

**BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE**

**December 18, 2015
9:00 a.m., University Center, Room 214**

Agenda

1.0 Action Items

1.1 Approval of September 11, 2015 Minutes

**1.2 Resolution F28-15
Acceptance of FY15 Audit Report**

Representatives from the firm of Plante & Moran will present the preliminary fiscal year 2015 financial audit results for the Committee's consideration and recommendation for acceptance by the Board of Trustees.

**1.3 Resolution F29-15
Appointment of Vice President for Enrollment Management & Student Affairs**

The recommended appointment of Dr. Anne Marie Gillespie as Vice President for Enrollment & Student Affairs is presented for the Committee's review and recommendation to the Board of Trustees.

**1.4 Resolution F30-15
Creation of Administrative Position, Academic Advisor**

This resolution approves the establishment of an academic advisor position.

**1.5 Resolution F31-15
Approval to Amend the SSU 457(b) Deferred Compensation Plan**

This resolution amends the University's 457(b) Deferred Compensation Plan for compliance with applicable provisions of the Internal Revenue Code.

**1.6 Resolution F32-15
Adoption of Electronic Signatures Policy 4.94**

This policy defines rules for the use of electronic signatures required to be in conformance with Ohio Revised Code §1306.20(J).

1.7 Resolution F33-15
Revision of Policy 4.51REV, Administrators and ATSS Employment Actions

Revisions clarify that provisions of Policy 4.51Rev do not apply to executive administrators' employment contracts and executive term contracts.

1.8 Resolution F34-15
Approval of Administrative Staff Salary Increase

This resolution approves a 2.0% increase to the base salaries of eligible administrative staff effective January 1, 2016.

1.9 Resolution F35-15
Approval of Adjunct Faculty Stipend Scale

This resolution approves a 2.0% increase to the adjunct faculty stipend schedule effective with the 2016 spring semester.

2.0 Information Items

2.1 FY16 First Quarter Budget Status & SSI Formula Update

2.2 Preliminary FY15 Senate Bill 6 (SB6) ratios

2.3 University Investment Report

**SHAWNEE STATE UNIVERSITY
BOARD OF TRUSTEES
FINANCE AND ADMINISTRATION COMMITTEE**

**Meeting Minutes
September 11, 2015**

Call to Order

Chairperson Howarth called the meeting to order at 8:30 a.m.

Roll Call

Members Present: Mr. Robert Howarth, Ms. Kay Reynolds.

Members Absent: Mr. Scott Evans, Ms. Francesca Hartop, Mr. Brian Stiers

Temporary Appointment

Ms. Reynolds moved to temporarily appoint Board of Trustees member Melissa Higgs-Horwell to the Finance and Administration committee for the purpose of establishing a quorum. Chairman Howarth noted that Ms. Higgs-Horwell was present.

Executive Session

Ms. Reynolds moved and Melissa Higgs-Horwell seconded a motion to enter executive session for the purpose of reviewing negotiations or bargaining sessions with public employees concerning their compensation and other terms and conditions of their employment; and to consider the employment of a university employee.

Ayes: Mr. Howarth, Ms. Reynolds, Ms. Higgs-Horwell

Nays: None

The committee entered executive session at 8:33 a.m. Committee member Scott Evans arrived late and joined executive session in progress. The committee exited executive session at 9:32 a.m.

Action Items

Resolution F24-15, Approval of FY2016 Operating Budget

Ms. Reynolds moved and Ms. Higgs-Horwell seconded a motion to approve Resolution F24-15, Approval of FY2016 Operating Budget.

Ayes: Mr. Evans, Mr. Howarth, Ms. Reynolds, Ms. Higgs-Horwell
Nays: None

Resolution F25-15, Approval of Shawnee State University and Shawnee Education Association 2015-2018 Collectively Bargained Agreement

Ms. Higgs-Horwell moved and Ms. Reynolds seconded a motion to approve Resolution F25-15, Approval of Shawnee State University and Shawnee Education Association 2015-2018 Collectively Bargained Agreement.

Ayes: Mr. Evans, Mr. Howarth, Ms. Reynolds, Ms. Higgs-Horwell
Nays: None

Resolution F26-15, Approval of Policy 4.69Rev, Concern Resolution for Administrators

Ms. Reynolds moved and Ms. Higgs-Horwell seconded a motion to approve Resolution F26-15, Approval of Policy 4.69Rev, Concern Resolution for Administrators.

Ayes: Mr. Evans, Mr. Howarth, Ms. Reynolds, Ms. Higgs-Horwell
Nays: None

Resolution F27-15, Approval of Plan for Student Cost Reduction

Ms. Reynolds moved and Ms. Higgs-Horwell seconded a motion to approve Resolution F27-15, Approval of Plan for Student Cost Reduction.

Ayes: Mr. Evans, Mr. Howarth, Ms. Reynolds, Ms. Higgs-Horwell
Nays: None

Other Business

Chairman Howarth suggested that in the interest of time the scheduled education topic on the agenda be moved to the December meeting.

Adjournment

The committee was adjourned by acclamation at 10:13 a.m.

Chairperson, F&A Committee

Secretary, Board of Trustees

RESOLUTION F28-15

ACCEPTANCE OF FY15 AUDIT REPORT

WHEREAS, pursuant to O.R.C. 117.11 the financial statements of Shawnee State University must be audited every year by an independent firm; and

WHEREAS, the University's designated independent firm of Plante & Moran, PLLC completed the required audit and is pending Auditor of State acceptance; and

WHEREAS, the results of the audit have been reviewed with the Board of Trustees' Finance and Administration Committee; and

WHEREAS, the auditor has issued an "unmodified" report;

THEREFORE BE IT RESOLVED, that the Shawnee State University Board of Trustees accepts the 2015 report of independent auditors.

(December 18, 2015)

{ Shawnee State University }

Finance and Administration
Committee

December 18, 2015

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Agenda

- **Shawnee State University Audit Team Leaders**
- **Required Communications**
- **New Pronouncements**
- **Appendix – Definitions**

Audit Team

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Required Communications

- **Plante Moran Reports**
 - Opinion on FY 2015 financial statements.
 - Foundation presented as a component unit.
 - Issued an “unmodified opinion” on the financial statements.
 - Our second report addresses internal control over financial reporting and compliance and other matters as required by *Generally Accepted Governmental Auditing Standards* (GAGAS).
- **Plante Moran Responsibilities under GAAS and GAGAS**
 - To gain a basic understanding of the internal controls, policies and procedures in order to design an effective and efficient audit approach, not for the purpose of providing assurance on the internal control structure.
 - To test compliance with certain provisions of laws, regulations, contracts, and grants that have a direct and material effect.
 - To gain an understanding of internal control over financial reporting.
 - To express an opinion on the University’s financial statements.
 - To provide reasonable, not absolute, assurance of detecting material misstatements.

Required Communications (continued)

- **Significant Accounting Policies**

- The significant accounting policies used by Shawnee State University are described in the notes, specifically footnote 2 to the financial statements. The adoption of GASB Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* are considered changes in accounting policy and are described in footnote 2.

Required Communications (continued)

- **Management Judgments and Accounting Estimates**

- We are required to report to you amounts in the financial statements that are subject to management's judgment in what is recorded as well as items, that by their nature, are significant accounting estimates.
- Significant estimates made by management include:
 - The allowance for doubtful accounts receivables, footnote 4
 - The allowance for doubtful student loan notes receivable, footnote 4
 - Liability for pending litigation, footnote 14
 - Accounting for service concession arrangements, footnote 2
 - Net pension liability for STRS and OPERS, footnote 12

- **Significant Auditing Adjustments**

- There were no uncorrected misstatements identified during the audit.

Required Communications (continued)

- **Quality of Accounting Policies**

- Shawnee State University's accounting policies are consistent in their application and the information presented in the financial statements and related disclosures is complete and presented clearly.

- **Disagreements with Management**

- There were no disagreements with Management on financial accounting and reporting matters.

- **Consultation with Other Accountants**

- To the best of our knowledge, Management has had no consultations with other independent accountants regarding accounting or auditing matters or alternative presentations.

- **Discussion Prior to Retention**

- All discussions with Management occurred in the normal course of our professional relationship and the responses were not a condition of our retention. This is our second year as Shawnee State University's auditors.

- **Management Cooperation**

- Management cooperated with us and provided us with complete access to the books and records of Shawnee State University.

Required Communications (continued)

- **Communications with Management**

- There were no communications with Management other than our engagement letter, Management's representation letter to us, and a management letter. In the course of our audit, the University's Internal Counsel provided us a schedule of current litigation and similar matters of a significant nature for our review.

- **Significant Additions to Management's Representations**

- There were no significant additions to management's representations.

- **Independence**

- The Plante Moran audit team was independent of Shawnee State University throughout the year in the performance of the audits.

Required Communications (continued)

- **Other Services**

- Plante Moran completed audits for:
 - Shawnee State University Development Foundation
 - Shawnee State University A-133 Audit

- **Related Party Transactions**

- The Shawnee State University Development Foundation is a related party to the University.

New Pronouncements

Current Year's Impact – Reporting Changes

- GASB 68 – Reporting for Pensions
 - Requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time.
- GASB 71 – Pension Transition for Contributions Made Subsequent to Measurement Date
 - Amends GASB 68 to require that at transition to GASB 68, the University may recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

Future Years' Impact – Reporting Changes

- GASB 72 – Fair Value Measurement and Application
 - Effective for the fiscal year ending June 30, 2016.
 - Updated definition of fair value for more consistent measurement of certain assets and liabilities.

New Pronouncements (continued)

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Future Years' Impact – Reporting Changes (continued)

- GASB 75 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions
 - Effective with the fiscal year ending June 30, 2018.
 - Addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees.
 - Requires the recognition on the face of the financial statements the proportionate share of the net OPEB liability related to the STRS and OPERS plans.

Appendix- Definitions

- **Control Deficiency**
 - 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. Control deficiencies may involve one or more of the five interrelated components of internal control.
- **Significant Deficiency**
 - A significant deficiency is a deficiency, or 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.
- **Material Weakness**
 - 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 entity's financial statements will not be prevented or detected and corrected on a timely basis.
- **FASB**
 - Financial Accounting Standards Board is the governing accounting body that issues reporting pronouncements for private sector organizations. The Foundation prepares its financial statements in accordance with these pronouncements and guidance.
- **Fraud**
 - The term "fraud" includes "misstatements" arising from fraudulent financial reporting and misstatements arising from misappropriation of assets.
 - "Misstatements" arising from "fraudulent financial reporting" are intentional misstatements, or omissions of amounts or disclosures in financial statements intended to deceive financial statement users.
 - "Misstatements" arising from "misappropriation of assets" involve the theft of assets where the effect of the theft causes the financial statements not to be presented in conformity with GAAP.
 - The University is responsible for the design and implementation of programs and controls to prevent and detect fraud.
- **GASB**
 - Governmental Accounting Standards Board is the governing accounting body that issues reporting pronouncements. SSU prepares its financial statements in accordance with these pronouncements and guidance.

Appendix- Definitions

- **GAAP**
 - Generally Accepted Accounting Principles. Used by almost all entities in the USA to prepare periodic financial statements.
- **GAAS**
 - Generally Accepted Auditing Standards. The standards that govern the conduct of independent audits of non-public companies, as determined by the Auditing Standards Board (ASB) of the AICPA.
- **GAGAS**
 - Generally Accepted Governmental Auditing Standards. Informally known as “Yellow Book”, these standards guide all audits of governmental units.
- **Unmodified Opinion**
 - A signed representation by an auditor as to the reliability and fairness of a set of financial statements. The opinion could be qualified, unmodified, or adverse. For the University, the opinion is unmodified, which is the best opinion to have from an auditor.
- **Auditor Opinion Date**
 - The date the audit is completed and the auditor can provide their opinion. This is defined as the date the audit fieldwork and reviews are completed and the date management has reviewed the financial statements and provided a signed representation letter to the auditors.
- **Material Misstatement**
 - To present accidental or intentional untrue financial statement information that influences a company’s value and such.
- **Significant Adjustments**
 - A material error in financial reporting discovered by the auditor during performance of their audit fieldwork which was large enough that it was required to be booked to the financial statements and disclosed to the finance and administration committee or board.

Appendix- Definitions

- **Passed Adjustments**
 - A summary of proposed account adjustments not recorded by management and reviewed by auditors and determined, individually or in the aggregate, not to have a significant effect on the financial reporting process and therefore they are not recorded in the financial statements.
- **Factual Adjustments**
 - These are specific misstatements identified during the audit arising from omission of disclosures and the incorrect selection or misapplication of accounting principles or misstatements of facts identified.
- **Judgmental Adjustments**
 - These are estimate adjustments based on miscellaneous differences between detail information and the general ledger, differences related to accounting estimates, and/or selection or application of accounting policies that we consider inappropriate.
- **Component Unit (GASB)**
 - Component units are legally separate organizations for which the elected officials of the University are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.
- **Group Audit**
 - The audit of Group financial statements, where the group represents all the components whose financial information is included in the Group financial statements.
- **Component (AICPA)**
 - An entity or business activity for which Group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the Group financial statements.

Appendix- Definitions

- **Allowance**
 - An estimate determined by management, for instance, of the amount of receivables at June 30 not expected to be received.
- **990-T**
 - Corporate income tax form for exempt organization unrelated income. This primarily relates to income earned on limited partnerships that is considered taxable by the IRS (real estate and natural resources), and non-educational use of institutional property.
- **Uniform Prudent Management of Institutional Funds Act (UPMIFA)**
 - UPMIFA provides guidance and authority to charitable organizations concerning the management and investment of funds held by those organizations and imposes additional duties on those who manage and invest charitable funds. The objective is these duties will provide additional protections for charities and also protect the interests of donors who want to see their contributions used wisely.
- **Statement on Auditing Standards AU 265 – Communicating Internal Control-Related Matters Identified in an Audit**
 - Establishes requirements and provides guidance on communicating matters related to the Foundation’s internal control over financial reporting identified during the audit of the financial statements. Depending on the severity of the issue, the internal control matter can be classified as a control deficiency, a significant deficiency or a material weakness. The definitions of these items per AU 265 are included on page 12.
- **Statement on Auditing Standards AU 260 – The Auditor’s Communication with Those Charged with Governance**
 - Requires two-way communications with those charged with governance (The Shawnee State University Finance and Administration Committee) before and after the audit.
 - Defines primary subjects required to be communicated.

{ Thank you }

We appreciate the opportunity to
serve Shawnee State University.

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October 9, 2015

To the Finance and Administration Committee
Shawnee State University

We have audited the financial statements of Shawnee State University (the "University") as of and for the year ended June 30, 2015 and have issued our report thereon dated October 9, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 27, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Shawnee State University. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of Shawnee State University's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of Shawnee State University, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated October 9, 2015 regarding 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, and grant agreements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 8, 2015.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the University are described in Note 2 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2015, except for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Adopting these statements required the University to recognize its unfunded pension benefit obligation as a liability for the first time, make significant changes to the defined benefit related footnote disclosures, as well as add new required supplemental information schedules.

We noted no transactions entered into by the University during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements consist of the following:

Student Accounts Receivable Allowance for Uncollectible Accounts - Management's estimate of the allowances is based on historical collectibility of student accounts and loans receivable balances.

Liability for Contingent Liabilities - This category includes accrued amounts for pending litigation in which the University has been named as a defendant. Management's estimate of this liability is based on management's judgment, advice of in-house legal counsel, and consultation with external legal counsel when appropriate. The liability recorded is determined by evaluating the amount of exposure the University has, the estimated costs related to the issue, and the likelihood the pending litigation would result in a settlement or judgment against the University. In accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. It is the opinion of in-house legal counsel and University management that the disposition of all pending litigation would not have a material adverse effect on the University's financial position.

Accounting for Service Concession Arrangements - The University has an agreement with a food service provider whereby the University received funds toward dining hall renovations that are contingent upon the University utilizing the provider over a 10-year period. These amounts are being amortized over the life of the contract and are included as deferred inflows of resources on the statements of net position.

Net Pension Liability - Management's estimate of the unfunded liability for the pension plan was calculated by multiplying the University's portion of the contributions made to the respective pension plans by the total pension liability of the plans provided by an independent actuary. The independent actuary used a number of assumptions to determine the overall unfunded liability of the plans. We recalculated the University's portion of the unfunded liability and tested a sample of employees included in census data submitted to the plans.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 9, 2015.

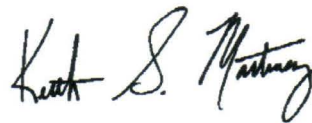
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the University's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the Finance and Administration Committee and management of Shawnee State University and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Keith S. Martinez". The signature is written in a cursive style with a large, stylized initial "K".

Keith S. Martinez, CPA
Partner

Shawnee State University
(a component unit of the State of Ohio)

Financial Report
with Supplemental Information
June 30, 2015

Shawnee State University

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Independent Auditor's Report

To the Board of Trustees
Shawnee State University

Report on the Financial Statements

We have audited the accompanying basic financial statements of Shawnee State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Trustees
Shawnee State University

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of Shawnee State University and its discretely presented component unit as of June 30, 2015 and 2014, and the changes in its net 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.

Emphasis of Matter

As discussed in Note 2, during the year ended June 30, 2015, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. In accordance with Statement No. 68, the University is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. These statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental 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 and the schedule of university contributions, as indicated in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was 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 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is not a required part of the basic financial statements.

To the Board of Trustees
Shawnee State University

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2015 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shawnee State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 9, 2015

Shawnee State University

Management's Discussion and Analysis

This unaudited section of Shawnee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2015. 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 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*, and GASB No. 61, *The Financial Reporting Entity - Omnibus*, the Shawnee State University Development Foundation's (the "Foundation") financial statements have been included in this annual report. This information has been provided on separate financial statements and in a note to the financial statements. Shawnee State University's management's discussion and analysis reflects only information related to the University.

During fiscal year 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Please see adoption of new accounting pronouncements in Note 2 of the financial statements for further details.

Financial Highlights

Key financial highlights for 2015 are as follows:

- Total net position decreased \$42,255,983. Of this decrease, \$40,600,338 was the impact due to the implementation of GASB Statement No. 68. The remaining decrease of \$1,655,645 was the result of reduced investment revenue and non-operating grant revenue.
- Total assets decreased \$2,288,200. Current assets decreased \$986,951 and non-current assets (excluding capital assets) increased \$540,192 as the result of the increased value of investments.

Shawnee State University

Management's Discussion and Analysis (Continued)

- The \$38,034,643 increase in total liabilities was primarily due to establishing a net pension liability of \$37,995,754 related to the implementation of GASB Statement No. 68.
- Total revenue decreased \$5,058,630 from 2014 to 2015 compared with an increase of \$334,117 from 2013 to 2014.
- Total expenses decreased \$697,279 as compared with a decrease of \$3,481,991 from 2013 to 2014.
- Operating expenses decreased \$706,886 primarily as a result of decreased instruction and research, scholarship, and auxiliary enterprise expenses.
- Operating revenue decreased by \$950,384 due to reduced student tuition and fees revenue.
- Non-operating revenue decreased \$2,282,697 mainly as a result of \$1,786,087 in decreased investment income and a \$838,185 decrease in non-operating grant revenue. Non-operating expenses increased \$9,607 as a result of an increase in interest expense on capital asset related debt and losses on the disposal of capital assets in 2015.

Using this Financial Report

This annual report consists of two parts: (1) management's discussion and analysis and the basic financial statements for Shawnee State University, and (2) the basic financial statements for the Shawnee State University Development Foundation. The basic financial statements for Shawnee State University include the statements of net position, revenue, expenses, and changes in net position, and cash flows. The basic financial statements for the 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 2015?" The statement of net position includes all short-term and long-term assets and liabilities, both financial and capital, and deferred 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. Non-financial factors such as student retention rate, enrollment growth, and condition of facilities must also be considered.

Shawnee State University

Management's Discussion and Analysis (Continued)

Statement of Net Position

The statements of net position, which report all assets and liabilities of the University, reflect the financial position of the University at the end of the fiscal year. Total assets and deferred outflows minus total liabilities and deferred inflows equal net position. The University's assets, liabilities, deferred inflows, and net position as of June 30, 2015, 2014, and 2013 are presented below:

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Assets | | | |
| Current assets | \$ 8,404,275 | \$ 9,391,226 | \$ 9,069,025 |
| Capital assets - Net | 82,619,039 | 84,460,480 | 84,658,472 |
| Other non-current assets | <u>20,252,421</u> | <u>19,712,229</u> | <u>18,668,228</u> |
| Total assets | 111,275,735 | 113,563,935 | 112,395,725 |
| Liabilities | | | |
| Current liabilities | 7,426,422 | 6,962,696 | 7,508,959 |
| Non-current liabilities | <u>55,653,442</u> | <u>18,082,525</u> | <u>18,896,615</u> |
| Total liabilities | 63,079,864 | 25,045,221 | 26,405,574 |
| Deferred Inflows of Resources | <u>2,647,426</u> | <u>714,286</u> | <u>891,429</u> |
| Net Position | | | |
| Net investment in capital assets | 67,314,273 | 68,650,729 | 68,071,968 |
| Restricted, expendable | 192,469 | 224,890 | 298,522 |
| Unrestricted | <u>(21,958,297)</u> | <u>18,928,809</u> | <u>16,728,232</u> |
| Total net position | <u><u>\$ 45,548,445</u></u> | <u><u>\$ 87,804,428</u></u> | <u><u>\$ 85,098,722</u></u> |

Shawnee State University

Management's Discussion and Analysis (Continued)

Total assets of the University decreased \$2,288,200 in 2015 and increased \$1,168,210 in 2014. Current assets decreased \$986,951 in 2015 and increased \$332,201 in 2014. The \$986,951 decrease in current assets in 2015 is predominantly attributable to a decrease in cash and short term investments due to reduced government funding and tuition received during the year. Non-current assets (excluding capital assets) increased \$540,192 in 2015 and by \$1,044,001 in 2014 due to the increased market value of University investments.

Net capital assets decreased \$1,841,441 in 2015 and \$197,992 in 2014 due to depreciation expense and the loss on disposals of capital assets exceeding the cost of construction projects completed during the respective years.

The \$38,034,643 increase in total liabilities (\$463,726 increase in current liabilities and a \$37,570,917 increase in non-current liabilities) is primarily due to an increase of \$37,995,754 to recognize the University's proportionate portion 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. See Note 2 and Note 12 of the financial statements for further details.

Shawnee State University

Management's Discussion and Analysis (Continued)

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position present 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 revenues, expenses, and changes in net position for the fiscal years ended June 30, 2015, 2014, and 2013 are as follows:

| | 2015 | 2014 | 2013 |
|--|-----------------------|---------------------|-----------------------|
| Operating revenue: | | | |
| Tuition, fees, and other student charges | \$ 23,320,139 | \$ 24,209,355 | \$ 24,513,333 |
| Grants and contracts | 3,586,107 | 3,628,307 | 3,957,641 |
| Sales and services | 1,846,922 | 1,742,795 | 1,810,841 |
| Miscellaneous income | 381,092 | 504,187 | 357,897 |
| Non-operating revenue: | | | |
| Investment income | 342,725 | 2,128,812 | 1,316,206 |
| State appropriations | 16,257,877 | 15,916,302 | 15,966,614 |
| Other grants | 14,019,810 | 14,857,995 | 15,492,676 |
| Capital appropriations | 213,636 | 2,039,185 | 1,277,613 |
| | | | |
| Total revenue | 59,968,308 | 65,026,938 | 64,692,821 |
| | | | |
| Operating expenses: | | | |
| Instruction and research | 19,794,586 | 20,100,199 | 21,750,948 |
| Public service | 2,244,944 | 2,398,875 | 2,321,027 |
| Academic support | 3,210,578 | 3,016,301 | 2,833,861 |
| Student services | 3,833,267 | 3,727,822 | 4,245,464 |
| Institutional support | 10,147,354 | 10,212,939 | 11,451,277 |
| Operation and maintenance of plant | 5,581,883 | 5,272,526 | 5,285,870 |
| Scholarships and fellowships | 6,426,737 | 6,834,336 | 7,038,480 |
| Depreciation | 3,510,953 | 3,576,210 | 3,617,381 |
| Auxiliary enterprises | 6,109,114 | 6,427,094 | 6,479,758 |
| Non-operating expense: | | | |
| Interest on capital debt | 757,869 | 753,039 | 770,656 |
| Loss on disposal of capital assets | 6,668 | 1,891 | 8,501 |
| Total expenses | 61,623,953 | 62,321,232 | 65,803,223 |
| | | | |
| (Decrease) increase in net position | <u>\$ (1,655,645)</u> | <u>\$ 2,705,706</u> | <u>\$ (1,110,402)</u> |

Shawnee State University

Management's Discussion and Analysis (Continued)

Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reason, and critical analysis/logical thinking. To enrich the lives of the community, the University provides opportunities for continuing personal and professional development, intellectual discovery, and appreciation for the creative and performing arts. The University charges students tuition and fees in accordance with approved University policy, as constrained by state laws. Based on state regulations, rates charged for undergraduate in-state tuition and fees increased \$94 per full-time student effective in the fall 2014 semester.

The University's revenue from student tuition and fees has decreased to \$23,320,139 from \$24,209,355 in 2014 and \$24,513,333 in 2013 due to decreases in enrollment. Tuition and fees represent 38.9 percent of the University's total revenue in 2015, 37.2 percent in 2014, and 37.9 percent in 2013. The small 1.1 percent decrease in operating grants and contracts revenue from \$3,628,307 in 2014 to \$3,586,107 in 2015 is attributable to the University's efforts to explore new funding through grant programs despite the reduction in funding of existing grants.

As the result of institution-wide spending-constraint strategies implemented in prior years and strengthened budget-reduction strategies, several areas witnessed reduced levels of expenses in 2015 when compared to 2014 spending levels. The 1.2 percent decrease in total operating expenses was achieved through such measures as reduced departmental healthcare allocated costs, a review of staffing practices to reduce or delay the hiring of vacant or temporary positions, and cost savings related to department reorganizations. As a result of these measures, 2015 expenses for instruction and departmental research decreased 1.5 percent, public service expenses decreased by 6.4 percent, and auxiliary enterprise expenses decreased by 5.0 percent from 2014 operating expense levels. Scholarships and fellowships expenses decreased from \$6,834,336 in 2014 to \$6,426,737 in 2015 due to decreased enrollment. Operation and maintenance of plant experienced an increase of 5.9 percent from \$5,272,526 to \$5,581,883 due to more University funded building projects in 2015 than in 2014.

State appropriations represent 27.1 percent of the University's total revenue in 2015, 24.5 percent in 2014, and 24.7 percent in 2013. These percentages illustrate that tuition and fee revenue alone is not sufficient to cover relevant operational expenses. The University is dependent upon a predictable and relatively stable level of state appropriation funding.

During 2015, investment income amounted to \$342,725 as compared to \$2,128,812 during 2014 and \$1,316,206 during 2013. The level of increase in investment markets in general is mirrored in the University's increase in investment income. During the last quarter of fiscal year 2013, the University retained the services of an investment consultant as well as new investment managers to improve the University's long-term investment performance. The University experienced the benefit of these additions throughout 2014 and 2015.

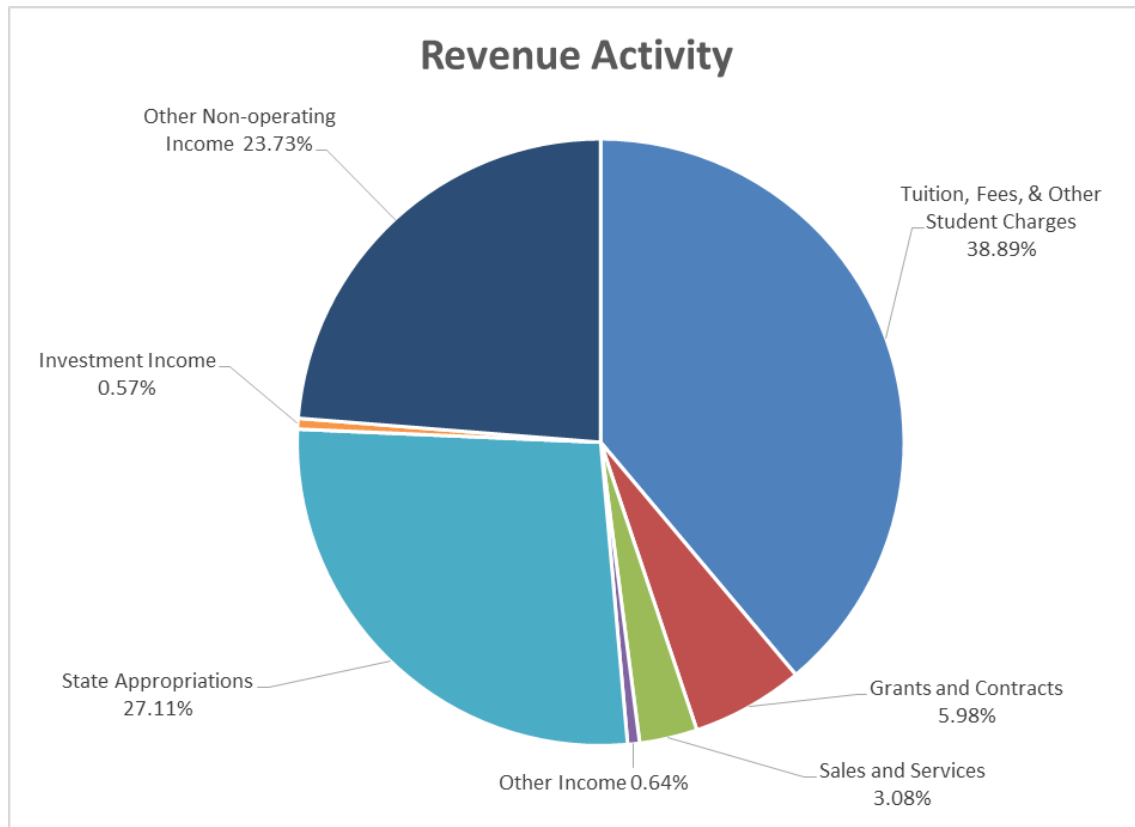
Shawnee State University

Management's Discussion and Analysis (Continued)

Pell Grants and certain other grants are considered non-exchange transactions and therefore are reflected as non-operating revenue. The federal grants portion of non-operating other grants revenue experienced a 5.9 percent decrease. The decrease in 2015 follows a similar decrease in 2014 of 6.7 percent in the federal grant portion of non-operating other grants revenue. Income from federal aid programs such as Pell, SEOG, and Veteran's Benefits amounted to \$9.6 million in 2015 as compared with \$10.9 million in 2014 and \$11.7 million in 2013. Non-operating grants revenue represents 23.4 percent of the University's total revenue in 2015, 22.8 percent in 2014, and 23.9 percent in 2013.

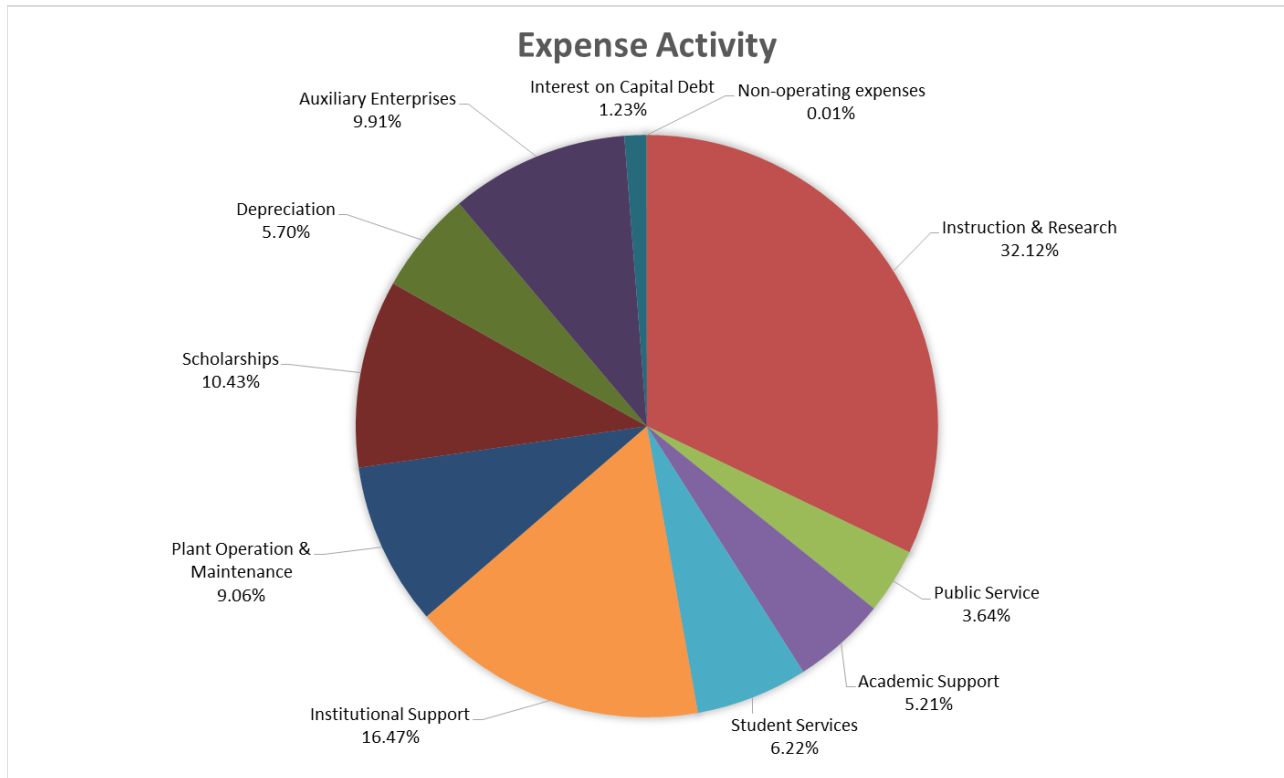
Capital appropriations decreased to \$213,636 in 2015 from \$2,039,185 in 2014 and from \$1,277,613 in 2013. The decrease from prior years is a result of having received state funding for various multi-year construction projects in prior years during the start up or early phases of construction. These projects included the administrative building renovation, the State's share of the IT infrastructure upgrade project and the plaza/concrete renovation project.

The following graphs summarize Shawnee State University's revenue and expense activity for the fiscal year ending June 30, 2015.



Shawnee State University

Management's Discussion and Analysis (Continued)



Statement of Cash Flows

The statement of cash flows provides information about the University's financial condition by reporting the cash sources (receipts) and the cash uses (payments) during the fiscal year ending June 30, 2015. A comparison of cash sources and uses during fiscal years 2015, 2014, and 2013 is presented below:

| | 2015 | 2014 | 2013 |
|--|--------------------------|----------------------------|----------------------------|
| <u>Cash (used in) provided by:</u> | | | |
| Operating activities | \$ (27,792,718) | \$ (28,245,760) | \$ (30,621,773) |
| Noncapital financing activities | 29,624,892 | 30,699,284 | 31,911,941 |
| Capital and related financing activities | (2,727,227) | (3,628,995) | (2,019,860) |
| Investment activities | 218,317 | 1,288,568 | (602,573) |
| Net (decrease) increase in cash and cash equivalents | (676,736) | 113,097 | (1,332,265) |
| Cash and cash equivalents - Beginning of the year | 1,570,805 | 1,457,708 | 2,789,973 |
| End of the year | <u>\$ 894,069</u> | <u>\$ 1,570,805</u> | <u>\$ 1,457,708</u> |

Shawnee State University

Management's Discussion and Analysis (Continued)

Cash and cash equivalents decreased by \$676,736 from 2014 to 2015, compared to an increase of \$113,097 from 2013 to 2014 mainly due to a decrease in University grant revenue received during 2015.

Capital Assets and Debt Administration

At the end of fiscal year 2015, the University had \$82,619,039 in net capital assets. This reflects an overall decrease of \$1,841,441 in net capital assets from 2014. The reduction was a result of the 2015 depreciation expense being larger than the cost of new capital assets acquired in 2015.

Capital assets - Net of depreciation at June 30:

| | 2015 | 2014 | 2013 |
|----------------------------|----------------------|----------------------|----------------------|
| Land | \$ 8,003,370 | \$ 8,003,370 | \$ 8,003,370 |
| Land Improvements | 6,928,632 | 6,928,632 | 6,928,632 |
| Buildings and Improvements | 58,907,751 | 61,429,944 | 62,663,260 |
| Equipment | 2,177,996 | 2,653,813 | 3,058,064 |
| Library books | 320,416 | 308,218 | 342,796 |
| Construction in progress | 6,280,874 | 5,136,503 | 3,662,350 |
| Totals | <u>\$ 82,619,039</u> | <u>\$ 84,460,480</u> | <u>\$ 84,658,472</u> |

Debt Administration

At June 30, 2015, the University had outstanding general revenue bonds payable totaling \$14,365,000; \$490,000 of which is due within one year. This reflects an overall decrease of \$470,000 in the general revenue bonds payable liability from 2014. The Series 2007 Bonds were issued for the purpose of paying the cost to renovate and construct a new addition to the University Center and for the refunding of the outstanding Series A and Series B Bonds.

In fiscal year 2013, the University executed a new capital lease with Key Government Finance, Inc. The original lease proceeds of \$2,820,339 are funding a portion of the University's IT infrastructure upgrade project. In 2015 the University received an additional \$227,407 in funding and revised the original lease's payment schedule to reduce annual payment amounts by extending the lease through October 1, 2018. As of June 30, 2015, the remaining balance of the capital lease was \$1,237,553; \$302,319 of which is due within one year.

Shawnee State University

Management's Discussion and Analysis (Continued)

Outstanding debt at year end:

| | 2015 | 2014 | 2013 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Capital lease payable - 3.16% | \$ 1,237,553 | \$ 1,285,070 | \$ 2,247,225 |
| General revenue bonds payable - 4.0% to 5.0% - Series 2007 | <u>14,365,000</u> | <u>14,835,000</u> | <u>15,410,000</u> |
| Total debt | <u><u>\$ 15,602,553</u></u> | <u><u>\$ 16,120,070</u></u> | <u><u>\$ 17,657,225</u></u> |

Current Financial Issues and Concerns

The University's fiscal year 2015 financial performance realized a dramatic reduction compared to fiscal year 2014 due to a myriad of external and internal factors. The most prevalent and impactful external factor is the implementation of the General Accounting Standard Board's rule (i.e., GASB No. 68) requiring the recording of the proportionate share of state pension plans' net unfunded liabilities on the financial statements of public employers across the nation. The portion of the liability associated with Shawnee State University's employees participating in the defined benefit plans in both the Ohio Public Employees Retirement System (OPERS) and the State Teachers Retirement System (STRS) results in the liability allocation in fiscal year 2015 of \$40,600,338. Simultaneously, those pension plan transactions that occurred during fiscal year 2015 had to be captured in the current year's financial report. These highly complex calculations primarily reflect the University's contributions paid after the OPERS and STRS measurement periods that differ from the University's fiscal year of July 1 – June 30. An interesting juxtaposition occurred after the current-year GASB No. 68 adjustments were completed as they improved the fiscal year 2015 unrestricted net position from (\$2,149,946) to (\$1,655,645), a positive change of \$494,301.

The culmination of both the GASB No. 68 initial adjustment of \$40,600,338 combined with the net position reduction of \$1,655,645 produced an extraordinary reduction of Shawnee State University's fiscal year 2015 total net position from \$87,804,428 in fiscal year 2014 to \$45,548,445 – a change to the University's total net position of (\$42,255,983).

The proportionate share of Shawnee State's pension liability is fully recorded in the University's fiscal year 2015 financial performance reports as required by GASB No. 68. In future years, the University's financial reports will reflect only the changes that have occurred during the fiscal year as applied against this adjusted total net position. These changes will include such variables as the pension plans' investment returns, changes based on actuarial studies, the amount of the University's contributions, etc. These annual pension plan liability changes will fluctuate based on factors beyond the University's control.

Shawnee State University

Management's Discussion and Analysis (Continued)

The secondary prevalent factor impacting the University's fiscal year 2015 performance is the decline in the academic year 2014/15 enrollment. Shawnee State University continues to experience the same challenges realized in comparable institutions of higher education. These challenges include: low numbers of high-school graduates within the serving areas; decisions required to improve the retention and successful completion of students; the continued avoidance of debt by students and their families, etc. For fiscal year 2015, the tuition rate increase of 2.71 percent permitted by legislation mitigated the full effect of the tuition revenue loss realized from the enrollment decline.

Positive revenue sources included a marginal increase of \$341,575 (2.15 percent) in state share of instruction (SSI) subsidy due to higher-than-expected course and graduate completion performance (as determined by the SSI formula). The full allocation of supplement funding in the amount of \$2,326,097 has been a stable funding source for two prior biennia and indications are that this level of funding will continue for the upcoming biennia. The University also realized a marginal gain in the value of its investment portfolio of \$342,725 but this performance was nearly 84 percent less than the value gained in fiscal year 2014, demonstrating the continued volatility of the investment market.

Austerity measures were continued for a fourth year that were designed to constrain University expenditures. These measures included the continuation of restrictions on departmental non-compensation spending, eliminating or "freezing" some vacancies and deferring replacement of others, internal restructuring of organizational functions (particularly backroom administrative departments to gain efficiencies), and proactively managing course scheduling to realize additional reductions in faculty overload and adjunct costs. In prior years, these types of constraints influenced greater opportunities for savings than were possible or available in the current year. While the University is committed to continuing these cost-cutting efforts that emphasize efficiencies, resources are being shifted to maximize marketing and recruitment strategies and strategic initiatives that enable growth-programs to expand their capacities. These actions respond to the University's current service and revenue needs and are part of a comprehensive long-term strategic effort.

Ohio public universities' fiscal conditions are measured annually via financial viability ratios established by Senate Bill 6 (SB 6). This ratio is derived from a calculation that considers plant debt, operating expenses, total revenues, and changes to net position. Shawnee State University's fiscal position continues to remain strong with its 2014 composite ratio of 4.0 (maximum is 5.0). For a variety of reasons, the methodology of universities' fiscal measurement is being evaluated by the Ohio Board of Regents (OBR) working with appropriate committees of the Inter University Council (IUC). The existing SB6 ratio methodology is anticipated to be utilized for fiscal year 2015 and will be determined after the completion of all Ohio public universities' financial audits.

Shawnee State University

Management's Discussion and Analysis (Continued)

The University's board of trustees concluded a successful nation-wide search to replace our president who retired June 30, 2015. The newly appointed president who began his tenure July 1, 2015 brings extensive experience in fundamental areas that are especially pertinent to Shawnee State University. A major strategic planning initiative is scheduled to begin in the first quarter of fiscal year 2016. This process will engage the campus and community in a comprehensive examination of the University's mission with substantial emphasis placed upon the transformation of Shawnee State University as a "best value" institution that will assure financial sustainability and a promising future.

Shawnee State University

Statement of Net Position University

| | June 30 | |
|--|------------------------------|------------------------------|
| | 2015 | 2014 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 894,069 | \$ 1,570,805 |
| Short-term investments | <u>122,719</u> | <u>537,294</u> |
| Total cash and short-term investments | 1,016,788 | 2,108,099 |
| Receivables: | | |
| Accounts (net of allowance for doubtful accounts of \$2,880,748 in 2015 and \$2,622,298 in 2014) | 7,002,973 | 6,917,631 |
| Notes | 85,547 | 91,165 |
| Amounts due from primary government | 26,140 | - |
| Interest receivable | 37,257 | 38,489 |
| Inventory | 42,388 | 45,724 |
| Prepaid items | <u>193,182</u> | <u>190,118</u> |
| Total current assets | 8,404,275 | 9,391,226 |
| Non-current Assets | | |
| Investments | 20,252,421 | 19,712,229 |
| Capital assets - Net | <u>82,619,039</u> | <u>84,460,480</u> |
| Total non-current assets | <u>102,871,460</u> | <u>104,172,709</u> |
| Total assets | <u>\$ 111,275,735</u> | <u>\$ 113,563,935</u> |

Shawnee State University

Statement of Net Position (Continued) University

| | June 30 | |
|--|------------------------------|------------------------------|
| | 2015 | 2014 |
| Liabilities, Deferred Inflows, and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 845,542 | \$ 888,356 |
| Accrued wages and benefits | 4,008,929 | 3,509,069 |
| Compensated absences payable | 243,984 | 238,189 |
| Capital lease payable | 302,319 | 417,747 |
| Bonds payable | 490,000 | 470,000 |
| Accrued interest payable | 80,328 | 83,975 |
| Unearned revenue | 1,372,092 | 1,209,959 |
| Deposits held by and due to others | 83,228 | 145,401 |
| Total current liabilities | <u>7,426,422</u> | <u>6,962,696</u> |
| Non-current Liabilities | | |
| Compensated absences payable | 2,195,853 | 2,143,700 |
| Unearned revenue | 651,601 | 706,502 |
| Net pension liability | 37,995,754 | - |
| Capital lease payable | 935,234 | 867,323 |
| Bonds payable | <u>13,875,000</u> | <u>14,365,000</u> |
| Total non-current liabilities | <u>55,653,442</u> | <u>18,082,525</u> |
| Total liabilities | 63,079,864 | 25,045,221 |
| Deferred Inflows of Resources | | |
| Service concession agreements | 537,143 | 714,286 |
| Pension costs | <u>2,110,283</u> | - |
| Total deferred inflows | 2,647,426 | 714,286 |
| Net Position | | |
| Net investment in capital assets | 67,314,273 | 68,650,729 |
| Restricted: | | |
| Expendable | | |
| Loans | 112,891 | 112,916 |
| Other | 79,578 | 111,974 |
| Unrestricted | <u>(21,958,297)</u> | <u>18,928,809</u> |
| Total net position | <u>45,548,445</u> | <u>87,804,428</u> |
| Total liabilities, deferred inflows, and net position | <u><u>\$ 111,275,735</u></u> | <u><u>\$ 113,563,935</u></u> |

Shawnee State University

Statement of Net Assets Development Foundation

| | June 30 | |
|--|-----------------------------|-----------------------------|
| | 2015 | 2014 |
| Assets | | |
| Cash and cash equivalents | \$ 236,209 | \$ 191,827 |
| Investments | 18,256,891 | 16,842,142 |
| Contributions receivable - Net | 715,495 | 2,255,451 |
| Lease receivable from related party | 43,463 | 44,550 |
| Beneficial interest in trusts held by others | 1,016,169 | 1,285,326 |
| Cash surrender value of life insurance | 229,522 | 221,027 |
| Other assets | 95,560 | 136,272 |
| Net property and equipment | <u>11,250,522</u> | <u>9,561,921</u> |
| Total assets | <u>\$ 31,843,831</u> | <u>\$ 30,538,516</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 16,677 | \$ 17,725 |
| Accrued real estate tax | 67,974 | 29,827 |
| Other payables | - | 25,000 |
| Deferred revenue | 11,552 | - |
| Deposits held and due to others | 69,233 | 211,677 |
| Annuity payment liability | 251,176 | 269,181 |
| Note payable | <u>4,319,250</u> | <u>4,455,934</u> |
| Total liabilities | 4,735,862 | 5,009,344 |
| Net Assets | | |
| Unrestricted | 8,437,951 | 6,295,930 |
| Temporarily restricted | 8,515,140 | 9,468,855 |
| Permanently restricted | <u>10,154,878</u> | <u>9,764,387</u> |
| Total net assets | <u>27,107,969</u> | <u>25,529,172</u> |
| Total liabilities and net assets | <u>\$ 31,843,831</u> | <u>\$ 30,538,516</u> |

Shawnee State University

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

| | Year Ended June 30 | |
|---|----------------------|----------------------|
| | 2015 | 2014 |
| Operating Revenue | | |
| Student tuition and fees (net of scholarship allowances of \$11,902,240 in 2015 and \$12,128,351 in 2014) | \$ 23,320,139 | \$ 24,209,355 |
| Federal grants and contracts | 2,387,444 | 2,417,573 |
| State grants and contracts | 286,323 | 448,515 |
| Local grants and contracts | 335,739 | 331,676 |
| Private gifts, grants, and contracts | 576,601 | 430,543 |
| Sales and services | 1,846,922 | 1,742,795 |
| Miscellaneous | 381,092 | 504,187 |
| Total operating revenue | 29,134,260 | 30,084,644 |
| Operating Expenses | | |
| Education and general: | | |
| Instruction and departmental research | 19,794,586 | 20,100,199 |
| Public service | 2,244,944 | 2,398,875 |
| Academic support | 3,210,578 | 3,016,301 |
| Student services | 3,833,267 | 3,727,822 |
| Institutional support | 10,147,354 | 10,212,939 |
| Operation and maintenance of plant | 5,581,883 | 5,272,526 |
| Scholarships and fellowships | 6,426,737 | 6,834,336 |
| Depreciation expense | 3,510,953 | 3,576,210 |
| Auxiliary enterprises | 6,109,114 | 6,427,094 |
| Total operating expenses | 60,859,416 | 61,566,302 |
| Operating Loss | (31,725,156) | (31,481,658) |
| Non-operating Revenue (Expenses) | | |
| State appropriations | 16,257,877 | 15,916,302 |
| Federal, state, and local grants and contracts | 13,066,875 | 13,898,359 |
| Private grants and contracts | 952,935 | 959,636 |
| Investment income | 342,725 | 2,128,812 |
| Interest on capital asset-related debt | (757,869) | (753,039) |
| Loss on disposal of capital assets | (6,668) | (1,891) |
| Net non-operating revenues | 29,855,875 | 32,148,179 |
| Change in Net Position Before Capital Appropriations | (1,869,281) | 666,521 |
| Other Revenue - Capital appropriations | 213,636 | 2,039,185 |
| (Decrease) Increase in Net Position | (1,655,645) | 2,705,706 |
| Net Position - Beginning of year | 87,804,428 | 85,098,722 |
| Adjustment for change in accounting principle (Note 2) | (40,600,338) | - |
| Net position - Beginning of year, as restated | 47,204,090 | 85,098,722 |
| Net Position - End of year | \$ 45,548,445 | \$ 87,804,428 |

Shawnee State University

Statement of Activities Development Foundation Year Ended June 30, 2015 (with comparative totals for 2014)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2015 | Total 2014 |
|--|---------------------|---------------------------|---------------------------|----------------------|----------------------|
| Revenues and Other Support | | | | | |
| Contributions | \$ 1,987,127 | \$ 444,037 | \$ 311,194 | \$ 2,742,358 | \$ 3,893,078 |
| Investment income - Net | (30,720) | 378,751 | - | 348,031 | 2,591,605 |
| Change in value of split- interest agreements | (18,671) | 475,872 | 79,297 | 536,498 | 91,825 |
| Losses for uncollectible contributions | (15,626) | (95,245) | - | (110,871) | (445) |
| Loss on sale of assets | (28,779) | - | - | (28,779) | - |
| Other income | 3,500 | - | - | 3,500 | 3,000 |
| Rental income | 412,205 | - | - | 412,205 | 182,987 |
| Net assets released from restrictions | <u>2,157,130</u> | <u>(2,157,130)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues and other support | 4,466,166 | (953,715) | 390,491 | 3,902,942 | 6,762,050 |
| Expenses | | | | | |
| Scholarships and other student aid | 351,161 | - | - | 351,161 | 320,264 |
| Institutional support | 874,884 | - | - | 874,884 | 435,530 |
| Guest speakers and lecturers | 11,924 | - | - | 11,924 | 8,098 |
| Management and general expenses | 463,400 | - | - | 463,400 | 388,047 |
| Rental expenses | <u>622,776</u> | <u>-</u> | <u>-</u> | <u>622,776</u> | <u>204,392</u> |
| Total expenses and losses | <u>2,324,145</u> | <u>-</u> | <u>-</u> | <u>2,324,145</u> | <u>1,356,331</u> |
| Change in Net Assets | 2,142,021 | (953,715) | 390,491 | 1,578,797 | 5,405,719 |
| Net Assets - Beginning of year | <u>6,295,930</u> | <u>9,468,855</u> | <u>9,764,387</u> | <u>25,529,172</u> | <u>20,123,453</u> |
| Net Assets - End of year | <u>\$ 8,437,951</u> | <u>\$ 8,515,140</u> | <u>\$ 10,154,878</u> | <u>\$ 27,107,969</u> | <u>\$ 25,529,172</u> |

Shawnee State University

Statement of Activities Development Foundation Year Ended June 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2014 |
|---|---------------------|---------------------------|---------------------------|----------------------|
| Revenues and Other Support | | | | |
| Contributions | \$ 3,424,576 | \$ 429,784 | \$ 38,718 | \$ 3,893,078 |
| Investment income - Net | 234,203 | 2,357,402 | - | 2,591,605 |
| Change in value of split-interest agreements | 2,632 | 49,824 | 39,369 | 91,825 |
| Losses for uncollectible contributions | (445) | - | - | (445) |
| Other income | 3,000 | - | - | 3,000 |
| Rental income | 182,987 | - | - | 182,987 |
| Net assets released from restrictions | <u>1,397,365</u> | <u>(1,397,365)</u> | <u>-</u> | <u>-</u> |
| Total revenues and other support | 5,244,318 | 1,439,645 | 78,087 | 6,762,050 |
| Expenses | | | | |
| Scholarships and other student aid | 320,264 | - | - | 320,264 |
| Institutional support | 435,530 | - | - | 435,530 |
| Guest speakers and lecturers | 8,098 | - | - | 8,098 |
| Management and general expenses | 388,047 | - | - | 388,047 |
| Rental expenses | <u>204,392</u> | <u>-</u> | <u>-</u> | <u>204,392</u> |
| Total expenses and losses | <u>1,356,331</u> | <u>-</u> | <u>-</u> | <u>1,356,331</u> |
| Change in Net Assets | 3,887,987 | 1,439,645 | 78,087 | 5,405,719 |
| Net Assets - Beginning of year | <u>2,407,943</u> | <u>8,029,210</u> | <u>9,686,300</u> | <u>20,123,453</u> |
| Net Assets - End of year | <u>\$ 6,295,930</u> | <u>\$ 9,468,855</u> | <u>\$ 9,764,387</u> | <u>\$ 25,529,172</u> |

Shawnee State University

Statement of Cash Flows University

| | Year Ended June 30 | |
|---|--------------------------|----------------------------|
| | 2015 | 2014 |
| Cash Flows from Operating Activities | | |
| Cash received from tuition, fees, and other student charges | \$ 23,753,410 | \$ 23,883,562 |
| Cash received from gifts, grants, and contracts | 3,497,328 | 3,392,574 |
| Cash received from sales and services | 1,902,832 | 1,717,267 |
| Cash received from miscellaneous services | 381,092 | 504,187 |
| Cash payments to suppliers for goods and services | (13,696,716) | (14,648,866) |
| Cash payments to employees for services | (26,205,781) | (25,280,534) |
| Cash payments for employee benefits | (10,998,146) | (10,979,614) |
| Cash payments for scholarships and fellowships | <u>(6,426,737)</u> | <u>(6,834,336)</u> |
| Net cash used in operating activities | (27,792,718) | (28,245,760) |
| Cash Flows from Non-capital Financing Activities | | |
| State appropriations | 16,257,877 | 15,916,302 |
| Nonexchange gifts, grants, and contracts | 13,595,563 | 15,046,610 |
| Federal direct student loan program receipts | 23,722,171 | 25,739,897 |
| Federal direct student loan program disbursements | (23,889,124) | (26,016,243) |
| Net cash from agency transactions | <u>(61,595)</u> | <u>12,718</u> |
| Net cash provided by non-capital financing activities | 29,624,892 | 30,699,284 |
| Cash Flows from Capital and Related Financing Activities | | |
| Capital appropriations | 187,496 | 2,082,385 |
| Proceeds from capital debt | 242,046 | - |
| Payments for capital acquisitions | (1,609,303) | (3,401,980) |
| Principal payments | (789,597) | (1,537,155) |
| Interest payments | <u>(757,869)</u> | <u>(772,245)</u> |
| Net cash used in capital and related financing activities | (2,727,227) | (3,628,995) |
| Cash Flows from Investing Activities | | |
| Interest on investments | 671,329 | 477,773 |
| Proceeds for sales and maturities of investments | 478,978 | 1,336,140 |
| Purchases of securities | <u>(931,990)</u> | <u>(525,345)</u> |
| Net cash provided by investing activities | 218,317 | 1,288,568 |
| Net Change in Cash and Cash Equivalents | (676,736) | 113,097 |
| Cash and Cash Equivalents - Beginning of year | <u>1,570,805</u> | <u>1,457,708</u> |
| Cash and Cash Equivalents - End of year | <u>\$ 894,069</u> | <u>\$ 1,570,805</u> |

Shawnee State University

Statement of Cash Flows (Continued) University

| | Year Ended June 30 | |
|--|------------------------|------------------------|
| | 2015 | 2014 |
| Reconciliation of operating loss to net cash from operating activities: | | |
| Operating loss | \$ (31,725,156) | \$ (31,481,658) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation expense | 3,510,953 | 3,576,210 |
| Changes in operating assets and liabilities which provided (used) cash: | | |
| Accounts receivable | 439,577 | (306,941) |
| Notes receivable | 5,618 | 5,715 |
| Prepaid items | (3,064) | 21,131 |
| Inventory | 3,336 | 3,371 |
| Accounts payable | (42,814) | (99,273) |
| Accrued wages and benefits | 499,978 | 182,436 |
| Compensated absences payable | 57,948 | 139,075 |
| Unearned revenue | (44,793) | (285,826) |
| Net pension liability | (2,604,584) | - |
| Deferred inflows of resources - Net pension expense | 2,110,283 | - |
| Net cash used in operating activities | <u>\$ (27,792,718)</u> | <u>\$ (28,245,760)</u> |

Note 1 - Reporting Entity

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

GASB Statement No. 14 - *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity - 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.

The 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 Development Foundation, 940 Second Street, Portsmouth, Ohio, 45662 or by calling 740-351-3198.

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 GASB, 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, liabilities, deferred inflows of resources, net position, revenues, 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.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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 investment management agreements with Agincourt Capital Management, Manning & Napier Advisors, and TAMRO Capital Partners, as permitted by State statute. The agreements allow (within statute limits) investment in both debt and equity instruments.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2015.

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

Capital Assets - Capital assets utilized by Shawnee State University are reported on the statements 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 fair market values 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 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.

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 |

Note 2 - Summary of Significant Accounting Policies (Continued)

Shawnee State University's policy is to capitalize net interest on construction projects until completion of the project. The amount of the capitalized interest is the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. No capitalized interest was recorded for fiscal years 2015 and 2014.

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

Unearned Revenue - Unearned revenue is predominantly made up of two categories of income. The first consists of receipts relating to tuition and student fees in advance of the services to be provided. The University will recognize revenue to the extent these services are provided over the coming fiscal year. The second is revenue received from the University bookstore vendor. These funds are designated for improvements to the bookstore as part of the University Center renovation project. The funding is dependent on retaining the contract with this vendor. The straight-line method will be used to amortize the revenue over the remaining life of the contract.

Pension - 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 (STRS) and additions to/deductions from OPERS' and STRS' fiduciary net position have been determined on the same basis as they are reported by OPERS and STRS. OPERS and STRS use 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.

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, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The University deferred inflows of resources related to the net pension liability and service concession agreements. See Note 12 for more on the net pension liability.

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

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Classification of Revenue - Revenue is classified as either operating or non-operating.

- 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.
- Non-operating revenue includes revenue from activities that have the characteristics of non-exchange transactions, such as state appropriations, and certain federal, state, local and private gifts, and grants. The implication is that such revenues are 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 revenues, and certain other revenues 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 non-operating revenues in the University's financial statements based on whether or not they are considered exchange transactions. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Note 2 - Summary of Significant Accounting Policies (Continued)

Service Concession Arrangements - The University has an agreement with a food service provider, which is a service concession arrangement. The University received funds toward dining hall renovations that are contingent upon the University utilizing the services of the food service provider over a 10-year period. The amounts received are being amortized over the life of the contract arrangement. The unamortized amounts previously were reflected as unearned revenue. Under GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which became effective in the year ended June 30, 2013, service concession arrangements are to be reported as deferred inflows or outflows. The University recorded deferred inflows of resources of \$537,143 and \$714,286 at June 30, 2015 and 2014, respectively.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements - In fiscal year 2015, the provisions of the following GASB Statement became effective:

- **Accounting for Pensions** - The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB No. 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the University has reported a net pension liability of approximately \$43 million and a deferred outflow of resources of approximately \$2 million as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.

Recent Accounting Pronouncements - As of June 30, 2015, the GASB has issued the following statements not yet implemented by the University.

- **Fair Value Measurement and Application** - In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The University is currently evaluating the impact this standard will have on the financial statements when adopted, during the University's 2015-2016 fiscal year.

Note 2 - Summary of Significant Accounting Policies (Continued)

- **Accounting for Postemployment Benefits Other Than Pensions** - In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the University to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System (OPERS) or State Teachers Retirement System (STRS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2018.

Note 3 - Deposits and Investments

Deposits - Custodial credit risk: At June 30, 2015, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$3,442, deposits held by trustee, and investments) was \$890,627 and the bank balance was \$1,161,575. The difference in the carrying amount and bank balance primarily results from outstanding checks. Of the bank balance, \$250,000 is covered by Federal Deposit Insurance. At June 30, 2014, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$3,856, deposits held by trustee, and investments) was \$1,566,949 and the bank balance was \$1,767,156.

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.

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Deposits and Investments (Continued)

As of June 30, 2015, the University had the following investments and maturities using the segmented time distribution method:

| Investment Type | Fair Value | Investment Maturities (in years) | | |
|-----------------------------|----------------------|----------------------------------|--------------|--------------|
| | | <1 | 1-5 | 6-10 |
| U.S. Govt. and agency bonds | \$ 1,058,621 | \$ 165,092 | \$ 626,539 | \$ 266,990 |
| Corporate bonds and notes | 1,819,656 | 20,744 | 957,169 | 841,743 |
| Foreign corporate bonds | 313,385 | - | 126,752 | 186,633 |
| Fixed-income mutual funds | 3,416,274 | - | 44,195 | 3,372,079 |
| Money market funds | 285,634 | 162,915 | 122,719 | - |
| STAR Ohio funds | 3,416,622 | 3,416,622 | - | - |
| | 10,310,192 | \$ 3,765,373 | \$ 1,877,374 | \$ 4,667,445 |
| Equities and equity funds | 10,064,948 | | | |
| | <u>\$ 20,375,140</u> | | | |

As of June 30, 2014, the University had the following investments and maturities using the segmented time distribution method:

| Investment Type | Fair Value | Investment Maturities (in years) | | |
|-----------------------------|----------------------|----------------------------------|--------------|--------------|
| | | <1 | 1-5 | 6-10 |
| U.S. Govt. and agency bonds | \$ 1,002,835 | \$ - | \$ 561,622 | \$ 441,213 |
| Corporate bonds and notes | 1,773,587 | 126,148 | 1,043,675 | 603,764 |
| Foreign corporate bonds | 319,914 | - | 142,422 | 177,492 |
| Fixed-income mutual funds | 3,424,442 | - | 354,953 | 3,069,489 |
| Money market funds | 685,202 | 395,446 | 289,756 | - |
| STAR Ohio funds | 3,165,382 | 3,165,382 | - | - |
| | 10,371,362 | \$ 3,686,976 | \$ 2,392,428 | \$ 4,291,958 |
| Equities and equity funds | 9,878,161 | | | |
| | <u>\$ 20,249,523</u> | | | |

Investments at June 30, 2015 and 2014 are shown in the statement of net position as current in the amount of \$122,719 and \$537,294, respectively, and as non-current in the amount of \$20,252,421 and \$19,712,229, respectively.

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Deposits and Investments (Continued)

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

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

As of June 30, 2015 and 2014, the University had the following investments and quality ratings:

| Investment Type | Rating | 2015 Fair Value | 2014 Fair Value |
|-----------------------------|--------|--------------------|--------------------|
| U.S. Govt. and agency bonds | AAA | \$ 777,768 | \$ 1,002,835 |
| | AA+ | 280,853 | |
| Corporate bonds and notes | AAA | 6,208 | 13,672 |
| | AA | 150,695 | 125,382 |
| | A | 744,735 | 765,729 |
| | BBB | 918,018 | 868,804 |
| Foreign corporate bonds | AA | 48,515 | 66,192 |
| | A | 108,935 | 110,579 |
| | BBB | 155,935 | 143,143 |
| Fixed-income mutual funds | AAA | 1,512,396 | 1,497,695 |
| | BBB | 1,903,878 | 1,926,747 |
| Money market funds | AAA | 285,634 | 685,202 |
| STAR Ohio funds | AAA | 3,416,622 | 3,165,382 |
| | | \$ 10,310,192 | \$ 10,371,362 |

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Deposits and Investments (Continued)

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

Note 4 - Accounts Receivable

The composition of accounts receivable at June 30, 2015 and 2014 is summarized as follows:

| | 2015 | 2014 |
|---|--------------|--------------|
| Student tuition and fees | \$ 8,078,576 | \$ 7,359,231 |
| Grants and contracts | 1,769,453 | 1,522,452 |
| Other | 35,692 | 658,246 |
| Total accounts receivable | 9,883,721 | 9,539,929 |
| Less allowance for doubtful accounts | (2,880,748) | (2,622,298) |
| Accounts receivable - Net | \$ 7,002,973 | \$ 6,917,631 |

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | Balance July 1, 2014 | Reclass and Additions | Reductions | Balance June 30, 2015 |
|--|-------------------------|--------------------------|---------------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,003,370 | \$ - | \$ - | \$ 8,003,370 |
| Land improvements | 6,928,632 | - | - | 6,928,632 |
| Construction in progress | <u>5,136,503</u> | <u>1,299,642</u> | <u>(155,271)</u> | <u>6,280,874</u> |
| Total capital assets not being depreciated | 20,068,505 | 1,299,642 | (155,271) | 21,212,876 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 99,252,718 | 187,089 | - | 99,439,807 |
| Equipment | 13,804,460 | 258,327 | (161,726) | 13,901,061 |
| Library books | <u>4,550,788</u> | <u>86,393</u> | <u>(211,887)</u> | <u>4,425,294</u> |
| Total capital assets being depreciated | 117,607,966 | 531,809 | (373,613) | 117,766,162 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (37,822,774) | (2,709,282) | - | (40,532,056) |
| Equipment | (11,150,647) | (727,476) | 155,058 | (11,723,065) |
| Library books | <u>(4,242,570)</u> | <u>(74,195)</u> | <u>211,887</u> | <u>(4,104,878)</u> |
| Total accumulated depreciation | <u>(53,215,991)</u> | <u>(3,510,953)</u> | <u>366,945</u> | <u>(56,359,999)</u> |
| Total capital assets being depreciated - Net | <u>64,391,975</u> | <u>(2,979,144)</u> | <u>(6,668)</u> | <u>61,406,163</u> |
| Capital assets - Net | <u>\$ 84,460,480</u> | <u>\$ (1,679,502)</u> | <u>\$ (161,939)</u> | <u>\$ 82,619,039</u> |

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Capital Assets (Continued)

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

| | Balance July 1, 2013 | Reclass and Additions | Reductions | Balance June 30, 2014 |
|--|-------------------------|--------------------------|---------------------|--------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 8,003,370 | \$ - | \$ - | \$ 8,003,370 |
| Land improvements | 6,928,632 | - | - | 6,928,632 |
| Construction in progress | <u>3,662,350</u> | <u>2,380,756</u> | <u>(906,603)</u> | <u>5,136,503</u> |
| Total capital assets not being depreciated | 18,594,352 | 2,380,756 | (906,603) | 20,068,505 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 97,809,361 | 1,443,357 | - | 99,252,718 |
| Equipment | 13,499,616 | 420,104 | (115,260) | 13,804,460 |
| Library books | <u>4,652,734</u> | <u>42,495</u> | <u>(144,441)</u> | <u>4,550,788</u> |
| Total capital assets being depreciated | 115,961,711 | 1,905,956 | (259,701) | 117,607,966 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (35,146,101) | (2,676,673) | - | (37,822,774) |
| Equipment | (10,441,552) | (822,464) | 113,369 | (11,150,647) |
| Library books | <u>(4,309,938)</u> | <u>(77,073)</u> | <u>144,441</u> | <u>(4,242,570)</u> |
| Total accumulated depreciation | <u>(49,897,591)</u> | <u>(3,576,210)</u> | <u>257,810</u> | <u>(53,215,991)</u> |
| Total capital assets being depreciated - Net | <u>66,064,120</u> | <u>(1,670,254)</u> | <u>(1,891)</u> | <u>64,391,975</u> |
| Capital assets - Net | <u>\$ 84,658,472</u> | <u>\$ 710,502</u> | <u>\$ (908,494)</u> | <u>\$ 84,460,480</u> |

Note 6 - 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 earn vacation time.

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

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Long-term Obligations

The changes in the University's long-term obligations during fiscal year 2015 were as follows:

| | Principal Outstanding July 1, 2014 | Additions | Deductions | Principal Outstanding June 30, 2015 | Current Portion |
|-----------------------------|--|-------------------|---------------------|---|---------------------|
| 2007 General Receipts | | | | | |
| Bonds, Series 2007 | \$ 14,835,000 | \$ - | \$ 470,000 | \$ 14,365,000 | \$ 490,000 |
| Unamortized bond premium | 633,012 | - | 26,510 | 606,502 | - |
| Capital lease | 1,285,070 | 286,720 | 334,237 | 1,237,553 | 302,319 |
| Compensated absences | 2,381,889 | 329,580 | 271,632 | 2,439,837 | 243,984 |
| Total long-term liabilities | <u>\$ 19,134,971</u> | <u>\$ 616,300</u> | <u>\$ 1,102,379</u> | <u>\$ 18,648,892</u> | <u>\$ 1,036,303</u> |

The changes in the University's long-term obligations during fiscal year 2014 were as follows:

| | Principal Outstanding July 1, 2013 | Additions | Deductions | Principal Outstanding June 30, 2014 | Current Portion |
|-----------------------------|--|-------------------|---------------------|---|---------------------|
| 2007 General Receipts | | | | | |
| Bonds, Series 2007 | \$ 15,410,000 | \$ - | \$ 575,000 | \$ 14,835,000 | \$ 470,000 |
| Unamortized bond premium | 655,807 | - | 22,795 | 633,012 | - |
| Capital lease | 2,247,225 | - | 962,155 | 1,285,070 | 417,747 |
| Compensated absences | 2,242,814 | 354,794 | 215,719 | 2,381,889 | 238,189 |
| Total long-term liabilities | <u>\$ 20,555,846</u> | <u>\$ 354,794</u> | <u>\$ 1,775,669</u> | <u>\$ 19,134,971</u> | <u>\$ 1,125,936</u> |

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

In fiscal year 2013, the University entered into a capital lease agreement to fund an IT infrastructure upgrade project. The agreement totaled \$2,820,339 with various payment dates through October 1, 2016. In fiscal year 2015, the University added \$227,407 in net additional capital lease funding and revised the payment schedule to reduce annual payment amounts by extending payment dates through October 1, 2018. As of June 30, 2015, assets totaling \$2,925,058 were purchased utilizing these funds. The assets purchased are included within construction in progress at June 30, 2015.

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Long-term Obligations (Continued)

The interest expense for fiscal years 2015 and 2014 was \$757,869 and \$753,039, respectively.

Principal and interest amounts due within each of the next five years and thereafter on the Series 2007 bond obligations outstanding at June 30, 2015 are as follows:

| Years Ending June 30 | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 2016 | \$ 490,000 | \$ 697,600 | \$ 1,187,600 |
| 2017 | 500,000 | 678,000 | 1,178,000 |
| 2018 | 525,000 | 658,000 | 1,183,000 |
| 2019 | 550,000 | 637,000 | 1,187,000 |
| 2020 | 570,000 | 615,000 | 1,185,000 |
| 2021-2025 | 3,305,000 | 2,617,500 | 5,922,500 |
| 2026-2030 | 4,220,000 | 1,705,000 | 5,925,000 |
| 2031-2034 | <u>4,205,000</u> | <u>538,500</u> | <u>4,743,500</u> |
| Total | <u>\$ 14,365,000</u> | <u>\$ 8,146,600</u> | <u>\$ 22,511,600</u> |

Principal and interest amounts due within each of the next four years and on the capital lease obligations outstanding at June 30, 2015 are as follows:

| Years Ending June 30 | Principal | Interest | Total |
|-------------------------|---------------------|------------------|---------------------|
| 2016 | \$ 302,319 | \$ 29,592 | \$ 331,911 |
| 2017 | 301,976 | 29,935 | 331,911 |
| 2018 | 311,641 | 20,270 | 331,911 |
| 2019 | <u>321,617</u> | <u>10,294</u> | <u>331,911</u> |
| Total | <u>\$ 1,237,553</u> | <u>\$ 90,091</u> | <u>\$ 1,327,644</u> |

Note 8 - Leases

The University's operating leases consist of real property and movable equipment that expires in fiscal year 2029. Total expenditures during 2015 and 2014 under operating leases amounted to approximately \$100,000 and \$199,000, respectively.

Note 9 - 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, 2015.

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 in-house legal counsel and University management, the disposition of all pending litigations would not have a significant adverse effect on the University's financial position.

Note 10 - 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 Board of Regents, adjusted to State resources available.

In addition to the performance-based subsidy, 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 causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Ohio Board of Regents turns over control to the University. The University capitalizes the costs of these facilities as construction is completed and 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 currently being funded through appropriations to the Ohio Board of Regents by the Ohio General Assembly.

Note 10 - State Support (Continued)

The University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of the Treasurer of the State of Ohio. If sufficient monies are not available for this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

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

The University also receives appropriations from the State to fund capital improvements. The costs, both direct and indirect, are subject to examination and advance approval by the State of Ohio.

Note 11 - 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 12 - Retirement Plans

Plan Description – The University participates in the State Teachers Retirement System (STRS), and 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, including law enforcement officers of the University. Each system has multiple retirement plan options available to its members, ranging from three in STRS and three in OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. Each system also provides post-employment health care benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Note 12 - Retirement Plans (Continued)

Each retirement system issues a publicly available financial report that includes financial statements and required supplemental 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 East 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 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 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 10 percent of gross wages for all plans, set at the maximums authorized by the ORC. The plans' 2015 contribution rates on covered payroll to each system are:

| | Post | | |
|-------------------------|----------------|-------------------|--------------|
| | <u>Pension</u> | <u>Retirement</u> | <u>Total</u> |
| STRS | 14.00% | 0.00% | 14.00% |
| OPERS | 12.00% | 2.00% | 14.00% |
| OPERS - Law Enforcement | 16.10% | 2.00% | 18.10% |

The plans' 2014 contribution rates on covered payroll to each system are:

| | <u>Employer Contribution Rate</u> | | |
|-------------------------|-----------------------------------|-------------------|--------------|
| | Post | | |
| | <u>Pension</u> | <u>Retirement</u> | <u>Total</u> |
| STRS | 13.00% | 1.00% | 14.00% |
| OPERS | 12.00% | 2.00% | 14.00% |
| OPERS - Law Enforcement | 16.10% | 2.00% | 18.10% |

Note 12 - Retirement Plans (Continued)

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

| | For the years ended June 30 | |
|-------|-----------------------------|---------------------|
| | 2015 | 2014 |
| STRS | \$ 1,614,083 | \$ 1,630,741 |
| OPERS | 1,525,951 | 1,526,241 |
| Total | <u>\$ 3,140,034</u> | <u>\$ 3,156,982</u> |

Benefits Provided -

STRS - Plan benefits are established under Chapter 3307 of the Revised Code, 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 cost-of-living adjustment as the need or opportunity arises, depending on the retirement system's funding progress.

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

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

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

Note 12 - Retirement Plans (Continued)

OPERS – Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and 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. Member retirement benefits are calculated on a formula that considers years of service (15-30 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.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability of STRS and OPERS. The net pension liability was measured as of July 1, 2014 for the STRS plan and December 31, 2014 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| Plan | Measurement Date | Net Pension Liability | | Proportionate Share | | Percent Change |
|-------|------------------|-----------------------|----------------------|---------------------|----------|----------------|
| | | 2015 | 2014 | 2015 | 2014 | |
| STRS | July 1 | \$ 27,600,967 | \$ 32,789,550 | 0.11347% | 0.11347% | 0.00% |
| OPERS | December 31 | 10,394,787 | 10,172,587 | 0.08633% | 0.08633% | 0.00% |
| Total | | <u>\$ 37,995,754</u> | <u>\$ 42,962,137</u> | | | |

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Retirement Plans (Continued)

For the year ended June 30, 2015 and 2014, the University recognized pension expense of \$2,987,565 and \$3,002,701 respectively. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 265,719 | \$ 188,366 |
| Net difference between projected and actual earnings on pension plan investments | 556,673 | 5,106,284 |
| Changes in proportion and differences between University contributions and proportionate share of contributions | - | 3,662 |
| University contributions subsequent to the measurement date | 2,365,637 | - |
| Total | <u>\$ 3,188,029</u> | <u>\$ 5,298,312</u> |

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

| <u>Year Ended June 30</u> | <u>Amount</u> |
|---------------------------|---------------|
| 2016 | \$(1,014,183) |
| 2017 | (1,014,183) |
| 2018 | (943,899) |
| 2019 | (929,778) |
| 2020 | (566,718) |
| Thereafter | (2,204) |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in 2016.

Actuarial Assumptions - The total pension liability is based on the results of an actuarial valuation and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Note 12 - Retirement Plans (Continued)

| | STRS - as of 7/1/14 | OPERS - as of 12/31/14 |
|---------------------------------------|---|--|
| Valuation date | July 1, 2014 | December 31, 2014 |
| Actuarial cost method | Entry age normal | Individual entry age |
| Cost of living | 2.0 percent | 3.0 percent |
| Salary increases, including inflation | 2.75 percent - 12.25 percent | 4.25 percent - 10.05 percent |
| Inflation | 2.75 percent | 3.75 percent |
| Investment rate of return | 7.75 percent - Net of pension plan investment expense | 8.00 percent - Net of pension plan investment expense |
| Experience study date | Period of 5 years ended July 1, 2012 | Period of 5 years ended December 31, 2010 |
| Mortality basis | RP-2000 Combined Mortality Table (Projection 2022-Scale AA) | RP-2000 Mortality Table (Projected 20 years using Projection Scale AA) |

Discount Rate - The discount rates used to measure the total pension liability were 7.75 percent and 8.0 percent, for STRS and OPERS, respectively. 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.

Shawnee State University

Notes to Financial Statements June 30, 2015 and 2014

Note 12 - Retirement Plans (Continued)

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

| Investment Category | STRS | | Investment Category | OPERS | |
|----------------------|-------------------|--|----------------------|-------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return | | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic equity | 31.00% | 5.50% | Fixed income | 23.00% | 2.31% |
| International equity | 26.00% | 5.35% | Domestic equities | 19.90% | 5.84% |
| Alternatives | 14.00% | 5.50% | Real estate | 10.00% | 4.25% |
| Fixed income | 18.00% | 1.25% | Private equity | 10.00% | 9.25% |
| Real estate | 10.00% | 4.25% | International equity | 19.10% | 7.40% |
| Liquidity reserves | 1.00% | 0.50% | Other investments | 18.00% | 4.59% |
| Total | <u>100.00%</u> | | Total | <u>100.00%</u> | |

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 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| Plan | 1.00 Percent Decrease | | Current Discount Rate | | 1.00 Percent Increase | |
|-------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|
| STRS | 6.75% | \$ 39,512,167 | 7.75% | \$ 27,600,967 | 8.75% | \$ 17,526,003 |
| OPERS | 7.00% | 19,160,524 | 8.00% | 10,394,787 | 9.00% | 2,985,361 |
| | | <u>\$ 58,672,691</u> | | <u>\$ 37,995,754</u> | | <u>\$ 20,511,364</u> |

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS/OPERS financial report.

Note 12 - Retirement Plans (Continued)

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

An employee in an OPERS eligible position contributes 10 percent of his/her earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2015 and 2014, 13.23 percent was paid into the member's ARP account and the remaining 0.77 percent was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

An employee in a STRS Ohio eligible position contributes 13 percent of their earned income to their ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the year ended June 30, 2015, 9.5 percent was paid into the member's ARP account and the remaining 4.5 percent was paid to STRS Ohio. For the year ended June 30, 2014, 9.5 percent was paid into the member's ARP account and the remaining 4.5 percent was paid to STRS Ohio, as required by state legislation, to cover unfunded liabilities.

As of June 30, 2015 and 2014, there are approximately 51 and 62 active participants, respectively, participating in an ARP. The University's contribution for employees enrolled in ARP accounts for fiscal years 2015, 2014, and 2013 was \$462,550, \$470,142 and \$529,554, respectively.

Combined Plans - OPERS and STRS Ohio also offer combined plans with features of both a defined benefit plan and a defined contribution plan. In the combined plans, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit.

Note 13 - Postemployment Benefits

Ohio Public Employees Retirement System (OPERS) - OPERS provides access to post-retirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the plan statement in the OPERS 2013 CAFR for details. Access to healthcare coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

OPERS' Post-employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code section 401(h). Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0 percent for both plans, as recommended by OPERS' actuary. The OPERS board of trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the University's 2015, 2014, and 2013 contributions to OPERS used to fund post-employment benefits was \$218,291, \$162,739, and \$268,828, respectively.

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

Previously, under Ohio Law, funding for post-employment health care could be deducted from employer contributions. Effective July 1, 2014, no employer contributions for STRS are being allocated to post-employment health care. Of the 14 percent employer contribution rate, 1 percent of the covered payroll was allocated to post-employment health care for 2013. The portion of the University's 2013 contributions to STRS Ohio used to fund post-employment benefits was \$125,088.

Note 14 - Risk Management

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

During fiscal year 2015, 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.

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

Notes:

(1) Shared limits with other IUC-IC members

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

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

The University has a self-insured healthcare plan.

Note 14 - Risk Management (Continued)

Changes in the self-insurance claims liability for the two years ended June 30, 2015 are summarized as follows:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Accrued claims liability - Beginning of year | \$ 514,099 | \$ 558,893 |
| Current year claims | 4,895,035 | 4,609,104 |
| Claims payments | (4,794,789) | (4,653,898) |
| Accrued claims liability - End of year | <u>\$ 614,345</u> | <u>\$ 514,099</u> |

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

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

Note 15 - Component Unit Disclosure

Basis of Presentation

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

Net Assets

Temporarily restricted net assets represent funds, which are restricted for a specific purpose determined by the donor. Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, the principal be maintained intact and only the earnings of the fund be expended as the donor has specified. Temporarily and permanently restricted net assets at June 30, 2015 and 2014 are restricted primarily for scholarships, University programs, and capital improvements.

Note 15 - Component Unit Disclosure (Continued)

Contribution Revenue

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

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, 2015 and 2014, by classification is as follows:

| | 2015 | 2014 |
|----------------------------|----------------------|----------------------|
| U.S. government securities | \$ 852,857 | \$ 764,608 |
| Foreign bond issues | 174,514 | 158,519 |
| Mutual funds: | | |
| Equity | 7,938,681 | 6,924,708 |
| Fixed income | 3,205,885 | 2,904,135 |
| Balanced | 2,374,615 | 2,443,553 |
| Common stock | 2,554,215 | 2,668,033 |
| Corporate bond issues | 1,156,124 | 978,586 |
| Total | <u>\$ 18,256,891</u> | <u>\$ 16,842,142</u> |

Fixed Assets

During 2014, the Foundation acquired new properties through two separate purchase transactions. The first transaction occurred on February 14, 2014 to acquire two properties at the combined purchase price of \$210,000.

The second transaction occurred on February 25, 2014 to acquire several properties, known as the Fourth Street Properties, through a bargain-sale transaction. The fair value of the combined properties was recorded at \$9,300,000. The Foundation purchased the Fourth Street Properties at a purchase price of \$6,000,000 and recorded a gift-in-kind contribution for the bargain difference of \$3,300,000. One of the Fourth Street Properties is currently being leased to outside entities.

Note 15 - Component Unit Disclosure (Continued)

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 will have an option to extend the maturity date for a two-year period; however, payments will continue during that time. At June 30, 2015 and 2014, the outstanding principal balance of the note was \$4,319,250 and \$4,455,934, respectively.

Related Party Transactions

During the years ended June 30, 2015 and 2014, the Foundation made distributions of \$1,329,223 and \$826,079, respectively, to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Shawnee State University Development Foundation, Inc. at 940 Second Street, Portsmouth, Ohio, 45662.

Required Supplementary Information

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

| | OPERS | STRS |
|---|---------------|---------------|
| | <u>2015</u> | <u>2015</u> |
| University's proportion of the collective net pension liability: | | |
| As a percentage | 0.08633% | 0.11347% |
| Amount | \$ 10,394,787 | \$ 27,600,967 |
| University's covered-employee payroll | \$ 10,899,653 | \$ 10,440,100 |
| University's proportionate share of the collective pension liability (amount), as a percentage of the University's covered-employee payroll | 95.37% | 264.37% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.53% | 74.71% |

Schedule of University Contributions

| | OPERS | STRS |
|---|---------------|---------------|
| | <u>2015</u> | <u>2015</u> |
| Statutorily required contribution | \$ 1,534,786 | \$ 1,623,157 |
| Contributions in relation to the actuarially determined contractually required contribution | \$ 1,534,786 | \$ 1,623,157 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered employee payroll | \$ 10,962,757 | \$ 11,593,979 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% |

**Notes to Required Supplementary Information
for the Year Ended June 30, 2015**

Changes of benefit term - Amounts reported in 2015 for OPERS and STRS reflect no change in benefits.

Changes of assumptions - Amounts reported in 2015 reflect no adjustments based on changes of assumptions such as life expectancies, retired life mortality, or retirement age

Supplementary Information

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

Independent Auditor's Report

To Management and the Board of Trustees
Shawnee State University

We have audited, in accordance with the 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 Shawnee State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated October 9, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Shawnee State University's internal control over financial reporting (internal control) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees
Shawnee State University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shawnee State 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 determination of financial statement amounts. 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*.

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 & Morse, PLLC

October 9, 2015

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Shawnee State University

Report on Compliance for Each Major Federal Program

We have audited Shawnee State University's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Shawnee State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shawnee State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees
Shawnee State University

Opinion on Each Major Federal Program

In our opinion, Shawnee State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Shawnee State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Shawnee State University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Morse, PLLC

October 9, 2015

Shawnee State University

Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

| Federal Grantor/Pass-through Grantor/Program Title | CFDA No. | Federal/Pass-Through Grant Number | Expenditures |
|--|----------|--------------------------------------|-----------------------------|
| <u>U.S. Department of Education:</u> | | | |
| Direct from Federal Agency | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants (SEOG) | 84.007 | N/A | \$ 115,896 |
| Federal College Work Study | 84.033 | N/A | 132,887 |
| Federal Pell Grant Program | 84.063 | N/A | 8,913,645 |
| Federal Direct Loan Program | 84.268 | N/A | 23,889,124 |
| Teacher Education Assistance for College & Higher Education (TEACH) | 84.379 | N/A | 137,281 |
| Total Student Financial Assistance Cluster | | | <u>33,188,833</u> |
| TRIO Cluster: | | | |
| Student Support Services | 84.042A | N/A | 336,719 |
| Upward Bound | 84.047A | N/A | 257,962 |
| Educational Opportunity Centers | 84.066A | N/A | 348,550 |
| Upward Bound Math Science | 84.047M | N/A | 249,529 |
| Total TRIO Cluster | | | <u>1,192,760</u> |
| <u>Small Business Administration</u> | | | |
| Research and Development Cluster - | | | |
| Immersive Technology | 59.UNK | N/A | <u>22,446</u> |
| Total Research and Development Cluster | | | 22,446 |
| <u>U.S. Department of Justice/Bureau of Justice Assistance</u> | | | |
| Edward Byrne Memorial Justice Grant | 16.738 | N/A | 2,657 |
| <u>U.S. Department of Education:</u> | | | |
| <i>Pass through the Ohio Department of Education</i> | | | |
| Twenty-first Century - After School Malls | 84.287 | 063321-TISI | 1,043,384 |
| Secondary Career-Technical Alignment Initiative | 84.048 | N/A | <u>1,250</u> |
| Subtotal Pass-Through Programs | | | <u>1,044,634</u> |
| <u>U.S. Department of Agriculture</u> | | | |
| <i>Pass through Ohio Department of Education</i> | | | |
| Child and Adult Care Food Program | 10.558 | 16-CU, 21-CU, 21-FU | 12,218 |
| <u>National Aeronautics and Space Administration</u> | | | |
| <i>Pass through Space Telescope Science Institute</i> | | | |
| Space Telescope Project | 43.012 | N/A | <u>11,286</u> |
| Total Federal Expenditures | | | <u>\$ 35,474,834</u> |

See Notes to Schedule of Expenditures
of Federal Awards

Shawnee State University

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2015

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Shawnee State University under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Because the Schedule presents only a selected portion of the operations of Shawnee State University, it is not intended to and does not present the financial position, changes in net position, or cash flows, if applicable, of Shawnee State University. Pass-through entity identifying numbers are presented where available.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, *Cost Principles for Educational Institutions*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Note 3 - Federal Work-study and Federal SEOG Waiver

For the year ended June 30, 2015, the University received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study and Federal Supplemental Educational Opportunity Grant programs.

Note 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.

Shawnee State University

Schedule of Findings and Questioned Costs Year Ended June 30, 2015

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 No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|---|--------------------------------------|
| 84.007, 84.033, 84.063, 84.268, 84.379 | Student Financial Assistance Cluster |
| 84.042A, 84.047A, 84.066A, 84.047M | TRIO Cluster |

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Shawnee State University

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

RESOLUTION F29-15

APPOINTMENT OF VICE PRESIDENT FOR ENROLLMENT MANAGEMENT & STUDENT AFFAIRS

WHEREAS, University Policy 5.16 Rev. President's Authority, University Personnel Actions, requires approval by the Board of Trustees for appointment to the executive position of vice president; and

WHEREAS, Dr. Anne Marie Gillespie underwent an extensive candidate review process that included interviews and meetings with various constituency leaders and a campus presentation; and

WHEREAS, Dr. Gillespie's experience and credentials fulfill the requirements for this position; and

WHEREAS, the President recommends approval of this appointment;

THEREFORE BE IT RESOLVED, that the Board of Trustees of Shawnee State University approves the appointment of Dr. Anne Marie Gillespie to the position of Vice President for Enrollment Management and Student Affairs, effective January 18, 2016, at a fiscal-year salary of \$134,800 and further authorizes the President to execute an executive employment agreement with Dr. Gillespie consistent with applicable university policies.

(December 18, 2015)

RESOLUTION F30-15

CREATION OF ADMINISTRATIVE POSITION ACADEMIC ADVISOR

WHEREAS, University Policy 5.16 Rev. President's Authority, University Personnel Actions, requires Board of Trustees' approval of newly created full-time administrative positions; and

WHEREAS, as an integral component of the institution's retention strategies, the need to expand and enhance the University's delivery of highly specialized student advising is essential; and

WHEREAS, the Provost recommends and the President concurs that the creation of an academic advisor position will complement the current professional advisor providing broader coverage of services and enabling the specialization of these services as required by the institution's student demographics (e.g., college credit plus, graduate, etc.); and

WHEREAS, this proposed position will be funded through the reallocation of existing resources within the academic affairs budgets;

THEREFORE BE IT RESOLVED, that Shawnee State University's Board of Trustees approves the creation of this position.

(December 18, 2015)

Estimated Salary & Benefit Data November 2015

Academic Advisor

| | |
|-----------------------------|---|
| Funding Source: | Reallocation of existing funds |
| Pay Range (Grade 42): | \$33,614 (Min) \$41,849 (Mid) \$50,085 (Max) |
| Typical Starting Salary: | \$33,614 - \$37,732 (Minimum to 25% range penetration) |
| Fixed Benefits: | \$19,890 (Health & Life) |
| Variable Benefits (16.95%): | \$5,698 - \$6,396 (Retirement, Medicare, Unemployment, Worker's Compensation) |

Total Compensation: \$59,202 - \$64,018

RESOLUTION F31-15

APPROVAL TO AMEND THE SHAWNEE STATE UNIVERSITY 457(b) DEFERRED COMPENSATION PLAN

WHEREAS, the Board of Trustees originally adopted the Shawnee State University 457(b) Deferred Compensation Plan (“the Plan”), effective May 21, 2002; and

WHEREAS, the University amended the Plan on December 20, 2011 in accordance with the Internal Revenue Code and other applicable laws; and

WHEREAS, Section 9.01 of the Plan provides for the amendment of the Plan; and

WHEREAS, the University desires to amend the Plan based on a review and feedback from the Internal Revenue Service (IRS) to clarify the categories of employees considered eligible to participate;

THEREFORE BE IT RESOLVED, that the amendment of the Plan is approved, effective December 18, 2015; and

BE IT FURTHER RESOLVED, that for future amendments to the 457(b) Plan document (or to any ancillary documents to the 457(b) Plan) of a technical, non-discretionary nature necessary, to (1) secure or maintain compliance with the Internal Revenue Code or other applicable laws; or (2) conform to amendments of the governing provisions of the Ohio Revised Code, the Vice President for Finance and Administration is authorized to take such actions and execute such documents as necessary to effectuate and carry out such amendments and ancillary documents, without further review or resolution by the Board.

(December 18, 2015)

RESOLUTION F32-15

ADOPTION OF POLICY 4.94 ELECTRONIC SIGNATURES

WHEREAS, the University utilizes electronic signatures as an efficient means of conducting official university business including the approval by authorized persons to execute contracts, submit grant applications, accept grant terms, and other business actions normally performed; and

WHEREAS, Section 1306.20(J) of the Ohio Revised Code requires the adoption of a policy for the use and permission of the use of electronic signatures; and

WHEREAS, upon the adoption of authentication technology the University shall implement necessary processes and training for persons authorized to conduct financial transactions utilizing an electronic signature;

THEREFORE BE IT RESOLVED, that the Board of Trustees of Shawnee State University approves Policy 4.94, Electronic Signatures.

(December 18, 2015)

Shawnee State University

| | |
|-------------------------|-----------------------|
| POLICY TITLE: | ELECTRONIC SIGNATURES |
| POLICY NO. : | 4.94 |
| ADMIN CODE: | 3362-4-64 |
| PAGE NO.: | 1 OF 2 |
| EFFECTIVE DATE: | 12/18/2015 |
| NEXT REVIEW DATE: | 12/2018 |
| RESPONSIBLE OFFICER(S): | VPF&A/CONTROLLER/CIO |
| APPROVED BY: | BOARD OF TRUSTEES |

1.0 PURPOSE

The purpose of this policy is to establish rules regarding electronic signatures at the University in conformance with the Ohio Revised Code §1306.20(J).

2.0 AUTHORITY

The Vice President for Finance and Administration, Controller, and Chief Information Officer are responsible for the effective oversight and management of electronic signatures.

3.0 USE OF ELECTRONIC SIGNATURES

- 3.1 The use of electronic signatures shall be consistent with established operational policies and procedures, including Board of Trustee Policy 5.27Rev, Signature Authority for Contracts.
- 3.2 The University recognizes an authorized electronic signature as legally binding to the fullest extent permitted by law.
- 3.3 The Vice President for Finance and Administration or designee has discretion to opt out of conducting business electronically with any party or in any transaction.
- 3.4 The University's Chief Information Officer shall be responsible for establishing a process and security protocol for authentication, nonrepudiation, and integrity to the extent that is reasonable for each electronic signature. An electronic signature that does not comply with an approved authentication method at the time of signature may not be binding on the University.
- 3.5 Documentation of individual electronic signatures shall be maintained in accordance with the University's record retention schedule.

4.0 PROCEDURES

Procedures developed by the appropriate university offices for the effective implementation of this Policy, including the authentication method for electronic signatures and identification of responsibilities for individuals and units regarding the use of electronic signatures, will be approved by the President.

History

Effective: 12/18/15

RESOLUTION F33-15

APPROVAL OF POLICY 4.51REV ADMINISTRATORS AND ATSS EMPLOYMENT ACTIONS

WHEREAS, subsequent to the approval of Policy 4.51Rev Administrators and ATSS Employment Actions, on December 18, 2015, the need for clarification regarding definition of Administrators and Executive Administrators executed by the Board of Trustees was identified; and

WHEREAS, the revised language clarifies that Policy 4.51Rev applies to Administrators and ATSS and does not include Vice Presidents, General Counsel, and Deans who have executive employment agreements or term contracts with the University;

THEREFORE BE IT RESOLVED, that the SSU Board of Trustees hereby approves the amended Policy 4.51Rev, Administrators and ATSS Employment Actions.

(December 18, 2015)

Shawnee State University

| | |
|-------------------------|--|
| POLICY TITLE: | ADMINISTRATORS AND ATSS EMPLOYMENT ACTIONS |
| POLICY NO. : | 4.51 REV |
| ADMIN CODE: | 3362-4-24 |
| PAGE NO.: | 1 OF 5 |
| EFFECTIVE DATE: | 12/18/15 |
| NEXT REVIEW DATE: | 12/2016 |
| RESPONSIBLE OFFICER(S): | DIRECTOR HR, VPF&A |
| APPROVED BY: | BOARD OF TRUSTEES |

1.0 INTRODUCTION AND SCOPE

- 1.1 This policy addresses employment actions and performance evaluations applicable to administrators and administrative technical support staff (ATSS).
- 1.2 This policy does not apply to executive administrators who have an executive employment agreement with the University.

2.0 DEFINITIONS

- 2.1 Administrators are those employees who are assigned professional, managerial, and/or supervisory responsibilities as described in an approved job description. Administrators are generally paid on a salaried basis, with assigned duties that may be exempt from (not governed by) the Fair Labor Standards Act (FLSA) overtime payment rules, and are not under a collectively bargained agreement
- 2.2 Executive administrators are senior level administrators which include vice presidents, deans, and the general counsel.
- 2.3 Administrative Technical Support Staff (ATSS) includes employees typically paid on a per-hour basis (but can be paid on a salaried basis), assigned confidential and/or other duties exempt from (not governed by) provisions of ORC 4117 and are subject to FLSA overtime rules.

3.0 CONTRACT STATUS

- 3.1 Administrators who are employed in positions funded by a source other than grants and/or “soft” or external sources and with undefined contract durations shall be eligible for continuous contract status upon successful completion of a probationary period.
- 3.2 Administrators who are employed in positions funded by grants and/or “soft” or external sources shall be hired for a defined contract period. Such employees must successfully complete a probationary period.

3.3 Contracts are not required for the hiring of administrative technical support staff (ATSS). Such employees must successfully complete a probationary period.

4.0 ESTABLISHMENT OF EMPLOYMENT

4.1 Employment is established for administrators when the Department of Human Resources receives the signed offer letter/contract from the prospective employee.

4.2 Employment is established for ATSS when a prospective employee acknowledges in writing the acceptance of a written offer.

5.0 PROBATIONARY PERIODS

5.1 Newly hired Administrators and ATSS are required to successfully complete an initial six (6) month probationary period.

5.2 A probationary period shall be established for continuing employees (after completion of new-hire probation) if subject to a Performance Improvement Plan (PIP). The length of a probationary period will be determined in accordance with procedures for this policy.

6.0 NEW-HIRE PROBATIONARY EVALUATION

6.1 Newly hired Administrators and ATSS must complete a six (6) month new-hire probationary period and receive a rating of “meets basic expectations” or higher to be eligible for continued employment.

6.2 Procedures will be established for the evaluation of performance during the new-hire probationary period.

7.0 ANNUAL PERFORMANCE EVALUATION

7.1 Upon completion of the new-hire probationary evaluation, Administrators and ATSS will receive performance evaluations from their immediate supervisors at least annually.

7.2 Supervisors are required to follow procedures that are created for conducting annual performance evaluations as set forth in the Procedures for Administrators and ATSS Performance Evaluations and Performance Improvement Plan (PIP).

8.0 PERFORMANCE IMPROVEMENT PLAN (PIP)

8.1 A written performance improvement plan (PIP) may be initiated at any time. Upon the initiation of a PIP, the employee’s performance rating will be identified as “does not meet basic expectations.”

- 8.2 Prior to the initiation of a PIP, the Administrator who is responsible for the PIP should demonstrate, in writing, that steps have been taken to correct performance related issues, i.e., coaching, mentoring, formal warning.
- 8.3 Failure to meet basic expectations that are established in a PIP by the end of the probationary period may result in the termination of employment with the University. The process related to the unsuccessful completion of a PIP will be defined in the Procedures for Performance Evaluation and Performance Improvement Plans (PIP).

9.0 REDUCTION IN FORCE

- 9.1 Should the President determine that a reduction in force is necessary, notification to affected administrators and ATSS shall be as follows:
 - 9.1.1 Employees with up to three (3) years of service will receive thirty (30) days written notice.
 - 9.1.2 Employees with service of three (3) years or more will receive ninety (90) days written notice.
- 9.2 Administrators employed under Defined Period Contracts and ATSS in positions funded by grants “soft” or external sources shall continue employment for the defined contract period or until funding is discontinued. Where possible in such cases, advance notification of the discontinuation of employment will be provided.
- 9.3 Unsatisfactory performance issues shall be managed separately from the reduction in force process.
- 9.4 During any reduction in force, attempts will be made to reassign affected employees to other open positions for which they are qualified.

10.0 REAPPOINTMENT

- 10.1 If an Administrator or ATSS is terminated due to a reduction in force, the affected person will be eligible for automatic reappointment to the exited position should it become available within a period of two (2) years from the date of the force reduction. The decision to fill a position that has been eliminated through a reduction in force will be at the sole discretion of the University.
- 10.2 If reappointed under this Section, an Administrator or ATSS will be reinstated at his/her prior employment status as governed by existing University policies.

11.0 ADMINISTRATIVE LEAVE

- 11.1 When the need for an investigation or assessment of an incident involving an Administrator or ATSS is required, an administrative leave with pay may be implemented upon the recommendation of the Director of Human Resources and the approval of the appropriate Vice President and/or the President.
- 11.2 Access to University facilities and resources will be restricted or denied while placed on an administrative leave unless otherwise authorized by the Director of Human Resources.

12.0 CORRECTIVE ACTION AND TERMINATION FOR CAUSE

- 12.1 Corrective action, when necessary, shall be reasonable and commensurate with the offense and may include but not be limited to a letter to the personnel file, unpaid suspension, and/or termination of employment.
- 12.2 With the approval of the President or designee, an Administrator or ATSS may be terminated immediately for cause for reasons that include but not limited to:
 - 12.2.1 Violation of an official regulation or failure to obey reasonable directions given by a supervisor when such violation or failure to obey amounts to insubordination or a serious breach of University policies and/or work rules or puts the University and/or its employees and students at serious risk.
 - 12.2.2 Conviction of a felony or of an offense involving moral turpitude.
 - 12.2.3 Demonstration of abusive or threatening behavior in the treatment of students, fellow employees, or other persons.

13.0 PROCEDURES

Procedures for the completion of performance evaluations (new-hire and annual) and performance improvement plans (PIP) will be detailed in the accompanying Procedures for Performance Evaluations and Performance Improvement Plan – Administrators and ATSS.

History

Effective: 08/13/93

Revised: 12/18/15; 01/20/12; 02/08/02

Applicable Procedures: [4.51:1 Performance Evaluations and Performance Improvement Plan \(PIP\)](#)
[4.51:2 New Hire Probationary Status](#)

Shawnee State University

| | |
|-------------------------|--|
| POLICY TITLE: | ADMINISTRATORS AND ATSS EMPLOYMENT ACTIONS |
| POLICY NO. : | 4.51 REV |
| ADMIN CODE: | 3362-4-24 |
| PAGE NO.: | 1 OF 4 |
| EFFECTIVE DATE: | 1/20/2015 12/18/15 |
| NEXT REVIEW DATE: | 1/20/2014 12/2018 |
| RESPONSIBLE OFFICER(S): | DIRECTOR HR, VPF&A |
| APPROVED BY: | BOARD OF TRUSTEES |

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2.1 Administrators are those employees who are assigned professional, managerial, and/or supervisory responsibilities as described in an approved job description. Administrators are generally paid on a salaried basis, with assigned duties that may be ~~are~~ exempt from (not governed by) the Fair Labor Standards Act (FLSA) overtime payment rules, and are not under a ~~not subject to the~~ collectively bargained agreement - provisions of the Ohio Revised Code (ORC), Chapter 4117.

~~2.12.2~~ 2.2.2 Executive administrators are senior level administrators who include vice president, deans, and the general counsel.

~~2.22.3~~ 2.2.3 Administrative Technical Support Staff (ATSS) includes employees typically paid on a per-hour basis (but can be paid on a salaried basis), assigned confidential and/or other duties exempt from (not governed by) provisions of ORC 4117 and are subject to FLSA overtime rules.

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History

Effective: 9/10/10

Revised: 12/18/15

Reviewed: [This is used only for a review with no changes.]

Applicable Procedures: [4.51:1 Performance Evaluations and Performance Improvement Plan \(PIP\)](#)
[4.51:2 New Hire Probationary Status](#)

RESOLUTION F34-15

APPROVAL OF ADMINISTRATIVE STAFF SALARY INCREASE

WHEREAS, University administrative staff includes the employment categories of administrators, administrative technical support staff (ATSS), and department of public safety personnel; and

WHEREAS, a review of 2015 survey data provided by the college and university public administrators (CUPA) reveals salary adjustments awarded to administrative staff ranging from 2.2 to 2.5%; and

WHEREAS, beginning January 1, 2016 the administrative staff will realize increased employee contributions for health insurance plans along with the typical increased inflationary costs of goods and services and the most recent years' salary adjustments have been below comparable market adjustments; and

WHEREAS, the President acknowledges the impact of these increased costs, desires to provide comparable salary adjustments with peer institutions, and recommends a salary adjustment of 2% for these University employees;

THEREFORE BE IT RESOLVED, that the Board of Trustees of Shawnee State approves a 2.0% increase to the base salaries of eligible administrative employees effective the first full pay in January 2016.

(December 18, 2015)

RESOLUTION F35-15

APPROVAL OF ADJUNCT FACULTY STIPEND SCALE

WHEREAS, Shawnee State University employs adjunct faculty to augment the instructional services provided by full-time faculty; and

WHEREAS, a review of the records reveals that the adjunct faculty stipend scale was last adjusted spring semester 2013; and

WHEREAS, the President recommends an increase to the adjunct faculty stipend scale in order to continue to retain qualified adjunct faculty;

THEREFORE BE IT RESOLVED, that the Board of Trustees of Shawnee State University approves the attached stipend scale reflecting a 2.0% increase above the prior year's rates based upon experience and education levels, effective beginning spring semester 2016.

(December 18, 2015)

ADJUNCT STIPEND

(Effective Date Beginning Spring Semester 2016)

STIPEND SCALE

| | Board Approved Rate Effective Fall Semester 2013 | Proposed Rate Effective Spring Semester 2016 | Board Approved Rate Effective Fall Semester 2013 | Proposed Rate Effective Spring Semester 2016 |
|---------------------------------|--|--|--|--|
| B.S./B.A. Degree | \$461/Lec. Hr. | \$470/Lec. Hr. | \$383/Lab Hr. | \$391/Lab Hr. |
| Master's Degree | \$554/Lec. Hr. | \$565/Lec. Hr. | \$440/Lab Hr. | \$449/Lab Hr. |
| Ph.D. or Other Terminal Degree* | \$636/Lec. Hr. | \$649/Lec. Hr. | \$513/Lab Hr. | \$523/Lab Hr. |

* Note: As determined by the appropriate Dean and the Provost according to the appropriate accreditation standards for baccalaureate degrees.

(December 18, 2015)



FY16 General Fund Budget
First Quarter Status

| | FY15 | | | FY16 | | |
|---|----------------------------|----------------------------|----------------------|----------------------------|----------------------------|----------------------|
| | ACTUAL AS OF 9/30 | ACTUAL FULL YEAR | % AS OF 9/30 | ACTUAL AS OF 9/30 | BUDGET FULL YEAR | % AS OF 9/30 |
| REVENUE | | | | | | |
| State Funding | | | | | | |
| Capital Component | \$9,672 | \$38,688 | 25.00% | \$9,672 | \$38,688 | 25.00% |
| State Share of Instruction (SSI) | \$3,197,721 | \$12,790,884 | 25.00% | \$3,261,172 | \$13,044,689 | 25.00% |
| State Share of Instruction (Access Challenge) | \$203,706 | \$1,091,025 | 18.67% | \$181,838 | \$727,350 | 25.00% |
| Student Support Services (Disabilities) | \$0 | \$11,183 | 0.00% | \$0 | \$5,000 | 0.00% |
| Supplement | \$581,524 | \$2,326,097 | 25.00% | \$581,524 | \$2,326,097 | 25.00% |
| | <u>\$3,992,623</u> | <u>\$16,257,877</u> | <u>24.56%</u> | <u>\$4,034,206</u> | <u>\$16,141,824</u> | <u>24.99%</u> |
| Tuition & Student Fees | | | | | | |
| Course Fees | \$691,731 | \$1,325,961 | 52.17% | \$648,033 | \$1,299,442 | 49.87% |
| General Fee | \$1,342,552 | \$2,572,352 | 52.19% | \$1,263,298 | \$2,382,856 | 53.02% |
| Instructional Fee | \$12,690,305 | \$24,277,259 | 52.27% | \$11,980,280 | \$23,061,320 | 51.95% |
| Miscellaneous Fees | \$302,006 | \$565,229 | 53.43% | \$278,578 | \$552,345 | 50.44% |
| Non-Resident Surcharge | \$549,372 | \$1,143,241 | 48.05% | \$689,391 | \$1,278,040 | 53.94% |
| Technology Fee | \$245,570 | \$470,832 | 52.16% | \$231,800 | \$437,571 | 52.97% |
| University Center Bond Fee | \$564,709 | \$1,052,210 | 53.67% | \$527,556 | \$968,797 | 54.45% |
| | <u>\$16,386,244</u> | <u>\$31,407,084</u> | <u>52.17%</u> | <u>\$15,618,936</u> | <u>\$29,980,372</u> | <u>52.10%</u> |
| Other Income | | | | | | |
| Indirect Cost Recovery | \$554 | \$192,004 | 0.29% | \$55 | \$130,000 | 0.04% |
| Miscellaneous Income | \$245,439 | \$788,224 | 31.14% | \$192,826 | \$702,908 | 27.43% |
| | <u>\$245,993</u> | <u>\$980,228</u> | <u>25.10%</u> | <u>\$192,881</u> | <u>\$832,908</u> | <u>23.16%</u> |
| Transfers From Other Funds | | | | | | |
| Agencies | \$0 | \$51,547 | 0.00% | \$0 | \$0 | 0.00% |
| Auxiliaries | \$0 | \$584,742 | 0.00% | \$0 | \$262,256 | 0.00% |
| | <u>\$0</u> | <u>\$636,289</u> | <u>0.00%</u> | <u>\$0</u> | <u>\$262,256</u> | <u>0.00%</u> |
| TOTAL REVENUE | <u>\$20,624,860</u> | <u>\$49,281,478</u> | <u>41.85%</u> | <u>\$19,846,023</u> | <u>\$47,217,360</u> | <u>42.03%</u> |
| EXPENDITURES & TRANSFERS | | | | | | |
| Compensation Expenditures | | | | | | |
| Benefits | \$2,117,658 | \$9,985,195 | 21.21% | \$2,077,360 | \$11,051,397 | 18.80% |
| Salaries | \$4,284,114 | \$24,257,292 | 17.66% | \$4,247,710 | \$23,594,100 | 18.00% |
| | <u>\$6,401,772</u> | <u>\$34,242,487</u> | <u>18.70%</u> | <u>\$6,325,070</u> | <u>\$34,645,498</u> | <u>18.26%</u> |
| Non-compensation Expenditures | | | | | | |
| Equipment, Buildings, Property | \$804,321 | \$1,615,684 | 49.78% | \$324,716 | \$1,178,694 | 27.55% |
| External Professional Services | \$377,840 | \$923,683 | 40.91% | \$155,444 | \$367,889 | 42.25% |
| Information, Communication, Shipping | \$290,790 | \$982,106 | 29.61% | \$369,537 | \$1,204,207 | 30.69% |
| Maintenance, Rentals, Service Contracts | \$609,134 | \$1,837,668 | 33.15% | \$703,499 | \$1,711,891 | 41.09% |
| Miscellaneous | \$175,010 | \$1,117,179 | 15.67% | \$118,957 | \$1,217,277 | 9.77% |
| Scholarships | \$1,414,925 | \$2,998,218 | 47.19% | \$1,569,104 | \$2,968,000 | 52.87% |
| Supplies | \$287,946 | \$1,106,221 | 26.03% | \$389,609 | \$973,929 | 40.00% |
| Travel, Entertainment | \$93,158 | \$448,457 | 20.77% | \$57,452 | \$463,798 | 12.39% |
| Utilities | \$338,946 | \$1,480,019 | 22.90% | \$216,056 | \$1,521,297 | 14.20% |
| | <u>\$4,392,071</u> | <u>\$12,509,235</u> | <u>35.11%</u> | <u>\$3,904,374</u> | <u>\$11,606,982</u> | <u>33.64%</u> |
| Transfers To Other Funds | | | | | | |
| Agencies | \$0 | \$139,530 | 0.00% | \$0 | \$139,530 | 0.00% |
| Auxiliaries | \$0 | \$1,902,312 | 0.00% | \$0 | \$2,015,791 | 0.00% |
| Plant Funds | \$0 | \$1,329,964 | 0.00% | \$0 | \$1,228,548 | 0.00% |
| | <u>\$0</u> | <u>\$3,371,806</u> | <u>0.00%</u> | <u>\$0</u> | <u>\$3,383,870</u> | <u>0.00%</u> |
| TOTAL EXPENDITURES & TRANSFERS | <u>\$10,793,843</u> | <u>\$50,123,527</u> | <u>21.53%</u> | <u>\$10,229,443</u> | <u>\$49,636,349</u> | <u>20.61%</u> |
| OPERATING SURPLUS (DEFICIT) | \$9,831,018 | (\$842,050) | | \$9,616,580 | (\$2,418,990) | |



FY16 Auxiliary Fund Budget
First Quarter Status

| REVENUE | FY15 | | | FY16 | | |
|---|---------------------------|---------------------------|----------------------|---------------------------|---------------------------|----------------------|
| | ACTUAL AS OF 9/30 | ACTUAL FULL YEAR | % AS OF 9/30 | ACTUAL AS OF 9/30 | BUDGET FULL YEAR | % AS OF 9/30 |
| Operating Income | | | | | | |
| Athletics | \$6,837 | \$16,612 | 41.15% | \$13,049 | \$15,000 | 86.99% |
| Bookstore Commission | \$0 | \$222,950 | 0.00% | \$0 | \$235,000 | 0.00% |
| Center for the Arts | \$257,349 | \$424,984 | 60.56% | \$244,829 | \$433,620 | 56.46% |
| Children's Learning Center | \$66,186 | \$289,937 | 22.83% | \$82,390 | \$336,226 | 24.50% |
| Event & Conference Services | \$10,951 | \$175,156 | 6.25% | \$19,119 | \$195,000 | 9.80% |
| Housing Operations | \$1,988,871 | \$4,067,609 | 48.90% | \$1,925,400 | \$4,325,196 | 44.52% |
| Natatorium/Sports Center | \$11,295 | \$44,745 | 25.24% | \$9,048 | \$47,200 | 19.17% |
| | <u>\$2,341,489</u> | <u>\$5,241,993</u> | <u>44.67%</u> | <u>\$2,293,835</u> | <u>\$5,587,242</u> | <u>41.05%</u> |
| Transfers to Auxiliary Funds | | | | | | |
| General Fee to Athletics | \$0 | \$1,101,238 | 0.00% | \$0 | \$1,102,932 | 0.00% |
| General Fee to Athletic Scholarships | \$0 | \$534,000 | 0.00% | \$0 | \$534,000 | 0.00% |
| General Fee to Health Clinic | \$0 | \$70,706 | 0.00% | \$0 | \$70,706 | 0.00% |
| General Fee to Natatorium/Sports Center | \$0 | \$101,153 | 0.00% | \$0 | \$101,153 | 0.00% |
| General Fee to Student Life | \$0 | \$0 | 0.00% | \$0 | \$0 | 0.00% |
| General Fee to University Center | \$0 | \$0 | 0.00% | \$0 | \$0 | 0.00% |
| General Fund to Center for the Arts | \$0 | \$95,000 | 0.00% | \$0 | \$207,000 | 0.00% |
| General Fund to Residence Life | \$0 | \$0 | 0.00% | \$0 | \$0 | 0.00% |
| General Fund to Student Life | \$0 | \$0 | 0.00% | \$0 | \$0 | 0.00% |
| | <u>\$0</u> | <u>\$1,902,097</u> | <u>0.00%</u> | <u>\$0</u> | <u>\$2,015,791</u> | <u>0.00%</u> |
| TOTAL REVENUE | <u>\$2,341,489</u> | <u>\$7,144,090</u> | <u>32.78%</u> | <u>\$2,293,835</u> | <u>\$7,603,033</u> | <u>30.17%</u> |
| EXPENDITURES & TRANSFERS | | | | | | |
| Operating Expenditures | | | | | | |
| Athletics | \$275,013 | \$1,237,283 | 22.23% | \$273,074 | \$1,119,412 | 24.39% |
| Athletic Scholarships | \$311,693 | \$610,574 | 51.05% | \$259,004 | \$534,000 | 48.50% |
| Bookstore Utilities | \$3,534 | \$11,252 | 31.41% | \$2,760 | \$10,000 | 27.60% |
| Center for the Arts | \$101,400 | \$709,710 | 14.29% | \$111,340 | \$652,882 | 17.05% |
| Children's Learning Center | \$85,099 | \$496,183 | 17.15% | \$94,406 | \$524,990 | 17.98% |
| Event & Conference Services | \$144,747 | \$600,140 | 24.12% | \$110,570 | \$535,799 | 20.64% |
| Health Clinic | \$5,800 | \$128,500 | 4.51% | \$2,400 | \$117,468 | 2.04% |
| Housing Operations | \$497,069 | \$2,379,882 | 20.89% | \$718,013 | \$2,680,084 | 26.79% |
| Natatorium/Sports Center | \$24,992 | \$130,031 | 19.22% | \$24,970 | \$148,353 | 16.83% |
| Residence Life | \$296,910 | \$836,291 | 35.50% | \$282,756 | \$796,452 | 35.50% |
| | <u>\$1,746,256</u> | <u>\$7,139,846</u> | <u>24.46%</u> | <u>\$1,879,293</u> | <u>\$7,119,441</u> | <u>26.40%</u> |
| Transfers From Auxiliary Funds | | | | | | |
| Agencies | \$0 | \$3,671 | 0.00% | \$0 | \$3,704 | 0.00% |
| General Fund | \$0 | \$567,027 | 0.00% | \$0 | \$262,256 | 0.00% |
| Plant Funds | \$0 | \$110,552 | 0.00% | \$0 | \$235,633 | 0.00% |
| | <u>\$0</u> | <u>\$681,250</u> | <u>0.00%</u> | <u>\$0</u> | <u>\$501,593</u> | <u>0.00%</u> |
| TOTAL EXPENDITURES & TRANSFERS | <u>\$1,746,256</u> | <u>\$7,821,096</u> | <u>22.33%</u> | <u>\$1,879,293</u> | <u>\$7,621,033</u> | <u>24.66%</u> |
| OPERATING SURPLUS (DEFICIT) | \$595,233 | (\$677,006) | | \$414,542 | (\$18,000) | |



FY16 Agency Fund Budget
First Quarter Status

| REVENUE | FY15 | | | FY16 | | |
|---|------------------------|-------------------------|----------------------|------------------------|-------------------------|---------------------|
| | ACTUAL AS OF 9/30 | ACTUAL FULL YEAR | % AS OF 9/30 | ACTUAL AS OF 9/30 | BUDGET FULL YEAR | % AS OF 9/30 |
| Operating Income | | | | | | |
| Intramural Sports | \$0 | \$0 | 0.00% | \$0 | \$0 | 0.00% |
| Student Government Association | \$0 | \$20 | 0.00% | \$0 | \$0 | 0.00% |
| Student Programming Board | \$23,132 | \$38,179 | 60.59% | \$3,058 | \$35,000 | 8.74% |
| University Chronicle | (\$480) | \$403 | -119.11% | \$0 | \$0 | 0.00% |
| | <u>\$22,652</u> | <u>\$38,602</u> | <u>58.68%</u> | <u>\$3,058</u> | <u>\$35,000</u> | <u>8.74%</u> |
| Transfers From Auxiliary Fund | | | | | | |
| Housing Operations to Intramural Sports | \$0 | \$3,671 | 0.00% | \$0 | \$3,704 | 0.00% |
| Transfers From General Fund | | | | | | |
| General Fee to Intramural Sports | \$0 | \$15,336 | 0.00% | \$0 | \$23,635 | 0.00% |
| General Fee to Silhouette | \$0 | \$6,210 | 0.00% | \$0 | \$6,210 | 0.00% |
| General Fee to Student Government Association | \$0 | \$34,685 | 0.00% | \$0 | \$34,685 | 0.00% |
| General Fee to Student Programming Board | \$0 | \$60,000 | 0.00% | \$0 | \$60,000 | 0.00% |
| General Fee to University Chronicle | \$0 | \$15,000 | 0.00% | \$0 | \$15,000 | 0.00% |
| | <u>\$0</u> | <u>\$131,231</u> | <u>0.00%</u> | <u>\$0</u> | <u>\$139,530</u> | <u>0.00%</u> |
| TOTAL REVENUE | <u>\$22,652</u> | <u>\$173,504</u> | <u>13.06%</u> | <u>\$3,058</u> | <u>\$178,234</u> | <u>1.72%</u> |
| EXPENDITURES & TRANSFERS | | | | | | |
| Operating Expenditures | | | | | | |
| Intramural Sports | \$586 | \$18,358 | 3.19% | \$3,552 | \$27,339 | 12.99% |
| Silhouette | \$0 | \$11,127 | 0.00% | \$0 | \$6,210 | 0.00% |
| Student Government Association | \$157 | \$44,331 | 0.35% | \$189 | \$34,685 | 0.54% |
| Student Programming Board | \$13,836 | \$104,974 | 13.18% | \$9,120 | \$95,000 | 9.60% |
| University Chronicle | \$113 | \$17,227 | 0.66% | \$39 | \$15,000 | 0.26% |
| | <u>\$14,692</u> | <u>\$196,017</u> | <u>7.50%</u> | <u>\$12,900</u> | <u>\$178,234</u> | <u>7.24%</u> |
| Transfers To General Fund | | | | | | |
| Agency Fund Balance | \$0 | \$51,547 | 0.00% | \$0 | \$0 | 0.00% |
| TOTAL EXPENDITURES & TRANSFERS | <u>\$14,692</u> | <u>\$247,564</u> | <u>5.93%</u> | <u>\$12,900</u> | <u>\$178,234</u> | <u>7.24%</u> |
| OPERATING SURPLUS (DEFICIT) | \$7,959 | (\$74,060) | | (\$9,842) | \$0 | |



FY16 Plant Fund Budget
First Quarter Status

| REVENUE | FY15 | | | FY16 | | |
|---|----------------------|---------------------------|---------------------|--------------------------|---------------------------|----------------------|
| | ACTUAL AS OF 9/30 | ACTUAL FULL YEAR | % AS OF 9/30 | ACTUAL AS OF 9/30 | BUDGET FULL YEAR | % AS OF 9/30 |
| Operating Income | | | | | | |
| Investment Interest Income | \$0 | \$31 | 0.00% | \$0 | \$0 | 0.00% |
| Cisco Funding | \$0 | \$14,639 | 0.00% | \$0 | \$0 | 0.00% |
| Debt Retirement | \$0 | \$804,236 | 0.00% | \$0 | \$0 | 0.00% |
| State Gift/Grant | \$0 | \$213,636 | 0.00% | (\$26,140) | \$0 | 0.00% |
| Miscellaneous Income | \$0 | \$202,143 | 0.00% | \$0 | \$0 | 0.00% |
| | <u>\$0</u> | <u>\$1,234,685</u> | <u>0.00%</u> | <u>(\$26,140)</u> | <u>\$0</u> | <u>0.00%</u> |
| Transfers From Auxiliary Fund | | | | | | |
| Housing Operations to Plant | \$0 | \$110,552 | 0.00% | \$0 | \$235,633 | 0.00% |
| Transfers From General Fund | | | | | | |
| General Fee to Plant | \$0 | \$259,751 | 0.00% | \$0 | \$259,751 | 0.00% |
| Student Bond Fee to Bond Debt repayment | \$0 | \$1,070,213 | 0.00% | \$0 | \$968,797 | 0.00% |
| | <u>\$0</u> | <u>\$1,329,964</u> | <u>0.00%</u> | <u>\$0</u> | <u>\$1,228,548</u> | <u>0.00%</u> |
| TOTAL REVENUE | <u>\$0</u> | <u>\$2,675,201</u> | <u>0.00%</u> | <u>(\$26,140)</u> | <u>\$1,464,181</u> | <u>-1.79%</u> |
| EXPENDITURES | | | | | | |
| Debt Service | | | | | | |
| IT Infrastructure Upgrade Project Capital Lease | \$0 | \$798,257 | 0.00% | \$331,911 | \$663,822 | 50.00% |
| University Center Bond Issue (2007) | \$0 | \$1,345,819 | 0.00% | \$0 | \$1,187,600 | 0.00% |
| | <u>\$0</u> | <u>\$2,144,076</u> | <u>0.00%</u> | <u>\$331,911</u> | <u>\$1,851,422</u> | <u>17.93%</u> |
| TOTAL EXPENDITURES | <u>\$0</u> | <u>\$2,144,076</u> | <u>0.00%</u> | <u>\$331,911</u> | <u>\$1,851,422</u> | <u>17.93%</u> |
| OPERATING SURPLUS (DEFICIT) | \$0 | \$531,125 | | (\$358,051) | (\$387,241) | |

State Share of Instruction (SSI) Formula – *Influences and Outcomes for SSU*

- **Earmarks**

- Access Challenge
 - Affects six universities (Akron, Cincinnati, Cleveland State, Central State, SSU, and Youngstown)
 - FY16 represents first year of 1/3 per year phase-out
 - Reduction of \$363,675 for SSU in FY16
 - Reduces to \$0 in FY18
- Plant Operation and Maintenance (POM)
 - In effect, redistributes funding from twelve IUC campuses to the remaining two (Central State and Toledo)
 - FY16 represents first year of 1/3 per year phase-out
 - SSU's retains an additional \$3,091 in SSI funding as a result

- **Degree Completions**

- Degrees (not graduation rates) drive 50% of the formula, but are difficult to project because of degree pro-rata (each Ohio public university that contributed credits to the degree receives a proportional share of the SSI proceeds)
- SSU's degrees increased by 111 (17.5%) from FY12 to FY15
- SSU's 3-year average for degree completion increased by 44.3 (6.3%) from FY14 to FY15
- At-risk degrees receive the applicable statewide average weight, based on the sixteen possible combinations of the defined risk factors (financial, academic, age and race)
- Non-resident degrees are funded at 50% *if* the student is still in Ohio one year after graduation (this is done based on an institution-specific "rate of stay" moving average).

- **Course Completions**

- After earmarks, the medical/doctoral set-asides (not applicable for SSU), and degree completions, course completions drive the remainder of the funding formula (about 30%)
- SSU's total completed FTE decreased by 305.8 (9.2%) from FY12 to FY15

- **SSU's at-risk completed FTE decreased by 316 (15.0%) from FY12 to FY15**
- **SSU's 3-year average for total completed FTE declined by 101.9 (3.2%) from FY14 to FY15**
- **SSU's 3-year average for at-risk completed FTE declined by 105.4 (5.2%) from FY14 to FY15**
- **At-risk weights are uniform state-wide, but there is also a campus-specific index**
 - **This index was calculated based on the financial and academic risk of the FY08 and FY09 cohorts**
 - **The index range is 1.02 (Miami) to 1.13 (Central State)**
 - **At 1.08, SSU ties for second highest with Cleveland State, NEOMED, and Youngstown**
- **Non-resident course completions are not SSI-eligible**
- **SSI Results for Shawnee State University**
 - **SSI allocations for the first half of each fiscal year are based on projections, then revised at mid-year, once complete data are available for the prior year.**
 - **For FY16, draft calculations indicate that final SSI will be \$65,560 (0.47%) more than in FY15; this is \$175,430 more than the first half projection, on which the university's budget was based.**
 - **This funding shift results from a decrease of 0.01% in SSU's share of total IUC course completions, and an increase of 0.02% in SSU's share of degree completions.**
 - **The projected State support of \$13,947,469 represents 28.1% of SSU's general fund budget.**



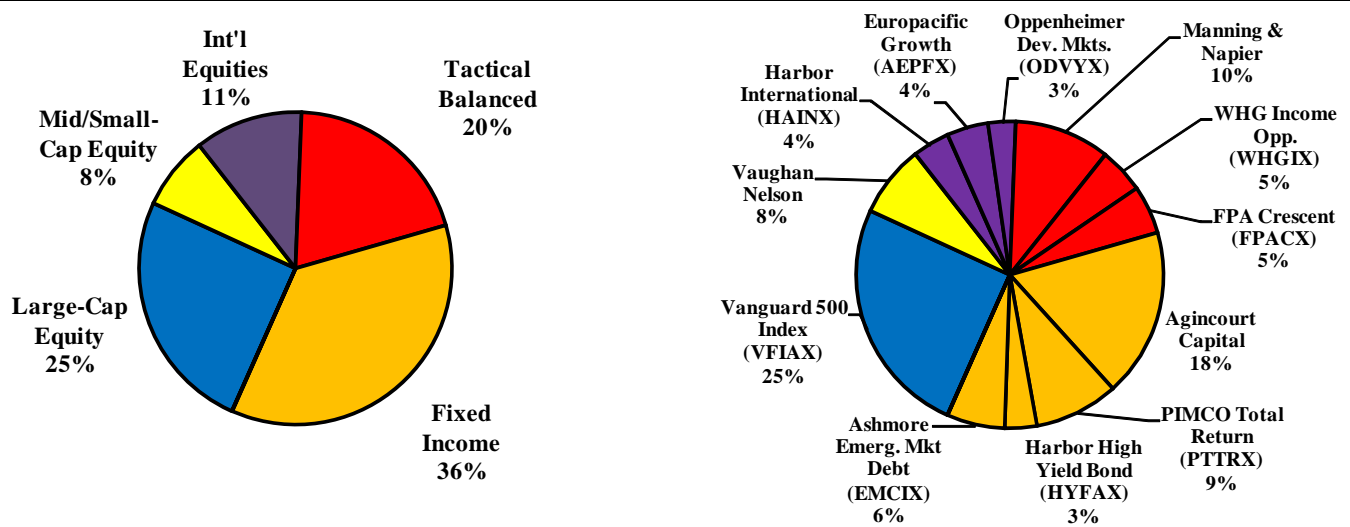
University Portfolio

Asset Allocation

Period Ending November 30, 2015

| | Domestic Large-Cap Equity | Domestic Mid/Small- Cap Equity | Int'l Equity | Tactical Balanced | Fixed Income | Cash | Total | |
|--|---------------------------------|--------------------------------------|--------------------|----------------------|--------------------|-----------------|----------------------|-----|
| Vanguard 500 Index (VFIAX) | \$ 3,920,245 | - | - | - | - | - | \$ 3,920,245 | 25% |
| Vaughan Nelson | - | \$ 1,179,410 | - | - | - | - | \$ 1,179,410 | 8% |
| Harbor International (HAINX) | - | - | \$ 608,332 | - | - | - | \$ 608,332 | 4% |
| Europacific Growth (AEPFX) | - | - | \$ 677,570 | - | - | - | \$ 677,570 | 4% |
| Oppenheimer Dev. Mkts. (ODVYX) | - | - | \$ 453,440 | - | - | - | \$ 453,440 | 3% |
| Manning & Napier | - | - | - | \$ 1,563,868 | - | - | \$ 1,563,868 | 10% |
| WHG Income Opp. (WHGIX) | - | - | - | \$ 743,147 | - | - | \$ 743,147 | 5% |
| FPA Crescent (FPACX) | - | - | - | \$ 793,981 | - | - | \$ 793,981 | 5% |
| Agincourt Capital | - | - | - | - | \$ 2,761,420 | - | \$ 2,761,420 | 18% |
| PIMCO Total Return (PTTRX) | - | - | - | - | \$ 1,380,073 | - | \$ 1,380,073 | 9% |
| Harbor High Yield Bond (HYFAX) | - | - | - | - | \$ 524,242 | - | \$ 524,242 | 3% |
| Ashmore Emerg. Mkt Debt (EMCIX) | - | - | - | - | \$ 950,838 | - | \$ 950,838 | 6% |
| Money Market Funds | - | - | - | - | - | \$ 3,438 | \$ 3,438 | 0% |
| Total Investment Portfolio | \$3,920,245 | \$1,179,410 | \$1,739,342 | \$3,100,996 | \$5,616,573 | \$ 3,438 | \$ 15,560,004 | |
| <i>Actual Asset Allocation</i> | <i>25%</i> | <i>8%</i> | <i>11%</i> | <i>20%</i> | <i>36%</i> | <i>0%</i> | <i>100%</i> | |
| <i>Neutral Target Asset Allocation</i> | <i>24%</i> | <i>8%</i> | <i>8%</i> | <i>20%</i> | <i>40%</i> | <i>0%</i> | <i>100%</i> | |

Investment Portfolio Asset Allocation



INVESTMENT PORTFOLIO PERFORMANCE

FISCAL YEAR 15:

| INVESTMENT COMPANY | VALUE AS OF JUNE 30, 2014 | GAIN/(LOSS) JULY | GAIN/(LOSS) AUGUST | GAIN/(LOSS) SEPTEMBER | GAIN/(LOSS) OCTOBER | GAIN/(LOSS) NOVEMBER | GAIN/(LOSS) DECEMBER | GAIN/(LOSS) JANUARY | GAIN/(LOSS) FEBRUARY | GAIN/(LOSS) MARCH | GAIN/(LOSS) APRIL | GAIN/(LOSS) MAY | As of EOY | | TOTAL YTD GAIN/(LOSS) |
|--|---------------------------|------------------------|----------------------|------------------------|----------------------|----------------------|------------------------|------------------------|----------------------|-----------------------|----------------------|---------------------|------------------------|----------------------|-----------------------|
| | | | | | | | | | | | | | GAIN/(LOSS) JUNE | GAIN/(LOSS) JUNE | |
| U.S. BANK FIXED INCOME MUTUAL FUNDS | \$ 3,028,564.29 | \$ (22,964.54) | \$ 13,873.79 | \$ (40,794.95) | \$ 22,018.55 | \$ (8,558.61) | \$ (73,916.09) | \$ 24,704.49 | \$ 21,446.39 | \$ 18,672.95 | \$ 66,687.94 | \$ 11,048.91 | \$ (38,560.98) | \$ (6,342.15) | |
| U.S. BANK EQUITY MUTUAL FUNDS | \$ 6,204,923.35 | \$ (100,679.37) | \$ 188,247.24 | \$ (147,747.04) | \$ 105,050.06 | \$ 132,007.32 | \$ (112,648.17) | \$ (131,068.64) | \$ 332,317.50 | \$ (87,091.72) | \$ 118,715.71 | \$ 48,615.06 | \$ (131,976.01) | \$ 213,741.94 | |
| U.S. BANK TACTICAL BALANCED MUTUAL FUNDS | \$ 1,625,071.97 | \$ (12,651.87) | \$ 26,218.20 | \$ (22,954.25) | \$ 19,313.78 | \$ 24,472.72 | \$ (10,677.40) | \$ (22,908.17) | \$ 50,545.77 | \$ (21,624.74) | \$ 16,956.59 | \$ 2,235.39 | \$ (29,856.92) | \$ 19,069.10 | |
| AGINCOURT CAPITAL | \$ 2,928,640.37 | \$ (7,478.21) | \$ 34,138.73 | \$ (24,940.36) | \$ 22,446.76 | \$ 21,899.08 | \$ (2,560.38) | \$ 76,608.78 | \$ (33,603.69) | \$ 13,386.81 | \$ (19,587.56) | \$ (13,830.58) | \$ (34,999.80) | \$ 31,479.58 | |
| TAMRO CAPITAL PARTNERS | \$ 1,030,816.08 | \$ (71,975.70) | \$ 42,445.82 | \$ (49,588.72) | \$ 71,388.85 | \$ 7,434.27 | \$ 14,975.11 | \$ (40,699.29) | \$ 65,361.87 | \$ 5,534.42 | \$ (31,286.02) | \$ 25,373.34 | \$ 13,471.86 | \$ 52,435.81 | |
| MANNING & NAPIER | \$ 1,727,527.35 | \$ (24,704.72) | \$ 34,027.80 | \$ (56,823.97) | \$ 3,029.81 | \$ 22,815.42 | \$ (20,199.70) | \$ (16,825.64) | \$ 66,126.25 | \$ (26,806.54) | \$ 22,406.25 | \$ (6,608.22) | \$ (19,100.90) | \$ (22,664.16) | |
| CURRENT MTD TOTAL GAIN/(LOSS) | | \$ (240,454.41) | \$ 338,951.58 | \$ (342,849.29) | \$ 243,247.81 | \$ 200,070.20 | \$ (205,026.63) | \$ (110,188.47) | \$ 502,194.09 | \$ (97,928.82) | \$ 173,892.91 | \$ 66,833.90 | \$ (241,022.75) | \$ 287,720.12 | |

INVESTMENT FUND BALANCES:

| | | | | | | | | | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| U.S. BANK FIXED INCOME MUTUAL FUNDS | \$ 3,005,599.75 | \$ 3,019,473.54 | \$ 2,978,678.59 | \$ 3,000,697.14 | \$ 2,992,138.53 | \$ 2,918,222.44 | \$ 2,942,926.93 | \$ 2,964,373.32 | \$ 2,983,046.27 | \$ 3,049,734.21 | \$ 3,060,783.12 | \$ 3,022,222.14 |
| U.S. BANK EQUITY MUTUAL FUNDS | \$ 6,104,243.98 | \$ 6,292,491.22 | \$ 6,144,744.18 | \$ 6,249,794.24 | \$ 6,381,801.56 | \$ 6,269,153.39 | \$ 6,138,084.75 | \$ 6,470,402.25 | \$ 6,383,310.53 | \$ 6,502,026.24 | \$ 6,550,641.30 | \$ 6,418,665.29 |
| U.S. BANK TACTICAL BALANCED MUTUAL FUNDS | \$ 1,612,420.10 | \$ 1,638,638.30 | \$ 1,615,684.05 | \$ 1,634,997.83 | \$ 1,659,470.55 | \$ 1,648,793.15 | \$ 1,625,884.98 | \$ 1,676,430.75 | \$ 1,654,806.01 | \$ 1,671,762.60 | \$ 1,673,997.99 | \$ 1,644,141.07 |
| AGINCOURT CAPITAL | \$ 2,921,162.16 | \$ 2,955,300.89 | \$ 2,930,360.53 | \$ 2,952,807.29 | \$ 2,974,706.37 | \$ 2,972,145.99 | \$ 3,048,754.77 | \$ 3,015,151.08 | \$ 3,028,537.89 | \$ 3,008,950.33 | \$ 2,995,119.75 | \$ 2,960,119.95 |
| TAMRO CAPITAL PARTNERS | \$ 958,840.38 | \$ 1,001,286.20 | \$ 951,697.48 | \$ 1,023,086.33 | \$ 1,030,520.60 | \$ 1,045,495.71 | \$ 1,004,796.42 | \$ 1,070,158.29 | \$ 1,075,692.71 | \$ 1,044,406.69 | \$ 1,069,780.03 | \$ 1,083,251.89 |
| MANNING & NAPIER | \$ 1,702,822.63 | \$ 1,736,850.43 | \$ 1,680,026.46 | \$ 1,683,056.27 | \$ 1,705,871.69 | \$ 1,685,671.99 | \$ 1,668,846.35 | \$ 1,734,972.60 | \$ 1,708,166.06 | \$ 1,730,572.31 | \$ 1,723,964.09 | \$ 1,704,863.19 |
| TOTAL | \$ 16,545,543.41 | \$ 16,305,089.00 | \$ 16,644,040.58 | \$ 16,301,191.29 | \$ 16,544,439.10 | \$ 16,744,509.30 | \$ 16,539,482.67 | \$ 16,429,294.20 | \$ 16,931,488.29 | \$ 16,833,559.47 | \$ 17,007,452.38 | \$ 16,833,263.53 |

FISCAL YEAR 16:

| INVESTMENT COMPANY | VALUE AS OF JUNE 30, 2015 | GAIN/(LOSS) JULY** | GAIN/(LOSS) AUGUST | GAIN/(LOSS) SEPTEMBER | GAIN/(LOSS) OCTOBER | GAIN/(LOSS) NOVEMBER | GAIN/(LOSS) DECEMBER | GAIN/(LOSS) JANUARY | GAIN/(LOSS) FEBRUARY | GAIN/(LOSS) MARCH | GAIN/(LOSS) APRIL | GAIN/(LOSS) MAY | GAIN/(LOSS) JUNE | TOTAL YTD GAIN/(LOSS) |
|--|---------------------------|---------------------|------------------------|------------------------|----------------------|-----------------------|----------------------|---------------------|----------------------|-------------------|-------------------|-----------------|------------------|------------------------|
| U.S. BANK FIXED INCOME MUTUAL FUNDS | \$ 3,022,222.14 | \$ 5,260.30 | \$ (62,605.80) | \$ (55,395.64) | \$ 50,165.16 | \$ (2,961.15) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (65,537.13) |
| U.S. BANK EQUITY MUTUAL FUNDS | \$ 6,418,665.29 | \$ 55,995.83 | \$ (390,614.80) | \$ (158,383.34) | \$ 428,121.77 | \$ (18,274.26) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (83,154.80) |
| U.S. BANK TACTICAL BALANCED MUTUAL FUNDS | \$ 1,644,141.07 | \$ 10,066.57 | \$ (54,657.92) | \$ (29,765.25) | \$ 68,234.75 | \$ (1,466.04) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (7,587.89) |
| AGINCOURT CAPITAL | \$ 2,960,119.95 | \$ 19,723.76 | \$ (7,704.81) | \$ 21,679.28 | \$ (576.49) | \$ (6,821.46) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 26,300.28 |
| TAMRO CAPITAL/VAUGHAN NELSON## | \$ 1,083,251.89 | \$ (10,859.54) | \$ (63,955.47) | \$ (71,593.87) | \$ 35,941.01 | \$ 6,626.04 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (103,841.83) |
| MANNING & NAPIER | \$ 1,704,863.19 | \$ 3,757.17 | \$ (68,126.27) | \$ (37,697.40) | \$ 71,060.30 | \$ (9,989.05) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (40,995.25) |
| CURRENT MTD TOTAL GAIN/(LOSS) | | \$ 83,944.09 | \$ (647,665.07) | \$ (331,156.22) | \$ 652,946.50 | \$ (32,885.92) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (274,816.62) |

INVESTMENT FUND BALANCES:

| | | | | | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| U.S. BANK FIXED INCOME MUTUAL FUNDS | \$ 2,927,482.44 | \$ 2,864,876.64 | \$ 2,809,481.00 | \$ 2,859,646.16 | \$ 2,856,685.01 |
| U.S. BANK EQUITY MUTUAL FUNDS | \$ 5,799,661.12 | \$ 5,409,046.32 | \$ 5,250,662.98 | \$ 5,678,784.75 | \$ 5,660,510.49 |
| U.S. BANK TACTICAL BALANCED MUTUAL FUNDS | \$ 1,554,207.64 | \$ 1,499,549.72 | \$ 1,469,784.47 | \$ 1,538,019.22 | \$ 1,536,553.18 |
| AGINCOURT CAPITAL | \$ 2,754,843.71 | \$ 2,747,138.90 | \$ 2,768,818.18 | \$ 2,768,241.69 | \$ 2,761,420.23 |
| TAMRO CAPITAL/VAUGHAN NELSON## | \$ 1,272,392.35 | \$ 1,208,436.88 | \$ 1,136,843.01 | \$ 1,172,784.02 | \$ 1,179,410.06 |
| MANNING & NAPIER | \$ 1,608,620.36 | \$ 1,540,494.09 | \$ 1,502,796.69 | \$ 1,573,856.99 | \$ 1,563,867.94 |
| TOTAL | \$ 16,833,263.53 | \$ 15,917,207.62 | \$ 15,269,542.55 | \$ 14,938,386.33 | \$ 15,591,332.83 |

** During the month of July 2015, the University liquidated the following investment amounts from their respective portfolios. The proceeds from the liquidation were transferred to the University Operating Cash account to meet July and August cash needs.

| | |
|--|------------------------|
| U.S. BANK FIXED INCOME MUTUAL FUNDS | \$ 100,000.00 |
| U.S. BANK EQUITY MUTUAL FUNDS | \$ 475,000.00 |
| U.S. BANK TACTICAL BALANCED MUTUAL FUNDS | \$ 100,000.00 |
| AGINCOURT CAPITAL | \$ 225,000.00 |
| MANNING & NAPIER | \$ 100,000.00 |
| TOTAL AMOUNT OF WITHDRAWALS FROM INVESTMENT PORTFOLIO | \$ 1,000,000.00 |

During the month of July 2015, the University terminated their investment contract with TAMRO Capital Partners and entered into a new agreement with Vaughan Nelson to manage the Equity portion of our investment portfolio. In addition to receiving the funding from the TAMRO Capital Partners portfolio, \$200,000 from the U.S. Bank Equity Mutual Fund Account (Vanguard 500 Index Fund) was placed under Vaughan Nelson's management in July 2015.