and \$265,187, respectively, and as non-current in the amount of \$17,271,323 and \$16,626,317, 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, 2012 and 2011 the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Rating</u>	<u>2012 Fair Value</u>	<u>2011 Fair Value</u>
Bond Funds	AA	\$ 4,993,657	\$ 5,766,242
	A	1,158,251	
	BBB	61,646	
	BB	63,398	
	B	126,543	
Money Market Funds	AA	287,331	304,980
	A	61,636	60,938
STAR Ohio Funds	AAA	<u>4,036,754</u>	<u>3,435,044</u>
		<u>\$10,789,216</u>	<u>\$ 9,567,204</u>

(Continued)

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% of the total investment portfolio.

NOTE 4 - STATE SUPPORT

The University is a state-assisted institution of higher education which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the Ohio Board of Regents, adjusted to State resources available.

In addition to the student subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the University's campus. The funding for the construction of facilities is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Ohio Board of Regents turns over control to the University. The University capitalizes the costs of these facilities as construction is completed and funded by the Ohio Public Facilities Commission.

Neither the obligation for the revenue bonds issued by the Ohio Public Facilities Commission or the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. These are currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly.

The University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available for this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the 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 assets. In addition, appropriations by the General Assembly to the Ohio Board of Regents 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 received appropriations from the State to fund capital improvements. The costs, both direct and indirect, are subject to examination and approval by the State of Ohio.

NOTE 5 - 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. During fiscal year 2012, the University maintained comprehensive insurance coverage with a private carrier for real property, building contents, and motor vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 5 - RISK MANAGEMENT (Continued)

Coverage provided by this company is as follows:

Real and personal property (\$100,000 deductible)	\$ 181,343,320
Automobile liability (\$100,000 deductible)	1,000,000*
Uninsured motorists (\$100,000 deductible)	1,000,000*
Employee benefits liability (Aggregate)	1,000,000*
General liability per occurrence (\$100,000 deductible)	1,000,000*

* \$50,000,000 excess over general liability and auto liability and \$30,000,000 excess over employer's liability.

The University has a fully insured health care plan. No significant change occurred in employee health care coverage in 2012 or 2011.

Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The University pays all administrative and appointed officials' bonds by statute.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage from last year.

NOTE 6 - 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 7 - RETIREMENT PLANS

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the Ohio Public Employees Retirement Systems ("OPERS") and the State Teachers Retirement System of Ohio ("STRS Ohio"). STRS Ohio and OPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits for plan members.

Ohio Public Employees Retirement System (OPERS): Employees (except for teaching faculty) participate in OPERS, a cost-sharing multiple-employer public employee retirement system operated by the State. OPERS provides retirement and disability benefits, access to health care benefits based on eligible years of service to members and beneficiaries, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The three plans OPERS administers are the Traditional Pension Plan, Member-Directed Plan and Combine Plan. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% and the employer contribution rate is 14%. The University's contributions to OPERS for the years ending June 30, 2012, 2011, and 2010 were \$1,517,417, \$1,489,653, and \$1,429,771, respectively, which are equal to the required contributions for each year.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 7 - RETIREMENT PLANS (Continued)

State Teachers Retirement System of Ohio (STRS Ohio): The University participates in STRS Ohio, a cost-sharing multiple employer public employee retirement system that is funded on a pay-as-you-go basis and administered by the State Teachers Retirement Board. STRS Ohio provides basic retirement benefits, disability, survivor, and access to health care benefits based on eligible service credit to members and beneficiaries. STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Plan members are required to contribute 10% of their annual covered salary and the University is required to contribute 14%. The University's contribution for pension obligations to STRS Ohio for the fiscal years ending June 30, 2012, 2011, and 2010 was \$1,737,157, \$1,712,283, and \$1,599,343, respectively. All required contributions have been made for the three fiscal years.

Alternative Retirement Plan (ARP): All newly hired full time administrative employees, classified support staff, and faculty are eligible to choose an Alternative Retirement Plan ("ARP") rather than the STRS Ohio or OPERS. Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the University.

Effective July 1, 2004, an employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. The University contributes 14%. For the period July 1, 2011 through June 30, 2012, 10.5% of this amount was paid into the member's ARP account. The remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities. The employee receives no benefits from STRS Ohio for the 3.5% contributed by the employer.

An OPERS eligible employee contributes 10% of their earned income to their ARP account. The University contributes 14%. Effective January 2008, 13.23% of the University's contribution is paid into the member's ARP account. The remaining amount of .77% is paid to OPERS, a mitigating contribution implemented to offset the negative financial impact realized by OPERS by offering retirement plan options, such as an ARP. This mitigating rate is provided for by law, but the actual percentage is determined by the OPERS Retirement Board, upon the advice and counsel of the Retirement Board's Actuary, in conjunction with the Director of Finance.

As of June 30, 2012, there are approximately 53 active participants in an ARP. The University's contribution for employees enrolled in ARP accounts for fiscal year 2012, 2011, and 2010 was \$478,606, \$444,341, and \$443,708, respectively.

(Continued)

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

State Teachers Retirement System (STRS Ohio): STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio Law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of the covered payroll was allocated to post-employment health care for 2012, 2011, and 2010. The portion of the University's 2012, 2011, and 2010 contributions to STRS Ohio used to fund post-employment benefits was \$124,083, \$122,305, and \$114,239, respectively.

NOTE 9 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees and administrators earn ten to twenty-five 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 earn 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.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the University's long-term obligations during fiscal year 2012 were as follows:

	<u>Principal Outstanding July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2012</u>	<u>Amounts Due in One Year</u>
2007 General Receipts Bonds, Series 2007	\$ 16,505,000	\$ -	\$ 535,000	\$ 15,970,000	\$ 560,000
Compensated Absences	<u>1,961,517</u>	<u>425,956</u>	<u>215,671</u>	<u>2,171,802</u>	<u>217,180</u>
Total Long-Term Liabilities	<u>\$ 18,466,517</u>	<u>\$ 425,956</u>	<u>\$ 750,671</u>	<u>\$ 18,141,802</u>	<u>\$ 777,180</u>

The changes in the University's long-term obligations during fiscal year 2011 were as follows:

	<u>Principal Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding June 30, 2011</u>	<u>Amounts Due in One Year</u>
2007 General Receipts Bonds, Series 2007	\$ 17,015,000	\$ -	\$ 510,000	\$ 16,505,000	\$ 535,000
Compensated Absences	<u>1,894,224</u>	<u>239,109</u>	<u>171,817</u>	<u>1,961,517</u>	<u>196,152</u>
Total Long-Term Liabilities	<u>\$ 18,909,224</u>	<u>\$ 239,109</u>	<u>\$ 681,817</u>	<u>\$ 18,466,517</u>	<u>\$ 731,152</u>

On June 5, 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% to 5.0%. The Series 2007 Bonds were issued for the purpose of paying the costs to renovate and construct a new addition to its University Center and for refunding the outstanding Series A and Series B Bonds.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

The interest expense for fiscal years 2012 and 2011 was \$765,334 and \$788,791, respectively.

Principal and interest amounts due within each of the next five years and thereafter on the Series 2007 bond obligations outstanding at June 30, 2012 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 560,000	\$ 761,800	\$ 1,321,800
2014	575,000	739,400	1,314,400
2015	470,000	716,400	1,186,400
2016	490,000	697,600	1,187,600
2017	500,000	678,000	1,178,000
2018 – 2022	2,875,000	3,053,000	5,928,000
2023 – 2027	3,640,000	2,278,750	5,918,750
2028 – 2032	4,655,000	1,272,500	5,927,500
2033 – 2034	<u>2,205,000</u>	<u>166,750</u>	<u>2,371,750</u>
Total	<u>\$ 15,970,000</u>	<u>\$ 10,364,200</u>	<u>\$ 26,334,200</u>

NOTE 11 - LEASES

The University's operating leases consist of real property and movable equipment. Total expenditures during 2012 and 2011 under operating leases amounted to approximately \$309,200 and \$329,400, respectively.

The operating leases expire in fiscal year 2013. Minimum lease payments of \$48,500 will occur in fiscal year 2013.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 12 - CAPITAL ASSETS

Capital Assets activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>07/01/2011</u>	<u>Reclass</u> <u>and</u> <u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/2012</u>
Capital assets, not being depreciated				
Land	\$ 7,934,297	\$ 69,073	\$ -	\$ 8,003,370
Land improvements	6,928,632	-	-	6,928,632
Library books	4,596,607	50,871	(39,514)	4,607,964
Construction in progress	<u>55,434</u>	<u>405,859</u>	<u>(11,381)</u>	<u>449,912</u>
Total capital assets, not being depreciated	<u>19,514,970</u>	<u>525,803</u>	<u>(50,895)</u>	<u>19,989,878</u>
Capital assets being depreciated				
Buildings and improvements	96,227,416	942,876	-	97,170,292
Equipment	<u>12,426,643</u>	<u>975,564</u>	<u>(180,797)</u>	<u>13,221,410</u>
Total capital assets, being depreciated	<u>108,654,059</u>	<u>1,918,440</u>	<u>(180,797)</u>	<u>110,391,702</u>
Less accumulated depreciation				
Buildings and improvements	(29,907,691)	(2,603,385)	-	(32,511,076)
Equipment	<u>(8,751,950)</u>	<u>(957,811)</u>	<u>144,423</u>	<u>(9,565,338)</u>
Total accumulated depreciation	<u>(38,659,641)</u>	<u>(3,561,196)</u>	<u>144,423</u>	<u>(42,076,414)</u>
Total capital assets, being depreciated, net	<u>69,994,418</u>	<u>(1,642,756)</u>	<u>(36,374)</u>	<u>68,315,288</u>
Capital assets, net	<u>\$ 89,509,388</u>	<u>\$ (1,116,953)</u>	<u>\$ (87,269)</u>	<u>\$ 88,305,166</u>

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 12 - CAPITAL ASSETS (Continued)

Capital Asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance <u>07/01/2010</u>	Reclass and <u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/2011</u>
Capital assets, not being depreciated				
Land	\$ 7,934,297	\$ -	\$ -	\$ 7,934,297
Land improvements	6,928,632	-	-	6,928,632
Library books	4,593,108	62,409	(58,910)	4,596,607
Construction in progress	<u>18,295,376</u>	<u>13,167</u>	<u>(18,253,109)</u>	<u>55,434</u>
Total capital assets, not being depreciated	<u>37,751,413</u>	<u>75,576</u>	<u>(18,312,019)</u>	<u>19,514,970</u>
Capital assets being depreciated				
Buildings and improvements	74,480,223	21,747,193	-	96,227,416
Equipment	<u>11,499,007</u>	<u>1,028,972</u>	<u>(101,336)</u>	<u>12,426,643</u>
Total capital assets, being depreciated	<u>85,979,230</u>	<u>22,776,165</u>	<u>(101,336)</u>	<u>108,654,059</u>
Less accumulated depreciation				
Buildings and improvements	(27,767,829)	(2,139,862)	-	(29,907,691)
Equipment	<u>(7,890,890)</u>	<u>(958,988)</u>	<u>97,928</u>	<u>(8,751,950)</u>
Total accumulated depreciation	<u>(35,658,719)</u>	<u>(3,098,850)</u>	<u>97,928</u>	<u>(38,659,641)</u>
Total capital assets, being depreciated, net	<u>50,320,511</u>	<u>19,677,315</u>	<u>(3,408)</u>	<u>69,994,418</u>
Capital assets, net	<u>\$ 88,071,924</u>	<u>\$ 19,752,891</u>	<u>\$ (18,315,427)</u>	<u>\$ 89,509,388</u>

NOTE 13 - 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 material adverse effect on the overall financial statements of the University at June 30, 2012.

The University is not currently a party to any legal actions.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 14 - COMPONENT UNIT DISCLOSURE

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.

Temporarily restricted net assets represent funds, which are restricted for a specific purpose determined by the donor. Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified. Temporarily and permanently restricted net assets at June 30, 2012 and 2011 are restricted primarily for scholarships, University programs, and capital improvements.

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

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, 2012 and 2011, by classification is as follows:

	<u>2012</u>	<u>2011</u>
U.S. Treasury & agency obligations	\$ 1,159,563	\$ 1,367,146
Bond mutual funds	1,466,357	1,534,549
Stock mutual funds	2,646,241	2,749,453
Common stocks	6,727,429	6,756,254
Corporate bond issues	<u>769,045</u>	<u>797,959</u>
	<u>\$ 12,768,635</u>	<u>\$ 13,205,361</u>

During the year ended June 30, 2012 and 2011 the Foundation made distributions of \$1,001,941 and \$652,212 to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Shawnee State University Development Foundation, Inc. at 940 Second Street, Portsmouth, Ohio, 45662.

SUPPLEMENTARY INFORMATION

SHAWNEE STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass through Entity identifying <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 116,155
Federal Work-Study Program	84.033		144,514
Academic Competitiveness Grants	84.375		180
Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		658
Federal Pell Grant Program	84.063		11,652,523
Federal Direct Loan Program	84.268		29,529,331
Teacher Education Assistance for College & Higher Education Grants (TEACH)	84.379		186,146
Total Student Financial Aid Cluster			<u>41,629,507</u>
TRIO Cluster:			
Student Support Services	84.042A		281,567
Talent Search	84.044A		23,661
Upward Bound	84.047A		327,634
Educational Opportunity Centers	84.066A		296,634
Upward Bound Math Science	84.047M		243,338
Total TRIO Cluster			<u>1,172,834</u>
<i>Passed through Ohio Department of Education</i>			
Twenty-first Century – After School Malls Career and Technical Education, Basic Grants to States - We Are STEM	84.287	063321-T1S1	726,658
Dual Credentialing Math Grant	84.048	3L9G-PSL-WS-12-13	6,419
	84.378A		<u>25,918</u>
Total Department of Education			<u>758,995</u>
<i>Passed through Ohio Board of Regents</i>			
ARRA - Race to the Top	84.395A	315 979	<u>56,548</u>
Total U.S. Department of Education			<u>43,617,884</u>
<u>Small Business Administration</u>			
Research and Development Immersive Technology	59.UNK		<u>25,543</u>

(Continued)

SHAWNEE STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Entity identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through Ohio Department of Education</i> Child and Adult Care Food Program	10.558	16-CU, 21-CU, 21- FU	7,359
<u>National Science Foundation</u>			
NOYCE Scholarship	47.049		5,000
<u>National Endowment for the Humanities</u>			
Music Honors Academy	45.024		3,723
<u>Pass-through the Ohio Emergency Management Agency</u>			
FEMA - Community Disaster Loans	97.030	FEMA-4002- DR-145-001D4	73,839
<u>Pass-through the US Department of Justice</u>			
Bulletproof Vest Partnership	16.607		2,359
<u>Pass-through the Appalachian Regional Commission</u>			
Appalachian Teaching Project	23.011	220011-18	4,000
<u>U.S Department of Veterans Affairs</u>			
Disabled Veterans Scholarship	64.UNK		97,670
Post-9/11 Veterans Educational Assistance	64.028		405,530
Total U.S. Department of Veterans Affairs			503,200
Total Federal Expenditures			\$ 44,242,907

See accompanying notes to the Schedule of Federal Awards.

SHAWNEE STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying Schedule of Federal Awards Expenditures (the Schedule) includes the federal grant transactions of Shawnee State University recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

The University is the sub-recipient of federal funds which have been subject to testing and are reported as expenditures "passed through" from other entities on the Schedule.

NOTE 2 - FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For fiscal year 2012, the University received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study and Federal Supplemental Educational Opportunity Grant programs.

NOTE 3 - FEDERAL DIRECT LOAN PROGRAM

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

REPORT OF INDEPENDENT AUDITORS 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*

(Continued)

Columbus, Ohio
October 12, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

(Continued)

Columbus, Ohio
October 12, 2012

SHAWNEE STATE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2012

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weaknesses?

	Yes	<u> X </u>	None reported
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Noncompliance material to financial statements noted?

	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?

	Yes	<u> X </u>	No
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Significant deficiencies identified not considered to be material weakness(es)?

	Yes	<u> X </u>	None reported
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Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?

	Yes	<u> X </u>	None reported
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(Continued)

SHAWNEE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

PART I: SUMMARY OF AUDITORS' RESULTS (Continued)

<u>Name of Major Programs Identified</u>	<u>CFDA Number(s)</u>	
Student Financial Aid Cluster:		
Federal Pell Grant Program	84.063	
Federal Work-Study Program	84.033	
Federal Supplemental Educational Opportunity Grant	84.007	
Federal Direct Loan Program	84.268	
Academic Competitiveness Grant	84.375	
National Science and Mathematics Access Retain Talent Grant to Retain Talent Grant (SMART)	84.376	
Teacher Education Assistance for College & Higher Education Grants (TEACH)	84.379	
Trio Cluster:		
Student Support Services	84.042A	
Talent Search	84.044A	
Upward Bound	84.047A	
Education Opportunity Centers	84.066A	
Upward Bound Math Science	84.047M	
Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>300,000</u>	
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

There were no findings.

PART III: FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

There were no findings.

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

Finding 2011-01

Federal Program Information: Pell Grant Program, CFDA #84.063

Condition: In our sample of 25 students, we noted three students were not awarded Pell according to the criteria above. Two students were under-awarded a total of \$1,888 and one student was over-awarded a total of \$50. Management performed a full file exam and noted a total of 55 exceptions, which have since been corrected.

Status: Corrected, no instances noted in current year testing.

(Continued)

SHAWNEE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

PART IV: SUMMARY OF PRIOR YEAR FINDINGS (Continued)

Finding 2011-02

Federal Program Information: Federal Direct Loan Program, CFDA #84.268

Condition: We noted one student in our sample of 25 was over-awarded a Federal Direct Loan in the amount of \$204. Management performed a full file review and noted an additional 28 over-awards as well as 16 required reallocations from subsidized loans to unsubsidized loans. One allocation from unsubsidized to subsidized was also identified. These exceptions have since been corrected.

Status: Corrected, no instances noted in current year testing.

Finding 2011-03

Federal Program Information: Student Support Service, CFDA #84.042

Condition: A new Student Support Services Contract began September 1, 2010. The new contract reduced the amount of wages and benefits allocable to the program for the secretarial position from 100% to 62.5%. This change was not implemented and \$28,336.25 in unallowable wages, benefits and related indirect costs were charged to the grant.

Status: Corrected, no instances noted in current year testing.