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, 2023

AND JUNE 30, 2022

OHIO AUDITOR OF STATE
KEITH FABER

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Board of Trustees
Shawnee State University
940 2nd Street
Portsmouth, Ohio 45662

We have reviewed the *Independent Auditor's Report* of the Shawnee State University, Scioto County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2022 through June 30, 2023. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

November 08, 2023

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Independent Auditor's Report

To the Board of Trustees
Shawnee State University

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of Shawnee State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Shawnee State University as of June 30, 2023 and 2022 and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2023, the University adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To the Board of Trustees
Shawnee State University

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

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 is the responsibility of management and, 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.

To the Board of Trustees
Shawnee State University

Supplementary Information

Our audits were conducted for the purpose of forming opinions 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* (the "Uniform Guidance"), is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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 12, 2023 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 solely 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 effectiveness of Shawnee State University's 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 12, 2023

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, 2023. 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 reflect only information related to the University.

Financial Highlights

Key financial highlights for 2023 are as follows:

- Total net position decreased $986,483. The decrease is primarily due to a $2,693,005 decrease in operating student tuition and fees revenue and a decrease of $1,533,812 in federal grants and contracts revenue. The $1,069,867 decrease in operating expenses mainly consisted of a $5,237,672 decrease in student service expenses, an increase of $2,240,945 in institutional support expenses, and a $2,238,950 increase in depreciation expenses.

- Total assets and deferred outflows of resources increased $854,143 mainly due to the decrease of $4,929,054 in accounts receivable and an increase of $5,616,092 in the deferred portion of the GASB Statement No. 68 pension and No. 75 OPEB expense adjustment.

- The $18,299,604 increase in total liabilities was primarily due to a $19,260,035 increase in net pension liability related to GASB Statement No. 68.

- Total deferred inflows of resources decrease of $16,458,978 is primarily due to the $14,335,443 decrease in deferred pension costs and the $2,227,055 decrease in deferred OPEB cost related to GASB Statement No. 68 and Statement No. 75, respectively.

- Total revenue decreased $11,369,200 from 2022 to 2023 compared with an increase of $3,810,565 from 2021 to 2022. The decrease was primarily due to a $9,204,364 decrease in nonoperating grant revenue, a decrease of $2,693,005 in student tuition and fees net of scholarship allowance discount, and an increase of $1,421,445 in investment income.

- Total expenses decreased $1,103,342 in 2023 due to a decrease of $740,916 in operating expenses. The 2023 decrease in operating expenses consisted of a $5,237,672 decrease in student services expenses, a $2,240,945 increase in institutional support expenses, a $2,238,950 increase in depreciation expenses, and a $1,715,138 increase in instruction and departmental research expenditures.

- Operating revenue decreased by $3,199,270 primarily due to a $2,693,005 decrease in Tuition, fees, and other student charges.

- Nonoperating revenue decreased $7,011,134 as a result of a $9,204,364 decrease 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 $1,421,445 increase in investment income.

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.

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 2023?" 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, 2023, 2022, and 2021 are presented below:

	2023	2022, As Restated	2021
Assets			
Current assets	$ 12,546,804	$ 13,910,514	$ 12,703,603
Capital assets - Net	80,310,116	83,625,808	82,497,076
Other noncurrent assets	13,947,012	14,029,559	12,051,410
Total assets	106,803,932	111,565,881	107,252,089
Deferred Outflows of Resources	12,436,399	6,820,307	5,292,893
Liabilities			
Current liabilities	7,086,366	8,322,116	6,884,658
Noncurrent liabilities	55,861,371	36,326,017	50,780,762
Total liabilities	62,947,737	44,648,133	57,665,420
Deferred Inflows of Resources	6,590,281	23,049,259	13,470,141
Net Position			
Net investment in capital assets	62,967,975	65,378,140	63,094,859
Restricted, expendable	243,986	243,986	248,621
Unrestricted	(13,509,648)	(14,933,330)	(21,934,059)
Total net position	**$ 49,702,313**	**$ 50,688,796**	**$ 41,409,421**

The total assets of the University decreased $4,761,949 in 2023 and increased $4,313,792 in 2022. Current assets decreased $1,363,711 in 2023 following a $1,206,911 increase in 2022. A decrease of $4,929,054 in accounts receivables and a $3,569,915 increase in cash and cash equivalents were the largest components of the 2023 decrease in current assets. Noncurrent assets (excluding capital assets) decreased $82,547 in 2023 and increased $1,978,149 in 2022. The 2023 decrease and the 2022 increase are due to the GASB 96 adjustments.

The decreased expenditures for capital construction projects initiated in 2023 were below the 2023 depreciation expense amount which resulted in a decrease of $3,315,692 in net capital assets for 2023. The depreciation expense increased $2,238,950 due to adjustments made to buildings placed in service, see note 6 for more information. The increased number of capital construction projects initiated in 2022 resulted in an increase of $1,128,732 in net capital assets for 2022.

The $18,299,604 increase in 2023 and the $13,017,287 decrease in 2022 to total liabilities was primarily due to a $19,260,035 increase in 2023 and a $14,682,358 decrease in 2022 to the net pension liability.

These liability increases in 2023 were 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, 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 14 to the financial statements for further details. The remainder of the increase in 2023 and the decrease in 2022 total liabilities was attributable to a $1,043,155 and $1,010,323 reduction in long-term debt, respectively.

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, 2023, 2022, and 2021 are as follows:

	2023	2022, As Restated	2021
Operating revenue:			
Tuition, fees, and other student charges	$ 17,020,436	$ 19,713,441	$ 18,019,100
Grants and contracts	5,761,687	6,336,795	4,037,961
Sales and services	1,795,524	1,525,595	1,076,413
Miscellaneous income	782,596	983,684	741,935
Nonoperating revenue:			
Other grants	11,142,013	20,346,377	22,614,684
Investment income (loss)	619,882	(801,563)	612,212
Gain on disposal of capital assets	-	-	95,235
State appropriations	19,221,054	18,449,269	17,604,579
Capital appropriations	1,352,528	2,511,324	452,238
Total revenue	57,695,720	69,064,922	65,254,357
Operating expenses:			
Instruction and research	15,741,693	14,026,555	16,539,770
Public service	5,038,978	6,200,165	3,265,080
Academic support	2,039,681	1,718,214	1,368,340
Student services	3,337,790	8,575,462	6,467,306
Institutional support	10,502,408	8,261,463	8,422,387
Operation and maintenance of plant	3,935,770	3,514,998	2,413,010
Scholarships and fellowships	4,729,488	6,327,757	5,063,845
Depreciation and amortization expense	6,287,696	4,048,746	3,577,857
Auxiliary enterprises	6,529,151	6,539,164	4,427,643
Nonoperating expense:			
Interest on capital debt	539,548	573,023	605,178
Total expenses	58,682,203	59,785,547	52,150,416
(Decrease) increase in net position	**$ (986,483)**	**$ 9,279,375**	**$ 13,103,941**

Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reasoning, 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 implemented 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 is adjusted for that year's incoming freshman class. The Fall 2022 incoming freshman class tuition and fee rate was $4,671. Based on state regulations or University policy, rates charged for continuing in-state and all out-of-state student tuition and fees increased 3.0 percent during 2023. The Fall 2023 incoming freshman class tuition rate is $4,811. There was no change to the tuition and fee rate charges to graduate students during 2023.

The University's 2023 revenue from student tuition and fees has decreased to $17,020,436 from $19,713,441 in 2022 following an increase from $18,019,100 in 2021 due to corresponding enrollment level and tuition rate changes over these years. Tuition and fees represent 29.5 percent of the University's total revenue in 2023, 28.5 percent in 2022 and 27.6 percent in 2021. The University's 2023 operating grants and contracts revenue decreased 9.1 percent to $5,761,689 from $6,336,795 in 2022 following an increase of 56.9 percent from $4,037,961 in 2021 due to the level of new federal and state operating grants, specifically the Higher Education Emergency Relief Fund (HEERF). The University continues initiatives to identify and obtain new grant funding.

Operating expenses decreased $1,069,867 in 2023. In 2023, public service expenditures decreased $1,161,187, and student services expenditures decreased $5,237,672 related to HEERF expenditures. In 2022, the University utilized the available HEERF Institutional award funding to assist with the increased costs related to the return of on-campus instruction and operation. Operating expenses in 2022 increased $7,667,286 due to expenditures related to addressing increased prices related to COVID 19 challenges. In 2023, pension and OPEB related operating expenses decreased $5,837,315 compared to 2022. Scholarship and fellowship expenses decreased $1,598,268 in 2023 following an increase in 2022 of $1,293,912 due to corresponding changes in enrollment for those years. The 2022 increase in operating expenses is partially a $2,108,156 increase in student services, an increase of $2,935,085 in public service expenses, and a $2,513,215 decrease in instruction and departmental research.

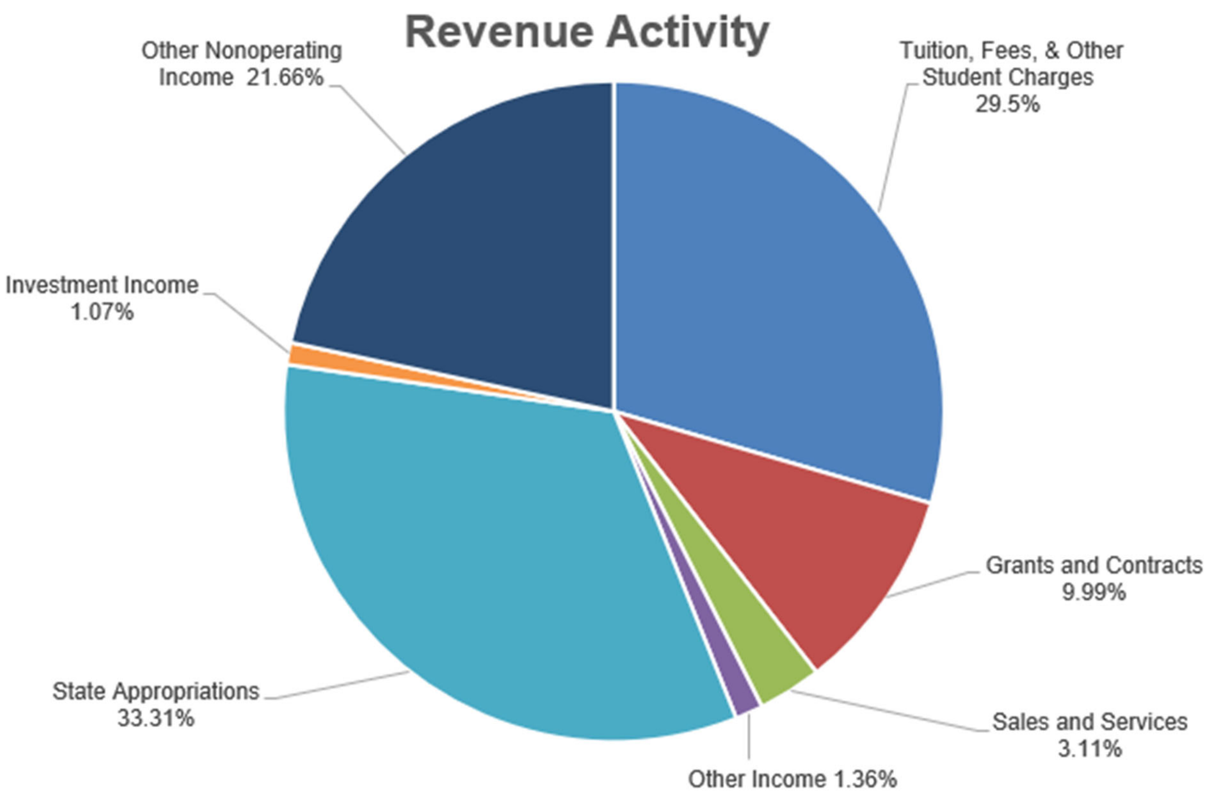
State appropriations represent 33.3 percent of the University's total revenue in 2023, 26.7 percent in 2022, and 26.9 percent in 2021. These percentages illustrate that tuition and fee revenue are not sufficient to cover operational expenses. The University has considerable dependency upon a predictable and relatively stable level of state appropriation funding.

During 2023, investment income/(loss) amounted to $619,882 as compared to ($801,563) during 2022 and $612,212 during 2021. This increase in investment income is the result of the impact of the general market increase for all investment segments and rising interest rates during 2023.

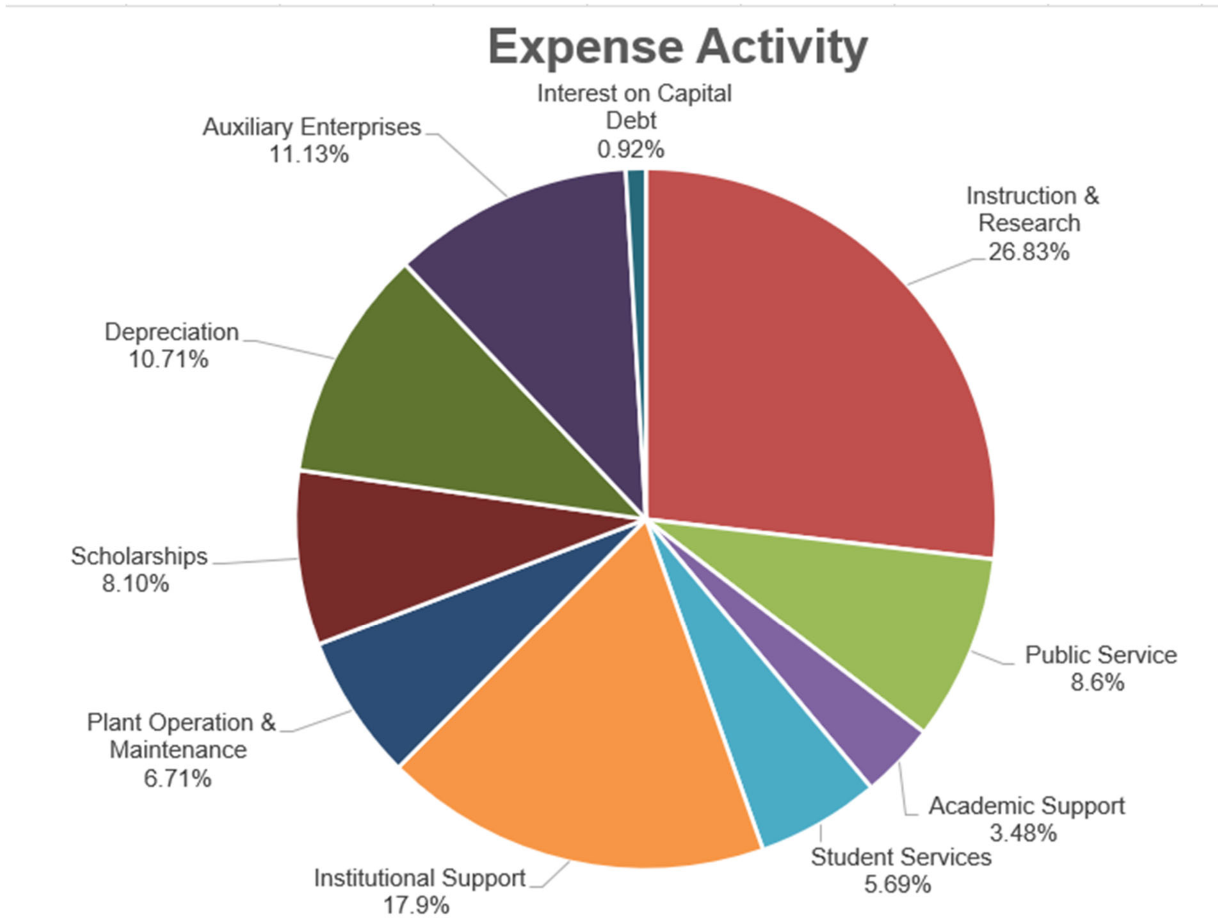
Pell Grants, HEERF grants, and certain other grants are considered nonexchange transactions and are reflected as nonoperating revenue. The $7,364,473 federal grants portion of nonoperating other grants and contract revenue experienced a 56.8 percent decrease in 2023 after experiencing a 7.7 percent decrease from $18,440,500 in 2021 to $17,025,774 in 2022. The 2023 decrease is due to the HEERF money being received in 2022. The 2022 decrease is primarily due to the one-time receipt of CRF programs awarded in 2021. In 2022, the University recorded revenue of $9,765,521 in HEERF funds. Income from federal aid programs such as Pell, SEOG, and Veteran's Benefits amounted to $7.4 million (excluding Covid-19 funding) in 2023, as compared with $6.9 million in 2022, and $6.5 million in 2021. Nonoperating grants revenue represents 19.3 percent of the University's total revenue in 2023, down from 29.5 percent in 2022, and down from 34.7 percent in 2021.

The capital appropriations revenue decreased to $1,352,528 in 2023, from $2,511,324 in 2022, as work on state capital projects finished in 2023. The increase to $2,511,324 in 2022 from $452,238 in 2021, reflects the increased state capital funding received to initiate new capital projects during 2022. Some projects that were completed in 2023 include the ATC roof, the university parking lot and the Kricker Hub.

The following graph illustrates Shawnee State University's revenue activity for the fiscal year ended June 30, 2023.



The following graph illustrates Shawnee State University's expense activity for the fiscal year ended June 30, 2023.



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, 2023. A comparison of cash sources and uses during fiscal years 2023, 2022, and 2021 is presented below:

	2023	2022, As Restated	2021
Cash (Used in) Provided By			
Operating activities	$ (27,662,668)	$ (34,788,792)	$ (33,716,829)
Noncapital financing activities	34,356,408	37,992,792	36,050,717
Capital and related financing activities	(3,174,939)	(4,209,532)	(2,096,492)
Investment activities	51,113	45,255	774,136
Net increase (decrease) in cash and cash equivalents	3,569,915	(960,277)	1,011,532
Cash and Cash Equivalents			
Beginning of the year	1,494,949	2,455,226	1,443,694
End of the year	**$ 5,064,864**	**$ 1,494,949**	**$ 2,455,226**

The $3,569,915 increase in Cash and Cash Equivalents in 2023 is a result of increased cash inflows during the year attributable to an increase in state appropriations and private gifts, grants and contracts, as well as a decrease in payments to suppliers for goods and services and a decrease in tuition, fees and other student charges. Cash and cash equivalents decreased by $960,277 in 2022 as a result of the reduction in COVID-19 related grant funding from 2021 in addition to the increase in expenditures due to rising goods and services prices, utility costs, and expenditures due to the transition to on-campus activities.

Capital Assets and Debt Administration

At the end of fiscal year 2023, the University held $80,310,116 in net capital assets. This reflects a decrease of $3,315,692 in net capital assets from 2022. The depreciation expense increased $2,238,950 due to adjustments made to buildings placed in service, see note 6 for more information. The decrease was due to the decreased number of buildings and improvements during 2023. The 2023 construction projects funded by state capital appropriations or federal operating grants include such projects as the Library HVAC renovation, University parking lot renovation and the Kricker Innovation Hub renovation project.

Capital assets - Net of depreciation at June 30:

	2023	2022	2021
Land	$ 8,003,370	$ 8,003,370	$ 8,003,370
Land improvements	8,625,822	8,471,607	6,928,631
Buildings and improvements	58,779,180	62,273,378	65,054,745
Equipment	2,233,822	2,210,234	1,775,017
Library books	26,662	91,166	111,282
Construction in progress	2,641,260	2,576,053	624,031
Totals	**$ 80,310,116**	**$ 83,625,808**	**$ 82,497,076**

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.

The University recorded an increase of $2,045,152 in subscription liability as a result of implementation of GASB Statement No. 96, *Subscription-Based IT Arrangements (SBITAs)* in 2022. The decrease of $770,551 to subscription liability balance in 2023 was due to the scheduled SBITA payment.

Outstanding debt at year end:

	2023	2022	2021
Unamortized bond premium	$ 437,616	$ 477,939	$ 515,555
General revenue bonds payable - 2% to 4%	16,090,000	17,060,000	18,005,000
Total long-term debt	**$ 16,527,616**	**$ 17,537,939**	**$ 18,520,555**

Current Financial Issues and Concerns

Shawnee State University's operations continued to return to their pre-pandemic levels during 2023. The uncertainties and disruptions of the pandemic directly impacted the size of the incoming fall classes and other returning students in recent years and resulted in rates below historical trends. To compensate for the reduced enrollment levels, operations were limited during the fiscal year. With Covid-19 protocols lifting, the University anticipates a return to stronger financial performance in the coming fiscal year.

Enrollment, Tuition and Fees

Shawnee State saw an increase of nearly 20% in new degree-seeking undergraduates and graduate enrollment for the fall 2022 semester. Continuing undergraduate enrollment, which held stable during the first year of the pandemic, was impacted noticeably by the previous year's smaller entering class and lower retention rates, decreasing by 9%. Graduate students persisted at a higher rate than undergraduates but still experienced a 7% decrease over fall 2021. The net impact of these enrollment levels was a 1.2% decrease in total degree-seeking enrollment for the fall 2022 semester.

While enrollment continued to be challenged in 2023, there are positive indicators of a rebound for future entering classes. In-person recruitment activities resumed, and enrollments increased in the college credit plus program. The University is also launching a new Master of Business Administration in fall 2023. These are all key enrollment revenue streams and a proven pipeline for future enrollment.

State Funding

Shawnee State University relies on support from the State of Ohio to meet its educational mission and serve disadvantaged students in the region. The University's state subsidy has two components: State Share of Instruction (SSI), which is allocated to public institutions through a performance-based funding formula; and a line-item appropriation, the Shawnee State Supplement, which enables the University to maintain lower undergraduate tuition and fund scholarships that increase access for Appalachian Ohioans and other historically underrepresented groups. Total state support increased by 4.2% ($771,785) from 2022 to 2023, 4.8% ($844,690) from 2021 to 2022 and 3.3% ($564,470) from 2020 to 2021. The State of Ohio continues to support the University's mission with substantial increases to the Shawnee State Supplement. In the State of Ohio biennial budget bill passed in July 2023 for fiscal years 2024 and 2025, the University will receive $9,000,000 each year in Shawnee State Supplement support. This new appropriation amount represents an increase of 66.4% ($3,590,750) each fiscal year from the previous Shawnee State Supplement appropriation amount.

Expenses

Total expenses decreased in 2023 due to several factors. As students, faculty, and staff returned fully to campus, and on-site activities and events resumed, several expense categories such as instruction and departmental research, academic support, and institutional support expenditures increased accordingly. Expenses associated with the operation and maintenance of plant increased because of capital improvements, expanded building utilization, and escalating energy costs. Other expense categories such as public service and student services experienced reduced 2023 spending levels as a result of a reduced HEERF related expenses during previous fiscal years. Scholarship expense was impacted by an increase to scholarship allowance associated with more student borrowing as a result of fewer HEERF student financial aid awards during 2023.

Cash, Cash Equivalents and Investments

In response to the enrollment challenges noted earlier, Shawnee State University instituted new initiatives and cost containment measures in recent years to address actual and planned fiscal needs. As a result of these measures, the level of University's cash and investment balances experienced significant increases in 2023. The total of cash, cash equivalents and investments increased 43.6% from 2022 ($9,400,799) to 2023 ($13,501,729).

Statement of Net Position
University

	Year Ended June 30	
	2023	2022, As restated
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 5,064,864	$ 1,494,949
Receivables:		
Accounts - Net of allowance for doubtful accounts of $1,319,018 in 2023 and $1,670,381 in 2022	6,847,166	11,776,220
Notes receivable	196,750	155,385
Interest receivable	23,447	14,421
Inventory	11,498	20,329
Prepaid items	403,079	449,210
Total current assets	12,546,804	13,910,514
Noncurrent Assets		
Investments	8,436,865	7,905,850
Net OPEB asset	3,893,946	3,666,946
Right-of-use-asset - net	1,616,201	2,456,763
Capital assets - Net	80,310,116	83,625,808
Total noncurrent assets	94,257,128	97,655,367
Total assets	106,803,932	111,565,881
Deferred Outflows of Resources		
Pension costs	11,193,084	6,634,418
OPEB costs	1,243,315	185,889
Total deferred outflows of resources	12,436,399	6,820,307
Total Assets and Deferred Outflows of Resources	**$ 119,240,331**	**$ 118,386,188**

Statement of Net Position (Continued)
University

	Year Ended June 30	
	2023	2022, As restated
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	$ 830,361	$ 1,821,243
Accrued wages and benefits	2,614,881	2,552,918
Compensated absences payable	186,425	184,714
Long-term debt	1,043,155	1,010,323
Accrued interest payable	47,069	49,569
Unearned revenue	1,391,351	1,759,657
Lease liability	73,178	70,906
Subscription liability	800,463	770,552
Deposits held by and due to others	99,483	102,234
Total current liabilities	7,086,366	8,322,116
Noncurrent Liabilities		
Compensated absences payable	1,679,534	1,662,423
Net pension liability	35,631,089	16,371,054
Net OPEB liability	2,175,004	-
Lease liability	417,145	490,324
Subscription liability	474,138	1,274,600
Long-term debt	15,484,461	16,527,616
Total noncurrent liabilities	55,861,371	36,326,017
Total liabilities	62,947,737	44,648,133
Deferred Inflows of Resources		
Service concession agreements	483,152	347,597
Pension costs	3,716,855	18,052,298
OPEB costs	2,037,908	4,264,963
Bond refunding	352,366	384,401
Total deferred inflows of resources	6,590,281	23,049,259
Net Position		
Net investment in capital assets	62,967,975	65,378,140
Restricted:		
Expendable		
Loans	212,906	212,907
Other	31,079	31,079
Unrestricted	(13,509,648)	(14,933,330)
Total net position	49,702,313	50,688,796
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 119,240,331**	**$ 118,386,188**

	June 30 2023	June 30 2022
Assets		
Cash and cash equivalents	$ 2,005,258	$ 1,461,089
Investments	19,850,997	18,372,375
Contributions receivable - Net	1,388,572	390,831
Lease receivable from related party	13,330	15,499
Grant receivable	6,137	196,147
Beneficial interest in trusts held by others	143,258	789,640
Cash surrender value of life insurance	242,616	242,334
Other assets	64,847	66,782
Net property and equipment	12,426,999	11,767,586
Total assets	**$ 36,142,014**	**$ 33,302,283**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 28,029	$ 7,656
Amount due to primary government	178,111	$ -
Accrued real estate tax	44,952	35,114
Grant payable	6,137	196,147
Other payable	500	500
Deposits held and due to others	4,101	4,101
Annuity payment liability	325,179	390,977
Note payable	2,941,552	3,145,291
Total liabilities	3,528,561	3,779,786
Net Assets		
Without donor restrictions	9,051,326	7,966,837
With donor restrictions	23,562,127	21,555,660
Total net assets	32,613,453	29,522,497
Total liabilities and net assets	**$ 36,142,014**	**$ 33,302,283**

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

	Year Ended June 30	
	2023	2022, As restated
Operating Revenue		
Student tuition and fees (net of scholarship allowances of $11,327,796 in 2023 and $7,870,320 in 2022)	$ 17,020,436	$ 19,713,441
Federal grants and contracts	3,301,358	4,835,170
State grants and contracts	1,010,225	856,564
Local grants and contracts	576,825	510,875
Private gifts, grants, and contracts	873,280	134,186
Sales and services	1,795,524	1,525,595
Miscellaneous	782,596	983,684
Total operating revenue	25,360,244	28,559,515
Operating Expenses		
Education and general:		
Instruction and departmental research	15,741,693	14,026,555
Public service	5,038,978	6,200,165
Academic support	2,039,681	1,718,214
Student services	3,337,790	8,575,462
Institutional support	10,502,408	8,261,463
Operation and maintenance of plant	3,935,770	3,514,998
Scholarships and fellowships	4,729,489	6,327,757
Depreciation and amortization expense	6,287,696	4,048,746
Auxiliary enterprises	6,529,152	6,539,164
Total operating expenses	58,142,657	59,212,524
Operating Loss	(32,782,412)	(30,653,009)
Nonoperating Revenue (Expenses)		
State appropriations	19,221,054	18,449,269
Federal, state, and local grants and contracts	10,148,016	20,136,898
Private grants and contracts	993,997	209,479
Investment income (loss)	619,882	(801,563)
Gain on disposal of capital assets	-	-
Interest on capital asset-related debt	(539,548)	(573,023)
Net nonoperating revenue	30,443,400	37,421,060
Change in Net Position Before Capital Appropriations	(2,339,012)	6,768,051
Other Revenue - Capital appropriations	1,352,528	2,511,324
Increase (decrease) in Net Position	(986,483)	9,279,375
Net Position - Beginning of year	50,688,796	41,409,421
Net Position - End of year	$ **49,702,313**	$ **50,688,796**

Statement of Activities
Development Foundation
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	$ 487,066	$ 1,048,354	$ 1,535,420
Contribution of nonfinancial assets	-	19,024	19,024
Investment income - Net	227,485	1,854,748	2,082,233
Change in value of split-interest agreements	-	425,953	425,953
Federal grant revenue	-	1,069,269	1,069,269
Other income	3,915	24,955	28,870
Rental income	407,381	-	407,381
Net assets released from restrictions	2,435,836	(2,435,836)	-
Total revenue and other support	3,561,683	2,006,467	5,568,150
Expenses			
Program services:			
Scholarships and other student aid	501,514	-	501,514
Institutional support	1,142,192	-	1,142,192
Total program services	1,643,706	-	1,643,706
Management and general expenses	213,993	-	213,993
Rental activities	467,229	-	467,229
Fundraising	152,266	-	152,266
Total expenses	2,477,194	-	2,477,194
Change in Net Assets	1,084,489	2,006,467	3,090,956
Net Assets - Beginning of year	7,966,837	21,555,660	29,522,497
Net Assets - End of year	**$ 9,051,326**	**$ 23,562,127**	**$ 32,613,453**

Statement of Activities (Continued)
Development Foundation
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Contributions	$ 113,890	$ 842,780	$ 956,670
Contribution of nonfinancial assets	543	27,024	27,567
Investment income - Net	(349,668)	(2,718,722)	(3,068,390)
Change in value of split-interest agreements	-	(150,708)	(150,708)
Federal grant revenue	-	2,616,754	2,616,754
Other income	439	560	999
Rental income	407,381	-	407,381
Net assets released from restrictions	1,540,418	(1,540,418)	-
Total revenue and other support	1,713,003	(922,730)	790,273
Expenses			
Program services:			
Scholarships and other student aid	379,155	-	379,155
Institutional support	1,026,350	-	1,026,350
Total program services	1,405,505	-	1,405,505
Management and general expenses	159,693	-	159,693
Rental activities	489,304	-	489,304
Fundraising	86,447	-	86,447
Total expenses	2,140,949	-	2,140,949
Change in Net Assets	(427,946)	(922,730)	(1,350,676)
Net Assets - Beginning of year	8,394,783	22,478,390	30,873,173
Net Assets - End of year	**$ 7,966,837**	**$ 21,555,660**	**$ 29,522,497**

Statement of Cash Flows
University

	Year Ended June 30	
	2023	2022, As Restated
Cash Flows from Operating Activities		
Cash received from tuition, fees, and other student charges	$ 16,671,721	$ 19,296,668
Cash received from federal direct student loan receipts	11,155,406	10,956,162
Cash received from gifts, grants, and contracts	6,555,041	5,907,055
Cash received from sales and services	1,652,360	1,503,949
Cash received from miscellaneous services	918,151	843,674
Cash payments to suppliers for goods and services	(15,095,469)	(22,925,816)
Cash payments to employees for services	(25,289,269)	(24,415,953)
Cash payments for employee benefits	(8,626,281)	(8,595,320)
Cash payments for scholarships and fellowships	(4,729,489)	(6,328,033)
Cash payments for federal direct student loan disbursements	(10,874,839)	(11,031,178)
Net cash used in operating activities	(27,662,668)	(34,788,792)
Cash Flows from Noncapital Financing Activities		
State appropriations	19,221,054	18,449,269
Nonexchange gifts, grants, and contracts	15,143,994	19,536,464
Net deposits held by and due to others transactions	(8,640)	7,059
Net cash provided by noncapital financing activities	34,356,408	37,992,792
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	1,329,252	2,463,055
Payments for capital acquisitions	(2,082,104)	(4,386,046)
Principal payments on debts and leases	(1,811,459)	(1,645,357)
Interest payments on debts and leases	(610,627)	(641,184)
Net cash used in capital and related financing activities	(3,174,938)	(4,209,532)
Cash Flows from Investing Activities		
Interest on investments	155,175	293,742
Proceeds for sales and maturities of investments	3,918,495	3,943,501
Purchases of securities	(4,022,557)	(4,191,988)
Net cash provided by investing activities	51,113	45,255
Net Change in Cash and Cash Equivalents	3,569,915	(960,277)
Cash and Cash Equivalents - Beginning of year	1,494,949	2,455,226
Cash and Cash Equivalents - End of year	**$ 5,064,864**	**$ 1,494,949**

	Year Ended June 30	
	2023	2022, As Restated
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (32,782,412)	$ (30,653,009)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	6,287,696	4,048,746
Changes in operating assets and liabilities and deferred outflows of resources and deferred inflows of resources which provided (used) cash:		
Accounts receivable	446,413	(851,960)
Direct loans receivable	280,567	(75,016)
Notes receivable	(41,365)	(31,699)
Prepaid items	42,355	(146,632)
Inventory	8,830	(13,071)
Accounts payable	(1,020,048)	374,378
Accrued wages and benefits	61,963	146,589
Compensated absences payable	18,822	38,045
Unearned revenue	5,062	(139,886)
Net OPEB asset	(227,000)	(1,026,666)
Net pension liability	19,260,035	(14,682,358)
Net OPEB liability	2,175,004	-
Deferred outflows of resources - Net pension expense	(4,558,666)	(2,031,190)
Deferred outflows of resources - Net OPEB pension expense	(1,057,426)	503,776
Deferred inflows of resources - Net pension expense	(14,335,443)	11,271,556
Deferred inflows of resources - Net OPEB expense	(2,227,055)	(1,520,395)
Net cash used in operating activities	**$ (27,662,668)**	**$ (34,788,792)**

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.

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, 2023 and 2022, 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

With the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* effective for reporting periods beginning after December 15, 2019, Shawnee State University's policy is to not 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. The University's financial statements were not impacted by the implementation of GASB Statement No. 89.

Leased assets and subscription-based IT arrangements (SBITA's) are amortized in a systematic and rational manner over the shorter of the term or the useful life of the underlying asset. The amortized asset is reported as an outflow of resources which is combined with depreciation expense related to other capital assets for financial reporting purposes.

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 procedures.

Unearned Revenue - Unearned revenue is predominantly made up of two categories of income. The first consists of receipts relating to tuition and student

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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 14.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 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 14. 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, lease assets, and subscription assets reduced by the outstanding balances of debt, including liability 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

Note 2 - Summary of Significant Accounting Policies (Continued)

considered unrelated business income and may be taxable under Code Sections 511 through 513.

Self-Insurance - The University is self-insured through a consortium 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements - The University recognizes a PPP receivable and a deferred inflow of resources in the government-wide and fund financial statements. At the commencement of a PPP, the University initially measures the PPP receivable at the present value of payments expected to be received during the term. Subsequently, the PPP receivable is reduced by the principal portion of PPP payments received. The deferred inflow of resources is initially measured as the initial amount of the PPP receivable, adjusted for PPP payments received at or before the commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the term. The University recorded deferred inflows of resources of $483,152 and $347,597 at June 30, 2023 and 2022, respectively. The projects included in this are the Dining Hall, Coffee House, Chilacas, and the Concession Stand. The University monitors changes in circumstances that would require a remeasurement of its PPPs and will remeasure the PPP receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the PPP receivable.

Subscription-Based Information Technology Arrangements - The University obtains the right to use vendors' information technology software through various long-term contracts. The University recognizes a subscription liability and an intangible right-of-use subscription asset in the applicable governmental or business-type activities column in the government-wide financial statements. The University recognizes subscription assets and liabilities with an initial value of $100,000 or more. At the commencement of a subscription, the University initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the University determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term. The University uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the University generally uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancelable period of the subscription. The University monitors changes in circumstances that would require a remeasurement of its subscriptions and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the

Note 2 - Summary of Significant Accounting Policies (Continued)

amount of the subscription liability.

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, 2023, the GASB issued the following statement implemented by the University:

- **Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements** – During the current year, the University adopted GASB Statement No. 94, *Public-Private and Public-Public Partnership Arrangements.*

- **Subscription-Based Information Technology Arrangements –** During the current year, the University adopted GASB Statement No. 96, *Subscription Based Information Technology Arrangements* (SBITA). SBITA activity is further described in Note 10. The financial statements for the year ended June 30, 2022 have been restated in order to adopt GASB Statement No. 96.

Note 2 - Summary of Significant Accounting Policies (Continued)

The effect of GASB Statement No. 96 on June 30, 2022 net position was as follows:

	Previously Reported in FY22	Change	Adjusted Balance for FY22
Statement of Net Position			
Assets and Deferred Outflows of Resources:			
Lease right of use asset	$ 544,541	$ 1,912,222	$ 2,456,763
Total noncurrent assets	95,743,145	1,912,222	97,655,367
Total assets	109,653,659	1,912,222	111,565,881
Total Assets and Deferred Outflows of Resources	116,473,966	1,912,222	118,386,188
Liabilities, Deferred Inflows of Resources, and Net Posiiton:			
Subscription Liability	-	770,552	770,552
Total Current Liabilities	7,551,564	770,552	8,322,116
Subscription Liability	-	1,274,600	1,274,600
Total noncurrent liabilities	35,051,417	1,274,600	36,326,017
Total Liabilities	42,602,981	2,045,152	44,648,133
Unrestricted	(14,800,400)	(132,930)	(14,933,330)
Total Net Position	50,821,726	(132,930)	50,688,796
Total Liabilities, Deferred Inflows of Resources, and Net Position	116,473,966	1,912,222	118,386,188
Statement of Revenue, Expenses, and Changes in Net Position			
Operating Expenses			
Institutional Support	8,893,115	(631,652)	8,261,463
Depreciation and amortization expense	3,284,164	764,582	4,048,746
Total operating expenses	59,079,594	132,930	59,212,524
Operating Loss	(30,520,079)	(132,930)	(30,653,009)
Change in Net Position Before Capital Appropriations	6,900,981	(132,930)	6,768,051
Increase in Net Position	9,412,305	(132,930)	9,279,375
Net Position-End of year	50,821,726	(132,930)	50,688,796

Note 2 - Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows University	Previously Reported in FY22	Change	Adjusted Balance for FY22
Cash Flows from Operating Activities			
Cash payments to suppliers for goods and services	$ (23,557,468)	$ 631,652	$ (22,925,816)
Net cash used in operating activities	(35,420,444)	631,652	(34,788,792)
Cash Flows from Capital and Related Financing Activities			
Principal payments	(1,013,705)	(631,652)	(1,645,357)
Net cash used in capital and related financing activities	(3,577,880)	(631,652)	(4,209,532)
Reconciliation of Operating Loss to Net Cash from Operating Activities:			
Operating Loss	(30,520,079)	(132,930)	(30,653,009)
Depreciation and amortization expense	(3,284,164)	(764,582)	(4,048,746)
Net cash used in operating activities	(35,420,444)	631,652	(34,788,792)

Upcoming Accounting Pronouncements - As of June 30, 2023, the GASB has issued the following statements not yet implemented by the University:

- **Compensated Absences –** In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2025.

Subsequent Events – Shawnee State University (the "University") on August 14, 2023, issued information offering a plan to its eligible employees under which a qualifying employee, in consideration for voluntary relinquishment of employment by January 1, 2024, under the terms provided may receive a cash payment(s) or other incentives. This Plan is not a retirement program and is not intended to provide retirement income. This Plan is intended to qualify as a severance pay plan as defined under Code Section 457(e)(11) and as a "window program" under Code Section 409A and Treasury Regulation Section 1.457-11(d)(3).

Note 3 - Deposits and Investments

Deposits - At June 30, 2023, 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 $5,062,733 and the bank balance was $5,381,923. 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, 2022, 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 $1,492,818 and the bank balance was $1,724,399.

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, 2023, the University had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Value	<1	1-5	More than 5
U.S. govt. and agency bonds	$ 1,979,804	$ 152,691	$ 1,075,801	$ 751,312
Corporate bonds and notes	1,177,787	-	648,493	529,294
Fixed-income mutual funds	1,028,786	1,028,786	-	-
Money market funds	427,525	427,525	-	-
STAR Ohio funds	203,642	203,642	-	-
Total	4,817,544	$ 1,812,644	$ 1,724,294	$ 1,280,607
Equities and equity funds	3,619,321			
Total	$ 8,436,865			

Note 3 - Deposits and Investments (Continued)

As of June 30, 2022, the University had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Value	<1	1-5	More than 5
U.S. govt. and agency bonds	$ 1,395,933	$ -	$ 1,233,674	$ 162,259
Corporate bonds and notes	1,773,644	1,845	1,402,218	369,581
Fixed-income mutual funds	1,290,954	1,290,954	-	-
Money market funds	255,578	255,578	-	-
STAR Ohio funds	195,839	195,839	-	-
Total	4,911,948	$ 1,744,216	$ 2,635,892	$ 531,840
Equities and equity funds	2,993,902			
Total	$ 7,905,850			

Investments at June 30, 2023, and 2022, are shown in the statement of net position as noncurrent assets in the amount of $8,436,865 and $7,905,850, 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.

Note 3 - Deposits and Investments (Continued)

As of June 30, 2023, and 2022, the University had the following investments and quality ratings:

Investment Type	Rating	2023 Fair Value	2022 Fair Value
U.S. govt. and agency bonds	AAA	1,930,352	$ 1,317,934
	AA+	49,452	77,999
Corporate bonds and notes	AAA	-	154,638
	AA	333,957	244,300
	A	561,899	810,542
	BBB	281,931	564,164
Fixed-income mutual funds	AAA	1,028,786	1,290,954
Money market funds	AAA	427,525	255,578
STAR Ohio funds	AAA	203,642	195,839
		$ 4,817,544	$ 4,911,948

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.

Note 4 - Fair Value Measurements (Continued)

In instances whereby 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, 2023:

	Balance at June 30, 2023	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	$ 427,525	$ 427,525	$ -	$ -
Total money market	427,525	427,525	-	-
Debt securities:				
U.S. govt. and agency bonds	1,979,804	1,979,804	-	-
Corporate bonds and notes	1,177,787	-	1,177,787	-
Total debt securities	3,157,591	1,979,804	1,177,787	-
Mutual funds:				
Fixed-income mutual funds	1,028,786	1,028,786	-	-
Equity mutual funds	3,619,321	3,619,321	-	-
Total mutual funds	4,648,107	4,648,107	-	-
Total investments by fair value level	$ 8,233,223	$ 7,055,436	$ 1,177,787	$ -

Note 4 - Fair Value Measurements (Continued)

The University has the following assets with recurring fair value measurements as of June 30, 2022:

	Balance at June 30, 2022	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	$ 255,578	$ 255,578	$ -	$ -
Total money market	255,578	255,578	-	-
Debt securities:				
U.S. govt. and agency bonds	1,395,933	1,395,933	-	-
Corporate bonds and notes	1,773,644	-	1,773,644	-
Total debt securities	3,169,577	1,395,933	1,773,644	-
Mutual funds:				
Fixed-income mutual funds	1,290,954	1,290,954	-	-
Equity mutual funds	2,993,902	2,993,902	-	-
Total mutual funds	4,284,856	4,284,856	-	-
Total investments by fair value level	$ 7,710,011	$ 5,936,367	$ 1,773,644	$ -

Short-term investment and investments on the statement of net position at June 30, 2023 and 2022, include investments in STAR Ohio of $203,642 and $195,839, 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, 2023, and 2022, is summarized as follows:

	2023	2022
Student tuition and fees	$ 3,798,517	$ 4,121,577
Grants and contracts	4,076,092	9,214,426
Other	291,575	110,598
Total accounts receivable	8,166,184	13,446,601
Less allowance for doubtful accounts	(1,319,018)	(1,670,381)
Accounts receivable - Net	$ 6,847,166	$ 11,776,220

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Reclass and Additions	Reductions	Balance June 30, 2023
Capital assets not being depreciated:				
Land	$ 8,003,370	$ -	$ -	$ 8,003,370
Land improvements	8,471,607	154,215	-	8,625,822
Construction in progress	2,576,053	1,422,124	(1,356,917)	2,641,260
Total capital assets not being depreciated	19,051,030	1,576,339	(1,356,917)	19,270,452
Capital assets being depreciated:				
Buildings and improvements	123,658,127	1,322,827	(35,506)	124,945,448
Equipment	16,868,514	615,871	(86,774)	17,397,611
Library books	3,997,882	8,827	(41,556)	3,965,153
Total capital assets being depreciated	144,524,523	1,947,526	(163,836)	146,308,213
Less accumulated depreciation:				
Buildings and improvements	(61,384,749)	(6,066,551)	1,285,031	(66,166,269)
Equipment	(14,658,280)	(592,283)	86,774	(15,163,789)
Library books	(3,906,716)	(73,331)	41,556	(3,938,491)
Total accumulated depreciation	(79,949,745)	(6,732,165)	1,413,361	(85,268,549)
Total capital assets being depreciated - Net	64,574,778	(4,784,639)	1,249,525	61,039,664
Capital assets - Net	$ 83,625,808	$ (3,208,300)	$ (107,392)	$ 80,310,116

As of June 30, 2023, the total of outstanding commitments for Capital Projects funded by the State of Ohio was $382,008.

Depreciation and amortization expense increased by $2,238,950 primarily due to an adjustment within the depreciation calculation for buildings placed in service in 2021 ($550,909) and 2022 ($547,356). The University has updated the calculations for applicable existing buildings and has recorded depreciation expense adjustment through 2023 depreciation and amortization expense.

Note 6 - Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Balance July 1, 2021	Reclass and Additions	Reductions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	$ 8,003,370	$ -	$ -	$ 8,003,370
Land improvements	6,928,631	1,542,976	-	8,471,607
Construction in progress	624,031	2,463,246	(511,224)	2,576,053
Total capital assets not being depreciated	15,556,032	4,006,222	(511,224)	19,051,030
Capital assets being depreciated:				
Buildings and improvements	123,586,432	71,695	-	123,658,127
Equipment	16,376,202	757,233	(264,921)	16,868,514
Library books	3,985,606	12,987	(711)	3,997,882
Total capital assets being depreciated	143,948,240	841,915	(265,632)	144,524,523
Less accumulated depreciation:				
Buildings and improvements	(58,531,687)	(3,118,694)	265,632	(61,384,749)
Equipment	(14,601,185)	(57,095)	-	(14,658,280)
Library books	(3,874,324)	(32,392)	-	(3,906,716)
Total accumulated depreciation	(77,007,196)	(3,208,181)	265,632	(79,949,745)
Total capital assets being depreciated - Net	66,941,044	(2,366,266)	-	64,574,778
Capital assets - Net	$ 82,497,076	$ 1,639,956	$ (511,224)	$ 83,625,808

As of June 30, 2022, the total of outstanding commitments for Capital Projects funded by the State of Ohio was $1,367,154.

Note 7 - Compensated Absences

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

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

Note 8 - Long-term Obligations

The changes in the University's long-term obligations during fiscal year 2023 were as follows:

	Principal Outstanding July 1, 2022	Additions	Deductions	Principal Outstanding June 30, 2023	Current Portion
General Receipt Bonds, Series 2016	$ 17,060,000	$ -	$ 970,000	$ 16,090,000	$ 1,000,000
Unamortized bond premium	477,939	-	40,323	437,616	43,155
Sub total long-term debt	17,537,939	-	1,010,323	16,527,616	1,043,155
Compensated absences	1,847,137	261,828	243,006	1,865,959	186,425
Leases	561,230	-	70,907	490,323	73,178
Subscriptions	2,045,152	-	770,551	1,274,601	800,463
Total long-term liabilities	$ 21,991,458	$ 261,828	$ 2,094,786	$ 20,158,500	$ 2,103,221

Note 8 - Long-term Obligations (Continued)

The changes in the University's long-term obligations during fiscal year 2022 were as follows:

	Principal Outstanding July 1, 2021	Additions	Deductions	Principal Outstanding June 30, 2022	Current Portion
General Receipt Bonds, Series 2016	$ 18,005,000	$ -	$ 945,000	$ 17,060,000	$ 970,000
Unamortized bond premium	515,555	-	37,616	477,939	40,323
Sub total long-term debt	18,520,555	-	982,616	17,537,939	1,010,323
Compensated absences	1,809,092	221,549	183,504	1,847,137	184,714
Leases	629,935		68,705	561,230	70,906
Subscriptions	2,676,804	-	631,652	2,045,152	770,552
Total long-term liabilities	$ 23,636,386	$ 221,549	$ 1,866,477	$ 21,991,458	$ 2,036,495

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.

The interest expense for the bonds in fiscal years 2023 and 2022 was $522,845 and $554,118, respectively.

Note 8 - Long-term Obligations (Continued)

Principal and interest amount due within each of the next five years and thereafter on the Series 2016 bond obligations outstanding at June 30, 2023 are as follows:

Years Ending June 30	Principal	Interest	Total
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	1,080,000	480,075	1,560,075
2028	1,120,000	439,575	1,559,575
2029-2033	6,395,000	1,440,225	7,835,225
2034-2038	3,050,000	489,950	3,539,950
2039-2041	1,380,000	97,650	1,477,650
Total	$ 16,090,000	$ 4,579,000	$ 20,669,000

Note 9 – Leases

The University leases certain assets from a third party. The assets leased include two buildings located at 945 and 1001 Fourth Street, Portsmouth, Ohio 45662. The Shawnee State University Development Foundation is the lessor. The lease is set to expire in fiscal year 2029 and has a discount rate of 3.16 percent. Payments are fixed annually at approximately $88,000 per year.

Lease asset activity of the University was as follows for June 30, 2023:

	Beginning Balance July 1, 2022	Additions	Deductions	Ending Balance June 30, 2023
Leased Asset Class				
Building	$ 696,505	$ -	$ -	$ 696,505
Accumulated Amortization				
Building	$ (151,964)	$ -	$ (75,982)	$ (227,946)
Net Book Value of Leased Assets	$ 544,541	$ -	$ (75,982)	$ 468,559

Note 9 – Leases

Lease asset activity of the University was as follows for June 30, 2022:

	Beginning Balance July 1, 2021	Additions	Deductions	Ending Balance June 30, 2022
Leased Asset Class				
Building	$ 696,505	$ -	$ -	$ 696,505
Accumulated Amortization				
Building	$ (75,983)	$ -	$ (75,981)	$ (151,964)
Net Book Value of Leased Assets	$ 620,522	$ -	$ (75,981)	$ 544,541

Future principal and interest payment requirements related to the University's lease liability are as follows:

Years Ending June 30	Principal	Interest	Total
2024	$ 73,178	$ 14,431	$ 87,609
2025	75,522	12,087	87,609
2026	77,943	9,667	87,610
2027	80,440	7,169	87,609
2028	83,018	4,592	87,610
2029-2030	100,222	1,989	102,211
Total	$ 490,323	$ 49,935	$ 540,258

The capital interest expense for the leases in fiscal years 2023 and 2022 was $16,703 and $18,905, respectively.

Note 10 – Subscription-based Information Technology Agreements

The University obtains the right to use vendors' information technology software through various long-term contracts. Payments are generally fixed monthly, with certain variable payments not included in the measurement of the liability required based on university needs and demand. The subscriptions have a discount rate of 3.16 percent.

Subscription asset activity of the University was as follows for June 30, 2023:

	Beginning Balance July 1, 2022	Additions	Deductions	Ending Balance June 30, 2023
Subscription-based IT Assets	$2,676,804	$ -	$ -	$ 2,676,804
Accumulated Amortization	$ (764,582)	$ -	$ (764,580)	$ (1,529,162)
Net Book Value of Subscription-based IT Assets	$1,912,222	$ -	$ (764,580)	$ 1,147,642

Subscription asset activity of the University was as follows for June 30, 2022:

	Beginning Balance July 1, 2021	Additions	Deductions	Ending Balance June 30, 2022
Subscription-based IT Assets	$2,676,804	$ -	$ -	$ 2,676,804
Accumulated Amortization	$ -	$ -	$ (764,582)	$ (764,582)
Net Book Value of Subscription-based IT Assets	$2,676,804	$ -	$ (764,582)	$ 1,912,222

Note 10 – Subscription-based Information Technology Agreements (Continued)

Future principal and interest payment requirements related to the University's subscription liability at June 30, 2023 are as follows:

Years Ending June 30	Principal	Interest	Total
2024	$ 800,463	$ 16,876	$ 817,339
2025	311,354	5,890	$ 317,244
2026	162,784	692	$ 163,477
Total	$ 1,274,601	$ 23,459	$ 1,298,059

The capital interest expense for subscriptions in fiscal years 2023 and 2022 was $41,730 and $65,364, respectively.

Note 11 - 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, 2023.

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.

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 State of Ohio awarded an additional $700,000 as matching funds to Shawnee State University. The funding was utilized for the renovations of the Shawnee State University Kricker Innovation Hub. The University is the lead recipient on

Note 11 – Contingencies (Continued)

the project and facilitated the administration of the award. The construction Notes to Financial Statements was completed by March 2023. The Foundation holds title to the property on which the renovations occurred.

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 12 - State Support

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

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

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

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

Note 12 - State Support (Continued)

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 13 - 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 14 - 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 14 – 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' 2023 and 2022 employer and member contribution rates on covered payroll to each system are:

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

Note 14 – Retirement Plans (Continued)

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

	For the years ended 6/30			
	2023		2022	
	Pension	OPEB	Pension	OPEB
STRS	$ 1,518,542	$ -	$ 1,466,922	$ -
OPERS	1,404,959	-	1,346,929	-
Total	$ 2,923,500	$ -	$ 2,813,851	$ -

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.

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.

Note 14 – Retirement Plans (Continued)

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 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.

Note 14 – Retirement Plans (Continued)

Net Pension Liability, Deferrals, and Pension Expense – At June 30, 2023 and 2022, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2023, the net pension liability was measured as of June 30, 2022 for STRS, and December 31, 2022 for the OPERS plan. For June 30, 2022, the net pension liability was measured as of June 30, 2021 for STRS, and December 31, 2021 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 2023	Net Pension Liability 2022	Proportionate Share 2023	Proportionate Share 2022	Percent Change 2023	Percent Change 2022
STRS	June 30	$ 17,891,165	$ 11,261,080	0.08048%	0.08807%	-8.62%	-4.59%
OPERS	December 31	17,739,924	5,109,974	0.06029%	0.06013%	0.26%	1.13%
Total		$ 35,631,089	$ 16,371,054				

For the years ended June 30, 2023 and 2022, the University recognized pension expense (recovery) of $365,926 and $(5,441,992) respectively. At June 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 829,963	$ (78,499)	$ 619,609	$ 198,452
Changes of assumptions	2,333,978	(1,611,584)	3,784,278	-
Net difference between projected and actual earnings on pension plan investments	5,726,037	-	-	15,953,880
Changes in proportion and differences between university contributions and proportionate share of contributions	112,200	(2,011,813)	127,161	1,899,966
University contributions subsequent to the measurement date	2,175,945	-	2,103,370	-
Total	$ 11,178,123	$ (3,701,896)	$ 6,634,418	$ 18,052,298

Note 14 – Retirement Plans (Continued)

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

Year Ending June 30	Amount
2024	$ (76,729)
2025	607,499
2026	450,525
2027	4,314,675
2028	1,273
Thereafter	3,039
	$ 5,300,282

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, 2023, the University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/OPERS. For June 30, 2023, the net OPEB liability/(asset) was measured as of June 30, 2022 for STRS, and December 31, 2022 for the OPERS plan. For June 30, 2022, the net OPEB liability/(asset) was measured as of June 30, 2021 for STRS, and December 31, 2021 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, 2021 and 2020, 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, 2022 and 2021, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS' calculation of the employers'

Note 14 – Retirement Plans (Continued)

proportionate share is based on total contributions to the plan for both pension and OPEB.

For plan years ending December 31, 2022 and 2021, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS 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) 2023	Net OPEB Liability/(Asset) 2022	Proportionate Share 2023	Proportionate Share 2022	Percent Change 2023	Percent Change 2022
STRS	June 30	$ (2,084,000)	$ (1,857,000)	0.08048%	0.08807%	-8.62%	-4.59%
OPERS	December 31	365,058	(1,809,946)	0.05790%	0.06013%	-3.71%	5.20%
Total		$ (1,718,942)	$ (3,666,946)				

For the years ended June 30, 2023 and 2022, the University recognized OPEB (recovery) of $(1,336,477) and $(2,043,285), respectively. At June 30, 2023 and 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 30,000	$ 404,060	$ 66,000	$ 614,541
Changes of assumptions	445,560	1,507,340	119,000	1,840,646
Net difference between projected and actual earnings on OPEB investments	761,018	-	-	1,377,855
Changes in proportion and differences between university contributions and proportionate share of contributions	6,737	126,508	889	431,921
University contributions subsequent to the measurement date	-	-	-	-
Total	$ 1,243,315	$ 2,037,908	$ 185,889	$ 4,264,963

Note 14 – Retirement Plans (Continued)

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

Year Ending June 30	Amount
2024	$ (400,763)
2025	(280,021)
2026	(4,836)
2027	257,861
2028	(121,293)
Thereafter	(245,539)
	$ (794,557)

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 14 – Retirement Plans (Continued)

	STRS	OPERS
Valuation date - Pension	June 30, 2022	December 31, 2022
Valuation date - OPEB	June 30, 2022	December 31, 2021
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.05 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 8.50 percent	2.75 percent -10.75 percent
Inflation	2.50 percent	2.75 percent
Investment rate of return - Pension	7.00 percent, net of investment expense, including inflation	6.90 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.00 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	-68.78 percent to 9.00 percent initial 4 percent ultimate	5.50 percent initial, 3.50 percent ultimate in 2036
Experience study date	Period of 5 years ended June 30, 2021	Period of 5 years ended December 31, 2020
Mortality basis	Post-Retirement: Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020 Pre-Retirement: Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020 Post-Retirement Disabled: Pub-2010 Teachers Disabled Annuitant Table projecged forward generationally using mortality improvement scale MP-2020	Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Note 14 – Retirement Plans (Continued)

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

	STRS	OPERS
Valuation date - Pension	June 30, 2021	December 31, 2021
Valuation date - OPEB	June 30, 2021	December 31, 2020
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.05 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	2.75 percent -10.75 percent
Inflation	2.50 percent	2.75 percent
Investment rate of return - Pension	7.00 percent, net of investment expense, including inflation	6.90 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.00 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	16.2 percent to 30.0 percent initial 4 percent ultimate	5.50 percent initial, 3.50 percent ultimate in 2034
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2020
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.	Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

Note 14 – Retirement Plans (Continued)

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 7.0 percent for the plan years ending June 30, 2022 and 2021. The discount rates used to measure the total pension liability for OPERS were 6.9 percent for the plan years ended December 31, 2022 and 2021, respectively.

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 rates used to measure the total OPEB assets was 7.00 percent for the plan years ended June 30, 2022 and 2021. At June 30, 2022 and 2021, 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 asset.

OPERS – OPEB Discount Rate: The discount rates used to measure the total OPEB liabilities/(assets) was 5.22 percent and 6.00 percent for the plan years ended December 31, 2022 and 2021, respectively. At June 30, 2022 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 (6.00 percent) for the funded benefit payments and Fidelity Index's 20-Year Municipal GO AA Index of 4.05 percent as of December 31, 2022. At December 31, 2021, 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

Note 14 – Retirement Plans (Continued)

was applied to all periods of projected benefit payments to determine the total OPEB liability as of December 31, 2021.

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 6/30/22		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	26.00%	6.60%
International equity	22.00%	6.80%
Alternatives	19.00%	7.38%
Fixed income	22.00%	1.75%
Real estate	10.00%	5.75%
Liquidity reserves	1.00%	1.00%
Total	100.00%	

OPERS - as of 12/31/22	Pension Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	22.00%	2.62%	34.00%	2.56%
Domestic equities	22.00%	4.60%	26.00%	4.60%
Real estate	13.00%	3.27%	0.00%	0.00%
Private equity	15.00%	7.53%	0.00%	0.00%
International equity	21.00%	5.51%	25.00%	5.51%
Risk Parity	2.00%	4.37%	2.00%	4.37%
REITs	0.00%	0.00%	7.00%	4.70%
Other Investments	5.00%	3.27%	6.00%	1.84%
Total	100.00%		100.00%	

STRS - as of 6/30/21		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	28.00%	7.35%
International equity	23.00%	7.55%
Alternatives	17.00%	7.09%
Fixed income	21.00%	3.00%
Real estate	10.00%	6.00%
Liquidity reserves	1.00%	2.25%
Total	100.00%	

OPERS - as of 12/31/21	Pension Portfolio		Health Care Portfolio	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	24.00%	1.32%	34.00%	1.07%
Domestic equities	21.00%	5.64%	25.00%	5.64%
Real estate	11.00%	5.39%	0.00%	0.00%
Private equity	12.00%	10.42%	0.00%	0.00%
International equity	23.00%	7.36%	25.00%	7.36%
Risk Parity	5.00%	2.92%	2.00%	2.92%
REITs	0.00%	0.00%	7.00%	3.71%
Other Investments	4.00%	2.85%	7.00%	1.93%
Total	100.00%		100.00%	

Note 14 – 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:

2023

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.00%	$ 27,027,038	7.00%	$ 17,891,165	8.00%	$ 10,165,046
OPERS	5.90%	26,644,018	6.90%	17,739,924	7.90%	10,334,673
		$ 53,671,056		$ 35,631,089		$ 20,499,719

2022

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.00%	$ 21,087,788	7.00%	$ 11,261,080	8.00%	$ 2,957,533
OPERS	5.90%	13,702,081	6.90%	5,109,974	7.90%	(2,038,258)
		$ 34,789,869		$ 16,371,054		$ 919,275

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

2023

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.00%	$ (1,926,545)	7.00%	$ (2,084,000)	8.00%	$ (2,218,757)
OPERS	4.22%	1,242,491	5.22%	365,058	6.22%	(358,968)
		$ (684,054)		$ (1,718,942)		$ (2,577,725)

Note 14 – Retirement Plans (Continued)

Changes in the Discount Rate

2022

Plan	1.00 Percent Decrease			Current Discount Rate			1.00 Percent Increase		
STRS	6.00%	$	(1,566,998)	7.00%	$	(1,857,000)	8.00%	$	(2,099,203)
OPERS	5.00%		(1,064,418)	6.00%		(1,809,946)	7.00%		(2,428,746)
		$	(2,631,416)		$	(3,666,946)		$	(4,527,949)

Sensitivity of the net OPEB liability/(asset) 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

2023

Plan	1.00 Percent Decrease		Current Trend Rate		1.00 Percent Increase	
STRS	$	(2,161,550)	$	(2,084,000)	$	(1,985,790)
OPERS		342,177		365,058		390,812
	$	(1,819,373)	$	(1,718,942)	$	(1,594,978)

Changes in Health Care Cost Trend Rate

2022

Plan	1.00 Percent Decrease		Current Trend Rate		1.00 Percent Increase	
STRS	$	(2,089,388)	$	(1,857,000)	$	(1,569,570)
OPERS		(1,829,505)		(1,809,946)		(1,786,743)
	$	(3,918,893)	$	(3,666,946)	$	(3,356,313)

Note 14 – 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, 2022 and December 31, 2022, respectively, certain assumption changes were made by the plans. The OPEB discount rate was increased from 2.27 percent to 4.08 percent and health care trend rates were updated, which impacted the annual actuarial valuation for OPEB prepared as of June 30, 2022. STRS mortality tables, projected salary increases, and trend rates were updated based on a new experience study, which impacted the annual actuarial valuation for Pension and OPEB prepared as of June 30, 2022. The OPERS OPEB discount rate decreased from 6.00 percent to 5.22 percent, which impacted the annual actuarial valuation for OPEB prepared as of December 31, 2022.

Benefit changes – There were no significant benefit terms changes for the pension or OPEB plan(s) since the prior two measurement dates for SERS or OPERS. Effective for 2023, STRS implemented a one-time 3% cost of living adjustment effective on the anniversary of a benefits recipient's retirement date for those eligible during FY23 and eliminated the age 60 requirement (effective August 1, 2026).

Changes since the measurement date – There were no significant changes since the measurement date.

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

Note 14 – Retirement Plans (Continued)

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 11.09 percent for STRS and 11.76 percent for OPERS for the years ended June 30, 2023 and 9.53 percent for STRS and 11.56 percent for OPERS for the year ending June 30, 2022. 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, 2023 and 2022, employee contributions totaled $534,104 and $557,810, and the University recognized pension expense of $581,918 and $618,356, respectively.

Note 15 - 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 2023, 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 15 – Risk Management (Continued)

Description of Coverage	Policy Term	Limit of Liability	Member Deductible
GROUP PROPERTY PROGRAM			
"All Risk" Property Coverage including Time Element, Equipment Breakdown, Engineering On-Site Surveys & Boiler Jurisdictionals (3)	07/01/2022 - 07/01/2023	$400,000 for All Perils except $900,000 for CAT (FL & EQ) Perils	$100,000 (2)
	07/01/2022 - 07/01/2023	$1,000,000,000 Various Sublimits Apply	$100,000 (2)
Automobile Physical Damage (Self-Insured)	07/01/2022 - 07/01/2023	Actual Cash Value	Varies
Administrative Fees (4)	07/01/2022 - 07/01/2023	N/A	N/A
Fine Arts, including Library Values	07/01/2022 - 07/01/2023	$350,000,000 library values, any one loss $100,000,000 fine art, any one loss $25,000,000 any one transit $25,000,000 any one exhibition $20,000,000 unscheduled items, any one	$25,000 each and every loss except Nil for Non-Owned Fine Arts
Terrorism, including Active Assailant & SRCC	07/01/2022 - 07/01/2023	$100,000,000 $500,000,000	$100,000
GROUP CASUALTY PROGRAM			
IUC-RMIC Casualty Pool (5)	07/01/2022 - 07/01/2023	$1,500,000 (5)	$100,000
Deductible Paybacks (Carl Warren Claims)	07/01/2022 - 07/01/2023	N/A	N/A
IUC-RMIC Coverage Agreement - General Liability	07/01/2022 - 07/01/2023	$10,000,000(6)	$100,000
IUC-RMIC Coverage Agreement - Automobile Liability	07/01/2022 - 07/01/2023	$10,000,000(6)	$100,000
IUC-RMIC Coverage Agreement - Educators Legal	07/01/2022 - 07/01/2023	$10,000,000(6)	$100,000
1st Excess General & Automobile Liability	07/01/2022 - 07/01/2023	$25,000,000 excess $10,000,000	N/A
1st Excess Educators Legal Liability	07/01/2022 - 07/01/2023	$25,000,000 excess $10,000,000	N/A
Casualty Administrative Fees (7)	07/01/2022 - 07/01/2023	N/A	N/A
Member Loss Control Funds	07/01/2022 - 07/01/2023	N/A	N/A
OTHER GROUP COVERAGES			
Crime	07/01/2022 - 07/01/2023	$5,000,000	$100,000
Cyber Liability/Breach Response	07/01/2022 - 07/01/2023	$1,000,000	$150,000
Excess Social Engineering (8)	07/01/2022 - 07/01/2023	$750,000	Follow Form X/S
Fiduciary Liability	07/01/2022 - 07/01/2023	$2,000,000 Various Sublimits	$25,000 except- $100,000 class action $300,000 excess fees
Foreign Package Liability	07/01/2021 - 07/01/2024	$1,000,000 / $2,000,000	Nil
International Travel Assistance Services - ISOS (9)	07/01/2020 - 07/01/2023	N/A	(10)
Medical Malpractice (10)	07/01/2022 - 07/01/2023	$1,000,000 / $3,000,000 $2,000,000 / $2,000,000	$25,000
Pollution (11)	07/01/2021 - 07/01/2024	$5,000,000 Each Incident $15,000,000 Aggregate (3-yr term)	$50,000 (12)
Special Accident (12)	07/01/2022 - 07/01/2023	$20,000,000	Nil

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

Note 15 – Risk Management (Continued)

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.

Changes in the self-insurance claims liability for the years ended June 30, 2023, 2022, and 2021 are summarized as follows:

	2023	2022	2021
Accrued claims liability - Beginning of year	$ 389,867	$ 405,767	$ 233,187
Current year claims	5,369,958	4,734,098	5,143,988
Claims payments	(5,309,116)	(4,749,998)	(4,971,408)
Accrued claims liability - End of year	$ 450,709	$ 389,867	$ 405,767

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 16 - 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.

Note 16 - Component Unit Disclosure (Continued)

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, 2023 and 2022 are restricted primarily for scholarships, university programs, and capital improvements.

Contribution Revenue

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

Investments

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

The fair value of investments at June 30, 2023 and 2022, by classification, is as follows:

	2023	2022
U.S. government securities	$ 2,407,155	$ 1,616,958
Foreign bond issues	310,364	399,734
Mutual funds:		
Equity	14,226,320	12,146,527
Fixed income	1,977,460	2,623,894
Corporate bond issues	891,764	1,521,629
Common Stock	-	17,051
Limited Partnership	37,934	46,582
Total	$ 19,850,997	$ 18,372,375

Note 16 - Component Unit Disclosure (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2023

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, 2023
U.S. government securities	$ 2,407,155	$-	$-	$ 2,407,155
Mutual funds:				
Equity	14,226,320	-	-	14,226,320
Fixed income	1,977,460	-	-	1,977,460
Common Stock:				
Domestic	-			-
Foreign bond issues	-	310,364	-	310,364
Corporate bond issues	-	891,764	-	891,764
Beneficial interest in trusts	-	-	143,258	143,258
practical expedient:				
Partnership	-	-	-	37,934
Total assets	$ 18,610,935	$ 1,202,128	$ 143,258	$ 19,994,255

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022

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, 2022
U.S. government securities	$ 1,616,958	$-	$-	$ 1,616,958
Mutual funds:				
Equity	12,146,527	-	-	12,146,527
Fixed income	2,623,894	-	-	2,623,894
Common Stock:				
Domestic	17,051			17,051
Foreign bond issues	-	399,734	-	399,734
Corporate bond issues	-	1,521,629	-	1,521,629
Beneficial interest in trusts	-	-	789,640	789,640
practical expedient:				
Partnership	-	-	-	46,582
Total assets	$ 16,404,430	$ 1,921,363	$ 789,640	$ 19,162,015

Note 16 - Component Unit Disclosure (Continued)

Fixed Assets

Property and equipment consist of the following:

	2023	2022
Land	$ 2,011,200	$ 2,011,200
Equipment and furniture	81,202	81,202
Buildings	12,370,654	8,942,735
Construction in progress	33,800	2,541,573
Total property and equipmer	14,496,856	13,576,710
Accumulated depreciation	2,069,857	1,809,124
Net property and equipment	$ 12,426,999	$ 11,767,586

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 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, 2023 and 2022, the outstanding principal balance of the note was $2,941,552 and $3,145,291, respectively.

Related Party Transactions

The Foundation made distributions to, or on behalf of, the University of $1,668,850 during the year ended June 30, 2023 and $1,405,972 during the year ended June 30, 2022. Administrative expenses of $341,115 in fiscal year 2023 and $245,673 in fiscal year 2022 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. At June 30, 2023, $178,111 was payable from the Foundation to the University.

Note 16 - Component Unit Disclosure (Continued)

The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was $13,330 and $15,499 as of June 30, 2023 and 2022, 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 $199,122 and $377,304 during the years ended June 30, 2023 and 2022, respectively. The Foundation has recorded a grant payable to the University at June 30, 2023 and 2022 in the amount of $6,137 and $196,147.

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability:									
As a percentage	0.0805%	0.0881%	0.0923%	0.0916%	0.0999%	0.1057%	0.11182%	0.10962%	0.11347%
Amount	$ 17,891,165	$ 11,261,080	$ 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	$ 10,846,729	$ 10,478,014	$ 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	164.95%	107.47%	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	78.90%	87.80%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability:									
As a percentage	0.0603%	0.0601%	0.0595%	0.0660%	0.0694%	0.07287%	0.07976%	0.08469%	0.08633%
Amount	$ 17,739,924	$ 5,109,974	$ 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	$ 10,035,421	$ 9,620,921	$ 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	176.77%	53.11%	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	76.07%	93.01%	87.21%	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

STRS Schedule of University Pension Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,518,542	$ 1,466,922	$ 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	$ 1,518,542	$ 1,466,922	$ 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	$ 10,846,729	$ 10,478,014	$ 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%	14.00%	14.00%

OPERS Schedule of University Pension Contributions

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,404,959	$ 1,346,929	$ 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	$ 1,404,959	$ 1,346,929	$ 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	$ 10,035,421	$ 9,620,921	$ 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%	14.00%	14.00%

Changes of benefit terms. There were no changes in benefit terms affecting the STRS and OPERS plans.

Changes of assumptions.
STRS: During the Plan year ended June 30, 2022, there were changes to the projected salary, it decreased from 2.5-12.50 percent to 2.5 -8.5 percent.

During the plan year ended June 30, 2021, the investment rate of return decreased from 7.45 percent to 7.00 percent.

During the plan year ended June 30, 2017, 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, 2022, there were no change in assumptions.

During the plan year ended December 31, 2021, there were changes to several assumptions for OPERS. The discount rate was reduced from 7.20 percent to 6.90 percent. The wage inflation dropped from 3.25 percent to 2.75 percent. The projected salary increase range changed from 3.25-10.75 percent to 2.75-10.75 percent. The experience study changed from the 5-year period ended December 31, 2015 to the 5-year period ended December 31, 2020. The mortality tables used changed from RP-2014 to PUB-2010.

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.

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

	2023	2022	2021	2020	2019	2018
University's proportion of the collective net OPEB liability:						
As a percentage	0.0805%	0.0881%	0.0923%	0.0916%	0.0999%	0.10570%
Amount	-$2,084,000	-$1,857,000	-$1,622,000	-$1,516,000	-$1,606,000	$ 4,124,011
University's covered payroll	$10,846,729	$10,478,014	$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	(19.21%)	(17.72%)	(18.45%)	(13.59%)	(14.94%)	36.30%
Plan fiduciary net position as a percentage of the total OPEB liability	230.70%	174.70%	182.10%	174.70%	176.00%	47.11%

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

	2023	2022	2021	2020	2019	2018
University's proportion of the collective net OPEB liability:						
As a percentage	0.0603%	0.0601%	0.0572%	0.0633%	0.0669%	0.07287%
Amount	$365,058	-$1,809,946	-$1,018,280	$8,745,723	$8,716,574	$ 7,650,350
University's covered payroll	$10,035,421	$9,620,921	$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	3.64%	(18.81%)	(9.29%)	89.71%	82.49%	74.03%
Plan fiduciary net position as a percentage of the total OPEB liability	94.79%	128.23%	115.57%	47.80%	46.33%	54.14%

STRS Schedule of University Contributions

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the actuarially determined contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$10,846,729	$10,478,014	$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%	0.00%	0.00%

OPERS Schedule of University Contributions

	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ -	$ -	$ -	$ -	$ -	$ 64,689
Contributions in relation to the actuarially determined contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ 64,689
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$10,035,421	$9,620,921	$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%	0.00%	0.00%	0.63%

Changes of benefit terms. There were no significant changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2022 and December 31, 2022, respectively.

Changes of assumptions.
STRS: During the plan year ended June 30, 2022, there were changes to several assumptions for STRS based on an updated experience study for the five-year period ended June 30, 2021. The projected salary increase range changed from 2.5-12.5 percent to 2.5-8.5 percent. The mortality tables used changed from RP-2014 to PUB-2010.

During the plan year ended June 30, 2021, the investment rate of return decreased from 7.45 percent to 7.00 percent. The health care cost trend rates also decreased from 4.93 percent to 9.62 percent initial and 4.00 percent ultimate for plan year ended June 30, 2020, to 16.20 percent to 30.00 percent initial and 4 percent ultimate for plan year ended June 30, 2021.

During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate for plan year ended 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 year ended December 31, 2022, there were no change in assumptions.

During the year ended December 31, 2021, there were changes to several assumptions for OPERS. The experience study changed from the 5-year period ended December 31, 2015 to the 5-year period ended December 31, 2020. The municipal bond rate decreased from 2.00 percent to 1.84 percent. Wage inflation decreased from 3.25 percent to 2.75 percent. The projected salary increase range changed from 3.25-10.75 percent to 2.75-10.75 percent. Health care cost trend rate decreased from 8.50 percent initial, 3.50 percent ultimate in 2035 to 5.50 percent initial, 3.50 percent ultimate in 2034.

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

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

Independent Auditor's Report

To Management and the Board of Trustees
Shawnee State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Shawnee State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 12, 2023.

Report on 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 opinions 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2023-001, that we consider to be a significant deficiency.

Report on 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*.

The University's Response to the Finding

Government Auditing Standards require the auditor to perform limited procedures on the University's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 12, 2023

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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

Opinion on Each Major Federal Program

We have audited Shawnee State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the 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, 2023. 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.

In our opinion, the University complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

To the Board of Trustees
Shawnee State University

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2023-002, 2023-003, and 2023-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the University's responses to the noncompliance findings identified in our compliance audit and described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

To the Board of Trustees
Shawnee State University

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2023-002, 2023-003, and 2023-004 to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the University's responses to the internal control over compliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the other 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 12, 2023

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture - Passed through the Ohio Department of Education - Child and Adult Care Food Program	10.558	16-CU, 21-CU, 21-FU	$ -	$ 23,982
U.S. Department of Commerce - Economic Development Cluster:				
Build to Scale	11.024	N/A	-	60,968
Economic Adjustment Assistance	11.307	N/A	-	1,000,319
Total U.S. Department of Commerce			-	1,061,287
U.S. Department of Health and Human Services - CCDF Cluster - Child Care and Development Block Grant	93.575	N/A	-	164,400
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	N/A	-	103,325
Federal College Work-Study	84.033	N/A	-	174,714
Federal Pell Grant Program	84.063	N/A	-	5,797,615
Federal Direct Loan Program	84.268	N/A	-	10,874,839
Teacher Education Assistance for College & Higher Education (TEACH)	84.379	N/A	-	126,216
Total Student Financial Assistance Cluster			-	17,076,709
TRIO Cluster:				
Educational Opportunity Centers	84.066A	N/A	-	433,818
Upward Bound Math Science	84.047M	N/A	-	251,548
Total TRIO Cluster			-	685,366
Special Education (IDEA) Cluster - Passed through the Ohio Department of Education:				
Special Education Grants to States - TVI Collaborative	84.027	N/A	-	616,465
Special Education Grants to States - Deaf/Hard of Hearing	84.027	N/A	-	617,533
Total Special Education (IDEA) Cluster			-	1,233,998
Passed through the Ohio Department of Education:				
Twenty-first Century Community Learning Centers	84.287	N/A	-	342,723
Comprehensive Literacy	84.371C	N/A	-	95,943
Education Stabilization Fund:				
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Student Aid	84.425E	N/A	-	(5,550)
COVID-19 - Higher Education Emergency Relief Fund (HEERF) - Institutional Portion	84.425F	N/A	-	(534)
Passed through the Ohio Department of Education:				
COVID-19 - Governor's Emergency Education Relief Funds (GEER)	84.425C	N/A	-	27,418
COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	N/A	-	226,323
Total Education Stabilization Fund			-	247,657
Total U.S. Department of Education			-	19,682,396

See notes to schedule of expenditures of federal awards.

Shawnee State University

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Labor - H-1B Job Training Grants - Ohio Manufacturing Workforce Partnership	17.268	N/A	$ -	$ 117,682
U.S. Appalachian Regional Commission - Appalachian Area Development	23.001	N/A	-	8,749
U.S. National Aeronautics and Space Administration - Space Technology	43.012	N/A	-	11,094
U.S. National Endowment for the Humanities:				
Promotion of the Arts Partnership Agreements	45.025	N/A	-	4,000
Promotion of the Arts Humanities Federal/State Partnership	45.129	N/A	-	16,389
Total National Endowment for the Humanities			-	20,389
U.S. Department of Health and Human Services - Mental and Behavioral Health Education and Training Grants	93.732	N/A	-	182,024
Total U.S. Department of Health and Human Services			-	346,424
U.S. Corporation for National and Community Service:				
AmeriCorps - Project Bear	94.006	N/A	-	467,197
Volunteers in Service to America	94.013	N/A	-	23,262
Total U.S. Corporation for National and Community Service			-	490,459
Total federal expenditures			**$ -**	**$ 21,762,462**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

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, 2023. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The University has elected 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, 2023, 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, 2023

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?	X	Yes		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
84.027	Special Education (IDEA) Cluster	Unmodified

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

Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Audit Findings

Reference Number	Finding
2023-001	**Finding Type** - Significant deficiency

Criteria - Depreciation expense and accumulated depreciation should be recorded over a straight-line basis.

Condition - The University did not properly calculate and record depreciation expense and accumulated depreciation for the years ended 2021 and 2022.

Context - There was a control in place during 2021 and 2022 to calculate and record depreciation, but the operation of the control was not effective. During 2021, the University understated depreciation expense and accumulated depreciation by approximately $551,000. During 2022, the University understated depreciation expense and accumulated depreciation by approximately $547,000. At June 30, 2022, total accumulated depreciation was understated by a total of approximately $1,098,000.

Cause - The University did not properly record deprecation and accumulated depreciation in the years ended 2021 and 2022, which led to depreciation expense and accumulated depreciation being understated.

Effect - Management provided an adjustment to increase accumulated depreciation and depreciation expense by approximately $1,098,000 for the year ended June 30, 2023 to correct the error.

Recommendation - We recommend the University put controls in place to ensure depreciation calculations be properly completed and reviewed by appropriate personnel on a timely basis to ensure general ledger balances reconcile to underlying books and records.

Views of Responsible Officials and Planned Corrective Actions - Shawnee State University will develop a written procedure, including a checklist of the steps required to complete the required actions needed to verify the proper depreciation calculations for the financial statements.

Section III - Federal Program Audit Findings

Reference Number	Finding
2023-002	**Assistance Listing Number, Federal Agency, and Program Name** - ALNs 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program

Federal Award Identification Number and Year - N/A

Pass-through Entity - N/A

Finding Type - Material weakness and material noncompliance with laws and regulations

Repeat Finding - Yes - 2022-001

Criteria - Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education (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)).

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, and it did not initially identify all students who required a return of Title IV funds.

Questioned Costs - None

Identification of How Questioned Costs Were Computed - N/A

Context - Of the 25 withdrawn students tested for proper return of Title IV funds, the funds for 3 students requiring a return were not returned to ED by the University within the required time frame. The 3 errors identified were for the fall 2022 and spring 2023 term.

Cause and Effect - The University had a change in system and it changed the process for exporting withdrawal reports. This led to returns of Title IV funds to ED being completed outside the required time frame, and/or students who required a return of Title IV funds were missed.

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.

Views of Responsible Officials and Corrective Action Plan - Shawnee State University will perform a comprehensive review of financial aid procedures (including review of financial aid processing, personnel responsibilities, and system modifications) and make revisions to workflows to prevent future occurrence of this finding. A review of activity prior to implementation of revised procedures will be conducted, and any exceptions will be documented and corrected.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-003	**Assistance Listing Number, Federal Agency, and Program Name** - ALNs 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program

Federal Award Identification Number and Year - N/A

Pass-through Entity - N/A

Finding Type - Material weakness and material noncompliance with laws and regulations

Repeat Finding - Yes - 2022-002

Criteria - Federal Pell Grant Program: An institution shall submit, in accordance with deadline dates established by the secretary, through publication in the Federal Register, other reports and information the secretary requires and shall comply with the procedures the secretary finds necessary to ensure that the reports are correct (34 CFR Section 690.83(b)(2)).

Federal Direct Student Loans: Changes in student status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR Section 685.309(b)).

Condition - Shawnee State University did not report student status changes timely and accurately for certain students who withdrew during the year.

Questioned Costs - None

Identification of How Questioned Costs Were Computed - N/A

Context - Of the 25 students tested for student change status, 5 student status changes were not submitted within the required time frame and were not properly reported as withdrawn.

Cause and Effect - The University did not have a process in place in order to ensure timely and proper reporting for all student status changes. As a result, there were instances of reporting outside of the required time frame and instances where reporting was incorrect.

Recommendation - We recommend that the University put a control process in place in order to ensure all student status changes are reported timely and accurately.

Views of Responsible Officials and Planned Corrective Actions - Shawnee State University will perform a comprehensive review of financial aid procedures (including review of financial aid processing, personnel responsibilities, and system modifications) and make revisions to workflows to prevent future occurrence of this finding. A review of activity prior to implementation of revised procedures will be conducted, and any exceptions will be documented and corrected.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2023-004	**Assistance Listing Number, Federal Agency, and Program Name** - ALNs 84.268; Department of Education; Federal Direct Loan Program

Federal Award Identification Number and Year - N/A

Pass-through Entity - N/A

Finding Type - Material weakness and material noncompliance with laws and regulations

Repeat Finding - No

Criteria - If a student account is credited with Federal Direct Loans (FDL), the institution must notify the student or parent of date and amount as well as the right to cancel all or portion of loan, and the procedure and time by which the student must notify the institution no earlier than 30 days before and no later than 30 days after crediting student's account if using an affirmative confirmation process (34 CFR Section 68.165).

Condition - The University did not timely notify the student or parent within 30 days of crediting the student's account with Federal Direct Loans.

Questioned Costs - None

Identification of How Questioned Costs Were Computed - N/A

Context - Of the 21 students tested for FDL notification, notifications for 16 students were not timely communicated within the required time frame.

Cause and Effect - The University did not have a process in place to ensure notifications were sent out in the required time frame.

Recommendation - We recommend that the University institute a process to ensure that all notifications are sent within the required time frame.

Views of Responsible Officials and Planned Corrective Actions - When posting direct loans to the student's account, we will add a touchpoint to the student's record. This automatically sends an email to the student. We will mail a notification to the parent in the case of a Parent Plus loan.

Shawnee State
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Shawnee State University

October 9, 2023

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:
2022-001

Fiscal Year in Which the Finding Initially Occurred:
2021

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

Original Finding Description:
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, and it did not initially identify all students who required a return of Title IV funds.

Status/Partial Corrective Action (as applicable):
Not corrected, see finding re-issued as finding 2023-002

Planned Corrective Action:
Tami Sheets, Registrar, will run a grade report every day to find and correct any students who withdraw and do not have the correct status and grade of WD. A new/updated report will be written with the assistance of our IT department to correctly identify students who withdraw from their courses. The report will be ran weekly and R2T4s will be completed at that time.

Prior Year Finding Number:
2022-002

Fiscal Year in Which the Finding Initially Occurred:
2022

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

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Original Finding Description:
Shawnee State University did not report student status changes timely and accurately for certain students who graduated or withdrew during the year.

Status/Partial Corrective Action (as applicable):
Not corrected, see finding re-issued as finding 2023-003

Planned Corrective Action:
Tami Sheets, Registrar, has started to run a grade report every day to find and correct any students who withdraw and do not have the correct status and grade of WD. This process should ensure that the student enrollments are reported timely and accurately.

Prior Year Finding Number:
2022-003

Fiscal Year in Which the Finding Initially Occurred:
2022

Federal Program, Assistance Listing Number and Name:
ALN No. 84.425F; Department of Education; Higher Education Emergency Relief Fund Institutional Portion

Original Finding Description:
The University charged unallowable payroll expenditures to the grant, as they were for payroll costs and related employee benefits that were not for costs newly associated with the coronavirus or to prevent, prepare for, or respond to the coronavirus.

Status/Partial Corrective Action (as applicable):
Fully Corrected

Planned Corrective Action:
No further action needed.

Shawnee State
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Shawnee State University

October 9, 2023

Corrective Action Plan

Finding Number: 2023-001

Condition: The University did not properly record accumulated depreciation and depreciation in during the years ended 2022 and 2021 due to the operation of the control not being effective.

Planned Corrective Action: Shawnee State University will develop a written procedure, including a checklist, of the steps required to complete the required actions needed to verify the proper depreciation calculations for the financial statements.

Contact person responsible for corrective action: Jesse James, Manager-General Accounting Services

Anticipated Completion Date: 11/01/2023

Finding Number: 2023-002

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, and it did not initially identify all students who required a return of Title IV funds.

Planned Corrective Action: Shawnee State University will perform a comprehensive review of financial aid procedures (including review of financial aid processing, personnel responsibilities, system modifications) and make revisions to workflow to prevent future occurrence of this finding. A review of activity prior to implementation of revised procedures will be conducted and any exceptions will be documented and corrected.

Contact person responsible for corrective action: James Farmer, Chief Enrollment Officer and Greg Ballengee, Chief Financial Officer

Anticipated Completion Date: 12/31/2023

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Finding Number: 2023-003

Condition: Shawnee State University did not report student status changes timely and accurately for certain students who withdrew during the year.

Planned Corrective Action: Shawnee State University will perform a comprehensive review of reporting procedures (including review of reporting process, personnel responsibilities, system modifications) and make revisions to workflow to prevent future occurrence of this finding. A review of activity prior to implementation of revised procedures will be conducted and any exceptions will be documented and corrected.

Contact person responsible for corrective action: James Farmer, Chief Enrollment Officer and Greg Ballengee, Chief Financial Officer

Anticipated Completion Date: 12/31/2023

Finding Number: 2023-004

Condition: The University did not timely notify student or parent within 30 days of crediting the student's account with FDL.

Planned Corrective Action: When posting direct loans to the student's account, we add a touchpoint to the student's record. This automatically sends an email to the student. We will mail a notification to the parent in the case of a Parent PLUS loan.

Contact person responsible for corrective action: Nicole Neal

Anticipated Completion Date: 11/01/2023

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OHIO AUDITOR OF STATE
KEITH FABER

SHAWNEE STATE UNIVERSITY

SCIOTO COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 11/21/2023

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