

**Shawnee State University**  
(A COMPONENT UNIT OF THE STATE OF OHIO)

**SCIOTO COUNTY**

**FINANCIAL AUDIT REPORT**

**WITH SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED JUNE 30, 2022**

**AND JUNE 30, 2021**



OHIO AUDITOR OF STATE  
KEITH FABER



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Board of Trustees  
Shawnee State University  
940 2nd Street  
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We have reviewed the *Independent Auditor's Report* of the Shawnee State University, Scioto County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

October 31, 2022

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# Shawnee State University

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## **Independent Auditor's Report**

To the Board of Trustees  
Shawnee State University

### **Report on the Audits of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities and the discretely presented component unit of Shawnee State University (the "University"), a component unit of the State of Ohio, as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Shawnee State University as of June 30, 2022 and 2021 and the changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

#### ***Auditor's Responsibilities for the Audits of the Financial Statements***

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

To the Board of Trustees  
Shawnee State University

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the University's proportionate share of the net pension liability, the schedule of university pension contributions, the schedule of the University's proportionate share of the net OPEB liability, and the schedule of university OPEB contributions, as indicated in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Shawnee State University's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees  
Shawnee State University

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2022 on our consideration of Shawnee State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Shawnee State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shawnee State University's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

October 14, 2022

# Shawnee State University

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## Management's Discussion and Analysis (Unaudited)

This unaudited section of Shawnee State University's (the "University") annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2022. This discussion, prepared by university management, provides an overview of the University's financial activities and should be evaluated in conjunction with the accompanying financial statements and footnotes.

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

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

### **Financial Highlights**

Key financial highlights for 2022 are as follows:

- Total net position increased \$9,412,305. The increase is primarily due to a \$2,298,834 increase in operating federal, state, local, and private grant revenue and a \$2,059,086 increase in state capital appropriation revenue. The \$7,534,356 increase in operating expenses mainly consisted of a \$2,935,085 increase in public service expense, an increase of \$2,111,521 in auxiliary enterprise expense and a \$2,108,156 increase in student services expenses.
- Total assets and Deferred Outflows of Resources increased \$3,928,984 mainly due to the increase of \$1,975,455 in accounts receivable and an increase of \$1,527,414 in the deferred portion of the GASB Statement No. 68 pension and No. 75 OPEB expense adjustment.
- The \$15,062,439 decrease in total liabilities was primarily due to a \$14,682,358 decrease in net pension liability related to GASB Statement No. 68.

# Shawnee State University

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

- Total deferred inflows of resources increase of \$9,579,118 is primarily due to the \$11,271,556 increase in deferred pension costs and the \$1,520,395 decrease in other post-employment benefit costs related to GASB Statement No. 68 and Statement No. 75, respectively.
- Total revenue increased \$3,810,565 from 2021 to 2022 compared with an increase of \$7,004,614 from 2020 to 2021. The increase was primarily due to a \$2,298,834 increase in total operating grant revenue, an increase of \$2,059,086 in capital appropriation revenue, an increase of \$1,694,341 in student tuition and fees net of scholarship allowance discount, an increase of \$844,690 from state appropriations, and a decrease of \$2,268,307 in nonoperating grant revenue.
- Total expenses increased \$7,502,201 in 2022 due to an increase of \$7,534,356 in operating expenses. The 2022 increase in operating expenses consisted of a \$2,935,085 increase in public service expenses, a \$2,108,156 increase in student service expenses, a \$2,111,521 increase in auxiliary enterprise expenses, and a \$2,513,215 decrease in instruction and departmental research expenditures.
- Operating revenue increased by \$4,684,106 primarily due to a \$2,298,834 increase in operating grant revenue (revenue for projects which result in an "exchange" like a product, report or some form of an outcome).
- Nonoperating revenue decreased \$2,932,627 as a result of a \$2,268,307 decrease in nonoperating grant revenue (grants that are not exchange transactions, such as Federal Higher Education Emergency Relief Fund (HEERF) and Coronavirus Relief Fund (CRF) grant and scholarship grants like Pell, Supplemental Educational Opportunity Grant (SEOG), Ohio College Opportunity Grants (OCOG) and a \$1,413,775 decrease in investment income.

### **Using this Financial Report**

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

# Shawnee State University

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

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

The statement of net position and statement of revenue, expenses, and changes in net position present information about the University and its activities in a way that helps answer the question, "How did Shawnee State University do financially during 2022?" The statement of net position includes all short-term and long-term assets and liabilities, both financial and capital and deferred outflows or inflows of resources. The accrual basis of accounting is used for the recording of revenue and expenses. This basis of accounting records revenue when earned and expenses when incurred, regardless of when the cash is actually received or paid. Over time, increases or decreases in net position are one indicator of the improvement or deterioration of the University's financial health. Nonfinancial factors such as student retention rate, enrollment growth, and condition of facilities must also be considered.

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

The statement of net position, which reports all assets and liabilities of the University, reflects the financial position of the University at the end of the fiscal year. Total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources equal net position. The University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2022, 2021, and 2020 are presented below:

# Shawnee State University

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

	2022	2021, As Restated	2020
<b>Assets</b>			
Current assets	\$ 13,910,514	\$ 12,703,603	\$ 7,246,264
Capital assets - Net	83,625,808	82,497,076	85,161,019
Other noncurrent assets	<u>12,117,337</u>	<u>12,051,410</u>	<u>10,101,443</u>
Total assets	109,653,659	107,252,089	102,508,726
<b>Deferred Outflows of Resources</b>	6,820,307	5,292,893	7,160,207
<b>Liabilities</b>			
Current liabilities	7,480,658	6,815,953	7,426,205
Noncurrent liabilities	<u>35,122,323</u>	<u>50,849,467</u>	<u>62,361,128</u>
Total liabilities	42,602,981	57,665,420	69,787,333
<b>Deferred Inflows of Resources</b>	<u>23,049,259</u>	<u>13,470,141</u>	<u>11,576,120</u>
<b>Net Position</b>			
Net investment in capital assets	65,378,140	63,094,859	66,271,979
Restricted, expendable	243,986	248,621	249,246
Unrestricted	<u>(14,800,400)</u>	<u>(21,934,059)</u>	<u>(38,215,745)</u>
Total net position	<u>\$ 50,821,726</u>	<u>\$ 41,409,421</u>	<u>\$ 28,305,480</u>

Total assets of the University increased \$2,041,570 in 2022 and increased \$4,743,363 in 2021. Current assets increased \$1,206,911 in 2022 following a \$5,457,339 increase in 2021. An increase of \$1,975,455 in accounts receivables and a \$960,277 decrease in cash and cash equivalents were the largest components of the 2022 increase in current assets. The large increase in 2021 was the result of a \$2,151,419 adjustment to 2021 HEERF expenditures that have not been reimbursed by June 30, 2021. Noncurrent assets (excluding capital assets) increased \$65,927 in 2022 and increased \$1,946,967 in 2021. The 2022 increase and the 2021 increase are due to GASB 75 adjustments to the net OPEB asset of \$1,026,666 and \$1,124,280, respectively.

The increased number of capital construction projects initiated in 2022 resulted in an increase of \$1,128,732 in net capital assets for 2022. The decreased expenditures for capital construction projects initiated in 2021 were below the 2021 depreciation expense amount which resulted in a decrease of \$2,663,943 in net capital assets for 2021.

The \$15,062,439 decrease in 2022 and the \$12,121,913 decrease in 2021 to total liabilities was primarily due to a \$14,682,358 decrease in 2022 and a \$2,178,563 decrease in 2021 to the net pension liability in addition to a \$8,745,723 decrease

# Shawnee State University

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

in 2021 to the net OPEB liability. These liabilities decreases were to recognize the reduction of the University's proportionate share of the net pension liability as determined by the two pension plans associated with the University and the reclassification of the net OPEB liability to a net OPEB asset, the State Teachers Retirement System and Ohio Public Employees Retirement System, as required by GASB Statement No. 68 and GASB Statement No. 75. See Note 13 to the financial statements for further details. The remainder of the decrease in 2022 and 2021 total liabilities was attributable to a \$1,010,323 and \$982,617 reduction in long term debt, respectively.

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

The statement of revenue, expenses, and changes in net position presents the results of operations for the University. The change in net position during the fiscal year is a measurement of the change in the overall financial condition of the University. The University's revenue, expenses, and changes in net position for the fiscal years ended June 30, 2022, 2021, and 2020 are as follows:

# Shawnee State University

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

	2022	2021, As Restated	2020
Operating revenue:			
Tuition, fees, and other student charges	\$ 19,713,441	\$ 18,019,100	\$ 19,082,443
Grants and contracts	6,336,795	4,037,961	4,448,998
Sales and services	1,525,595	1,076,413	1,654,788
Miscellaneous income	983,684	741,935	387,630
Nonoperating revenue:			
Other grants	20,346,377	22,614,684	12,769,671
Investment (loss) income	(801,563)	612,212	323,292
Gain on disposal of capital assets	-	95,235	-
State appropriations	18,449,269	17,604,579	17,040,109
Capital appropriations	<u>2,511,324</u>	<u>452,238</u>	<u>2,542,812</u>
 Total revenue	 69,064,922	 65,254,357	 58,249,743
Operating expenses:			
Instruction and research	14,026,555	16,539,770	17,356,628
Public service	6,200,165	3,265,080	3,323,789
Academic support	1,718,214	1,368,340	2,633,021
Student services	8,575,462	6,467,306	4,956,280
Institutional support	8,893,115	8,422,387	10,989,883
Operation and maintenance of plant	3,514,998	2,413,010	4,024,285
Scholarships and fellowships	6,327,757	5,063,845	5,315,602
Depreciation and amortization expense	3,284,164	3,577,857	4,040,030
Auxiliary enterprises	6,539,164	4,427,643	5,990,591
Nonoperating expense:			
Interest on capital debt	<u>573,023</u>	<u>605,178</u>	<u>606,535</u>
 Total expenses	 <u>59,652,617</u>	 <u>52,150,416</u>	 <u>59,236,644</u>
 Increase (decrease) in net position	 <u>\$ 9,412,305</u>	 <u>\$ 13,103,941</u>	 <u>\$ (986,901)</u>

# Shawnee State University

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

Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reasoning, and critical analysis/logical thinking. To enrich the lives of the community, the University provides opportunities for continuing personal and professional development, intellectual discovery, and appreciation for the creative and performing arts. The University charges students' tuition and fees in accordance with approved university policy, as constrained by state laws. Beginning with the Fall 2018 term, the University implemented a new tuition guarantee program for all new first-time freshmen students. The Shawnee Advantage tuition plan guarantees students a flat tuition rate for up to five years while attending the University. Each new fiscal year, the tuition rate is adjusted for that year's incoming freshman class. The fall 2021 incoming freshman class tuition and fee rate was \$4,465. Based on state regulations or University policy, rates charged for continuing in-state and all out-of-state student tuition and fees increased 2.0 percent during 2022. There was no change to the tuition and fee rate charged to graduate students during 2022.

The University's 2022 revenue from student tuition and fees has increased to \$19,713,441 from \$18,019,100 in 2021 following a decrease from \$19,082,443 in 2020 due to corresponding enrollment level and tuition rate changes over these years. Tuition and fees represent 28.5 percent of the University's total revenue in 2022, 27.6 percent in 2021 and 32.8 percent in 2020. The University's 2022 operating grants and contracts revenue increased 56.9 percent to \$6,336,795 from \$4,037,961 in 2021 following a decrease of 9.2 percent from \$4,448,998 in 2020 due to the level of new federal and state operating grants, specifically the federal EDA Kricker Innovation Hub project. The University continues initiatives to identify and obtain new grant funding as shown by the 2022 increase.

Operating expenses increased \$7,534,356 in 2022 due to expenditures related to addressing increased prices related to COVID 19 challenges and costs related to the return of on campus instruction and operations. In 2022 public service expenditures increased \$2,935,085, student services expenditures increased \$2,108,156 and auxiliary enterprises expenditures increased \$2,111,521 related to these factors. The University utilized the available HEERF Institutional award funding to assist with the increased costs where allowable. Operating expenses in 2021 decreased \$7,084,871 primarily as a result of the \$395,004 GASB 68 and 75 reduction of 2020 pension expense being \$8,059,801 less than the 2021 \$8,454,805 GASB 68 and 75 decrease of pension expense. In addition to this \$8,059,801 decrease of pension and OPEB related operating expense. Scholarship and fellowship expense increased \$1,293,912 in 2022 following a decrease in 2021 of \$251,757 due to corresponding changes in enrollment for those years. The 2021 decrease in operating expenses is partially a \$2,567,496 decrease in institutional support, a decrease of \$1,611,275 in operation and maintenance of plant expenses and a \$1,264,681 decrease in academic support.

State appropriations represent 26.7 percent of the University's total revenue in 2022, 26.9 percent in 2021, and 29.3 percent in 2020. These percentages illustrate that tuition and fee revenue is not sufficient to cover operational expenses. The University has

# Shawnee State University

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

considerable dependency upon a predictable and relatively stable level of state appropriation funding.

During 2022, investment income/(loss) amounted to (\$801,563) as compared to \$612,212 during 2021 and \$323,292 during 2020. This decrease in investment income is the result of the impact of the general market decrease for all investment segments and rising interest rates during 2022.

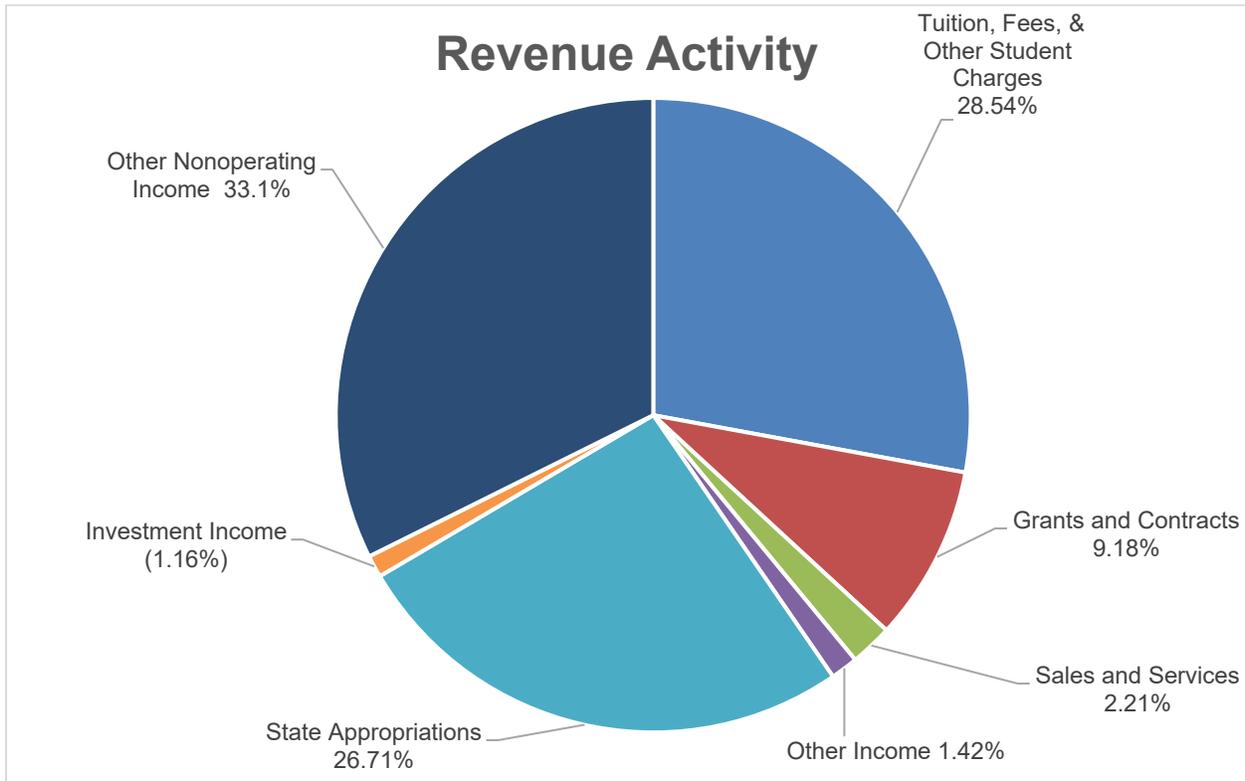
Pell Grants, HEERF grants, and certain other grants are considered nonexchange transactions and are reflected as nonoperating revenue. The \$17,025,774 federal grants portion of nonoperating other grants and contract revenue experienced a 7.7 percent decrease in 2022 after experiencing a 110.2 percent increase from \$8,774,374 in 2020 to \$18,440,500 in 2021. The 2022 decrease and the 2021 increase is primarily due to the one-time receipt of CRF programs awarded in 2021. In 2021 the University recorded revenue of \$2,765,467 in Coronavirus Relief Funds. Income from federal aid programs such as Pell, SEOG, and Veteran's Benefits amounted to \$6.9 million (excluding Covid-19 funding) in 2022 as compared with \$6.5 million in 2021 and \$7.8 million in 2020. Nonoperating grants revenue represents 29.4 percent of the University's total revenue in 2022, down from 34.7 percent in 2021, and up from 21.9 percent in 2020.

The capital appropriations revenue increase to \$2,511,324 in 2022 from \$452,238 in 2021 reflects the increased state capital funding received to initiate new capital projects during 2022. These projects include the Library HVAC renovation, University parking lot renovation and the Kricker Innovation Hub renovation projects. Capital appropriations decreased to \$452,238 from \$2,542,812 in 2020 as work on several state capital projects finished in 2021.

# Shawnee State University

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

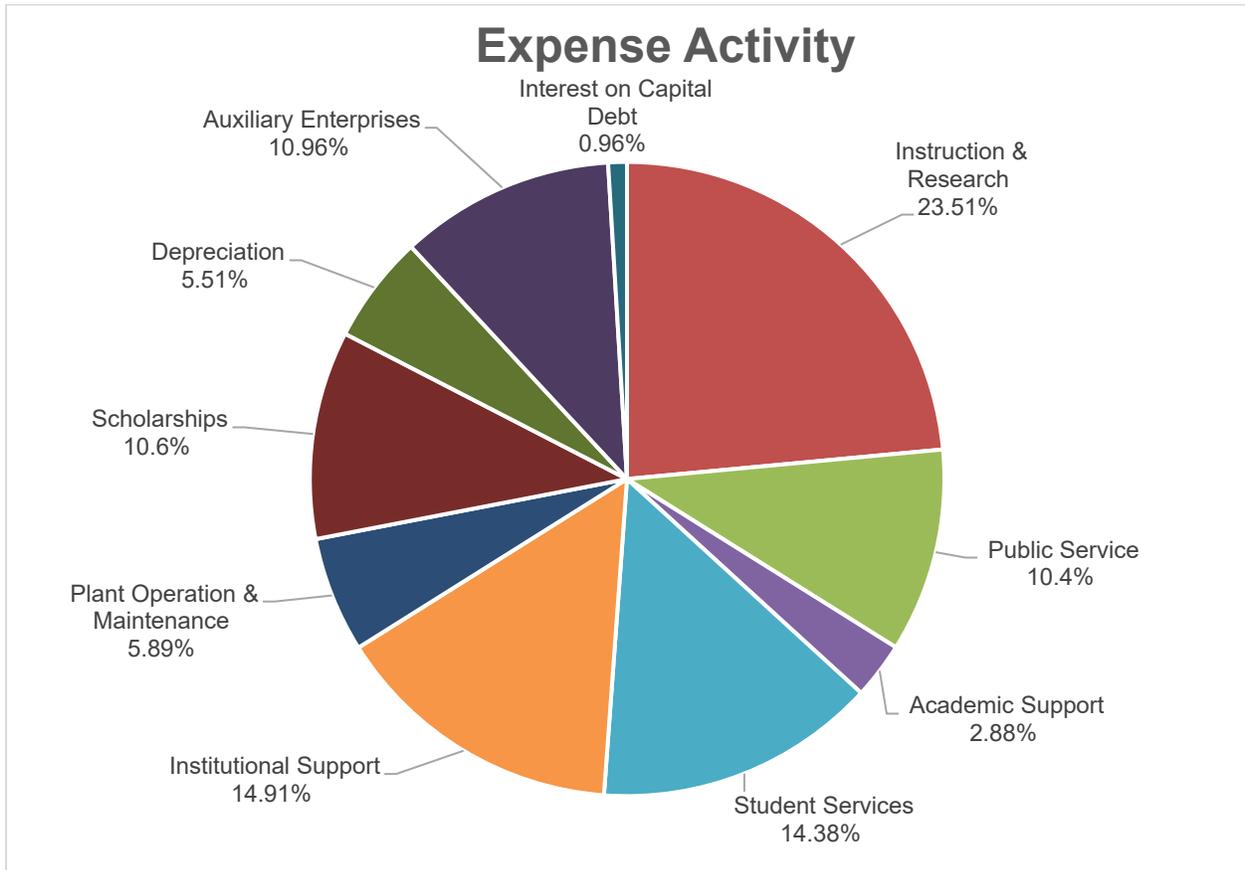
The following graph illustrates Shawnee State University's revenue activity for the fiscal year ended June 30, 2022.



# Shawnee State University

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

The following graph illustrates Shawnee State University's expense activity for the fiscal year ended June 30, 2022.



# Shawnee State University

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

### Statement of Cash Flows

The statement of cash flows provides information about the University's financial condition by reporting the cash sources (receipts) and the cash uses (payments) during the fiscal year ended June 30, 2022. A comparison of cash sources and uses during fiscal years 2022, 2021, and 2020 is presented below:

	2022	2021	2020
<b>Cash (Used in) Provided By</b>			
Operating activities	\$ (35,420,444)	\$ (33,716,829)	\$ (29,410,544)
Noncapital financing activities	37,992,792	36,050,717	29,220,749
Capital and related financing activities	(3,577,880)	(2,096,492)	(4,846,725)
Investment activities	45,255	774,136	4,544,059
Net (decrease) increase in cash and cash equivalents	(960,277)	1,011,532	(492,461)
<b>Cash and Cash Equivalents</b>			
Beginning of the year	2,455,226	1,443,694	1,936,155
End of the year	<u>\$ 1,494,949</u>	<u>\$ 2,455,226</u>	<u>\$ 1,443,694</u>

The \$960,277 decrease in Cash and Cash Equivalents in 2022 reflects the reduction in COVID-19 related grant funding from 2021 in addition to the increase in expenditures due to rising goods and services prices, utility costs, and expenditures due to the transition to on campus activities. Cash and cash equivalents increased by \$1,011,532 in 2021 as a result of increased cash inflows during the year attributable to funding received from COVID-19 grants as well as decreased use of funds due to the interruption of business operations from COVID-19 restrictions. The University also received \$1.0 million in funding from federal HEERF and CRF grant awards in 2021 to reimburse for COVID-19 expenditures incurred in 2020, which helped to increase the cash balance. The University continued to follow a combination of institution-wide spending constraint strategies during the year to reduce future cash needs.

### Capital Assets and Debt Administration

At the end of fiscal year 2022, the University held \$83,625,808 in net capital assets. This reflects an increase of \$1,128,732 in net capital assets from 2021. The increase was due to the increased number of construction projects initiated or completed during 2022. The construction projects funded by state capital appropriations or federal operating grants include such projects as the Library HVAC renovation, University parking lot renovation and the Kricker Innovation Hub renovation project.

# Shawnee State University

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

Capital assets - Net of depreciation at June 30:

	2022	2021	2020
Land	\$ 8,003,370	\$ 8,003,370	\$ 8,003,370
Land improvements	8,471,607	6,928,631	6,928,631
Buildings and improvements	62,273,378	65,054,745	65,665,586
Equipment	2,210,234	1,775,017	1,873,225
Library books	91,166	111,282	151,461
Construction in progress	2,576,053	624,031	2,538,746
<b>Totals</b>	<b>\$ 83,625,808</b>	<b>\$ 82,497,076</b>	<b>\$ 85,161,019</b>

### Debt Administration

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

The University recorded an increase of \$629,934 in capital lease payable debt as a result of implementation of GASB Statement No. 87, *Leases* in 2021. The decrease of \$68,704 to capital lease payable balance in 2022 was due to the scheduled lease payment.

Outstanding debt at year end:

	2022	2021	2020
Unamortized bond premium	\$ 477,939	\$ 515,555	\$ 550,595
General revenue bonds payable - 2% to 4%	17,060,000	18,005,000	18,920,000
<b>Total long-term debt</b>	<b>\$ 17,537,939</b>	<b>\$ 18,520,555</b>	<b>\$ 19,470,595</b>

# Shawnee State University

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

### **Current Financial Issues and Concerns**

Shawnee State University's operations continued to be impacted by the pandemic during 2022. The uncertainties and disruptions of the pandemic directly impacted the size of the incoming fall 2021 class, the smaller fall 2020 cohort resulted in fewer second-year students, and other returning students enrolled at rates below historical trend. While non-academic operations were limited during much of the year, most began to normalize during the fourth quarter. With many Covid-19 protocols lifting, the rebound in revenue from ticket sales and facilities rentals exceeded expectations.

#### *Enrollment, Tuition and Fees*

Shawnee State saw a decrease of nearly 12% in new degree-seeking undergraduates for the fall 2021 semester. New graduate enrollments were also off significantly, down 37% from the prior year. Continuing undergraduate enrollment, which held stable during the first year of the pandemic, was impacted noticeably by the previous year's smaller entering class and lower retention rates, decreasing by 11%. Graduate students persisted at a higher rate than undergraduates, showing an 11% increase over fall 2020.

While enrollment continued to be challenged in 2022, there are positive indicators of a rebound for future entering classes. In-person recruitment activities resumed, and enrollments increased in the college credit plus program. This is another key enrollment revenue stream and a proven pipeline for future undergraduates.

#### *State Funding*

Shawnee State University relies on support from the State of Ohio to meet its educational mission and serve disadvantaged students in the region. The University's state subsidy has two components: State Share of Instruction (SSI), which is allocated to public institutions through a performance-based funding formula; and a line item appropriation, the Shawnee State Supplement, which enables the University to maintain lower undergraduate tuition and fund scholarships that increase access for Appalachian Ohioans and other historically underrepresented groups. Total state support increased by 4.8% (\$844,690) from 2021 to 2022, 3.3% (\$564,470) from 2020 to 2021 and 8.4% (\$1,326,199) from 2019 to 2020. The State of Ohio continues to support the University's mission with substantial increases to the Shawnee State Supplement in the current biennial budget bill.

#### *Higher Education Emergency Relief Funds*

Shawnee State's positive fiscal year 2022 financial performance is due in large part to the Higher Education Emergency Relief Fund (HEERF) for student and institutional needs. HEERF funded student financial aid awards of over \$4.8 million in 2022, for a total of nearly \$8.4 million awarded since March 2020, to help students impacted by Covid-19 continue to make academic progress. The 2022 institutional HEERF awards were used

# Shawnee State University

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

to reimburse Covid-19 related expenditures incurred by the University, upgrade technology infrastructure to support modified operations, and replace a portion of the significant revenue loss caused by Covid-19. These positive adjustments helped to mitigate the severe impact of the pandemic on enrollment, staffing, and operations. With these temporary revenue streams coming to an end, the University continues to adjust operations in response to the smaller student cohorts that entered during the pandemic period.

### *Expenses*

Expenses increased in 2022 due to several factors. Instruction and research expenditures decreased as a result of lower enrollments and reduced spending on services and supplies related directly to Covid-19. However, as students, faculty, and staff returned fully to campus, and on-site activities and events resumed, academic support, student services, and institutional support expenditures increased accordingly. Notably, expenses associated with the operation and maintenance of plant increased significantly because of capital improvements, expanded building utilization, and escalating energy costs. Scholarship expense was impacted by a reduction to scholarship allowance associated with reduced student borrowing as a result of HEERF student financial aid awards. Auxiliary enterprise activity returned to pre-pandemic levels and public service expenses were impacted by increased federal grant activity, including over \$2 million from the EDA grant to support the Kricker Innovation Hub project.

# Shawnee State University

## Statement of Net Position University

	Year Ended June 30	
	2022	2021, As Restated
<b>Assets and Deferred Outflows of Resources</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,494,949	\$ 2,455,226
Receivables:		
Accounts - Net of allowance for doubtful accounts of \$1,670,381 in 2022 and \$1,787,940 in 2021	11,776,220	9,800,765
Notes receivable	155,385	123,686
Interest receivable	14,421	10,314
Inventory	20,329	7,258
Prepaid items	449,210	306,354
	<u>13,910,514</u>	<u>12,703,603</u>
<b>Total current assets</b>		
	13,910,514	12,703,603
<b>Noncurrent Assets</b>		
Investments	7,905,850	8,790,608
Net OPEB asset	3,666,946	2,640,280
Lease right of use asset	544,541	620,522
Capital assets - Net	83,625,808	82,497,076
	<u>95,743,145</u>	<u>94,548,486</u>
<b>Total noncurrent assets</b>		
	95,743,145	94,548,486
<b>Total assets</b>	<b>109,653,659</b>	<b>107,252,089</b>
<b>Deferred Outflows of Resources</b>		
Pension costs	6,634,418	4,603,228
OPEB costs	185,889	689,665
	<u>6,820,307</u>	<u>5,292,893</u>
<b>Total deferred outflows of resources</b>		
	6,820,307	5,292,893
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 116,473,966</b>	<b>\$ 112,544,982</b>

# Shawnee State University

## Statement of Net Position (Continued) University

	Year Ended June 30	
	2022	2021, As Restated
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,821,243	\$ 1,394,958
Accrued wages and benefits	2,552,918	2,406,329
Compensated absences payable	184,714	180,909
Long-term debt	1,010,323	982,616
Accrued interest payable	49,569	51,856
Unearned revenue	1,759,657	1,709,247
Deposits held by and due to others	102,234	90,038
Total current liabilities	7,480,658	6,815,953
<b>Noncurrent Liabilities</b>		
Compensated absences payable	1,662,423	1,628,183
Net pension liability	16,371,054	31,053,412
Lease liability	561,230	629,934
Long-term debt	16,527,616	17,537,938
Total noncurrent liabilities	35,122,323	50,849,467
Total liabilities	42,602,981	57,665,420
<b>Deferred Inflows of Resources</b>		
Service concession agreements	347,597	487,607
Pension costs	18,052,298	6,780,742
OPEB costs	4,264,963	5,785,358
Bond refunding	384,401	416,434
Total deferred inflows of resources	23,049,259	13,470,141
<b>Net Position</b>		
Net investment in capital assets	65,378,140	63,094,859
Restricted:		
Expendable		
Loans	212,907	212,907
Other	31,079	35,714
Unrestricted	(14,800,400)	(21,934,059)
Total net position	50,821,726	41,409,421
Total Liabilities, Deferred Inflows of Resources, and Net Position	<b>\$ 116,473,966</b>	<b>\$ 112,544,982</b>

# Shawnee State University

## Statement of Net Assets Development Foundation

	June 30	
	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 1,461,089	\$ 1,815,421
Investments	18,372,375	21,468,253
Contributions receivable - Net	390,831	239,428
Lease receivable from related party	15,499	17,668
Grant receivable	196,147	177,236
Other receivable	-	29,546
Beneficial interest in trusts held by others	789,640	953,289
Cash surrender value of life insurance	242,334	277,461
Other assets	66,782	68,718
Net property and equipment	11,767,586	9,762,212
	<u>33,302,283</u>	<u>34,809,232</u>
Total assets	<b>\$ 33,302,283</b>	<b>\$ 34,809,232</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 7,656	\$ 5,037
Accrued real estate tax	35,114	6,622
Grant payable	196,147	177,236
Other payable	500	500
Deposits held and due to others	4,101	3,633
Annuity payment liability	390,977	403,918
Note payable	3,145,291	3,339,113
	<u>3,779,786</u>	<u>3,936,059</u>
Total liabilities	3,779,786	3,936,059
<b>Net Assets</b>		
Without donor restrictions	7,966,837	8,394,783
With donor restrictions	21,555,660	22,478,390
	<u>29,522,497</u>	<u>30,873,173</u>
Total net assets	29,522,497	30,873,173
Total liabilities and net assets	<b>\$ 33,302,283</b>	<b>\$ 34,809,232</b>

# Shawnee State University

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

	Year Ended June 30	
	2022	2021, As Restated
<b>Operating Revenue</b>		
Student tuition and fees (net of scholarship allowances of \$7,870,320 in 2022 and \$11,157,356 in 2021)	\$ 19,713,441	\$ 18,019,100
Federal grants and contracts	4,835,170	2,819,382
State grants and contracts	856,564	614,697
Local grants and contracts	510,875	492,826
Private gifts, grants, and contracts	134,186	111,056
Sales and services	1,525,595	1,076,413
Miscellaneous	983,684	741,935
Total operating revenue	28,559,515	23,875,409
<b>Operating Expenses</b>		
Education and general:		
Instruction and departmental research	14,026,555	16,539,770
Public service	6,200,165	3,265,080
Academic support	1,718,214	1,368,340
Student services	8,575,462	6,467,306
Institutional support	8,893,115	8,422,387
Operation and maintenance of plant	3,514,998	2,413,010
Scholarships and fellowships	6,327,757	5,063,845
Depreciation and amortization expense	3,284,164	3,577,857
Auxiliary enterprises	6,539,164	4,427,643
Total operating expenses	59,079,594	51,545,238
<b>Operating Loss</b>	(30,520,079)	(27,669,829)
<b>Nonoperating Revenue (Expenses)</b>		
State appropriations	18,449,269	17,604,579
Federal, state, and local grants and contracts	20,136,898	21,405,896
Private grants and contracts	209,479	1,208,788
Investment (loss) income	(801,563)	612,212
Gain on disposal of capital assets	-	95,235
Interest on capital asset-related debt	(573,023)	(605,178)
Net nonoperating revenue	37,421,060	40,321,532
<b>Change in Net Position Before Capital Appropriations</b>	6,900,981	12,651,703
<b>Other Revenue - Capital appropriations</b>	2,511,324	452,238
<b>Increase in Net Position</b>	9,412,305	13,103,941
<b>Net Position - Beginning of year</b>	41,409,421	28,305,480
<b>Net Position - End of year</b>	<b>\$ 50,821,726</b>	<b>\$ 41,409,421</b>

# Shawnee State University

## Statement of Activities Development Foundation Year Ended June 30, 2022

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

# Shawnee State University

## Statement of Activities (Continued) Development Foundation Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Contributions	\$ 114,280	\$ 604,415	\$ 718,695
Contribution of nonfinancial assets	2,751	1,905	4,656
Investment income - Net	511,067	4,166,493	4,677,560
Change in value of split-interest agreements	-	192,986	192,986
Federal grant revenue	-	598,808	598,808
Other income	1,075	31,024	32,099
Rental income	359,090	-	359,090
Net assets released from restrictions	1,366,806	(1,366,806)	-
	<hr/>	<hr/>	<hr/>
Total revenue and other support	2,355,069	4,228,825	6,583,894
<b>Expenses</b>			
Program services:			
Scholarships and other student aid	492,916	-	492,916
Institutional support	545,383	-	545,383
Total program services	1,038,299	-	1,038,299
Management and general expenses	156,222	-	156,222
Rental activities	469,563	-	469,563
Fundraising	95,599	-	95,599
	<hr/>	<hr/>	<hr/>
Total expenses	1,759,683	-	1,759,683
	<hr/>	<hr/>	<hr/>
<b>Change in Net Assets</b>	595,386	4,228,825	4,824,211
<b>Net Assets - Beginning of year</b>	<hr/> 7,799,397	<hr/> 18,249,565	<hr/> 26,048,962
<b>Net Assets - End of year</b>	<hr/> <b>\$ 8,394,783</b>	<hr/> <b>\$ 22,478,390</b>	<hr/> <b>\$ 30,873,173</b>

# Shawnee State University

## Statement of Cash Flows University

	Year Ended June 30	
	2022	2021, As Restated
<b>Cash Flows from Operating Activities</b>		
Cash received from tuition, fees, and other student charges	\$ 19,296,668	\$ 18,321,007
Cash received from federal direct student loan receipts	10,956,162	13,299,030
Cash received from gifts, grants, and contracts	5,907,055	2,798,155
Cash received from sales and services	1,503,949	1,089,618
Cash received from miscellaneous services	843,674	741,935
Cash payments to suppliers for goods and services	(23,557,468)	(17,173,373)
Cash payments to employees for services	(24,415,953)	(23,536,445)
Cash payments for employee benefits	(8,595,320)	(10,595,922)
Cash payments for scholarships and fellowships	(6,328,033)	(5,063,845)
Cash payments for federal direct student loan disbursements	(11,031,178)	(13,596,989)
Net cash used in operating activities	(35,420,444)	(33,716,829)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	18,449,269	17,604,579
Nonexchange gifts, grants, and contracts	19,536,464	18,483,672
Net deposits held by and due to others transactions	7,059	(37,534)
Net cash provided by noncapital financing activities	37,992,792	36,050,717
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	2,463,055	444,440
Payments for capital acquisitions	(4,386,046)	(890,885)
Principal payments on debts and leases	(1,013,705)	(981,571)
Interest payments on debts and leases	(641,184)	(668,476)
Net cash used in capital and related financing activities	(3,577,880)	(2,096,492)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	293,742	615,654
Proceeds for sales and maturities of investments	3,943,501	7,743,321
Proceeds for sales of restricted investments	-	35,507
Purchases of securities	(4,191,988)	(7,620,346)
Net cash provided by investing activities	45,255	774,136
<b>Net Change in Cash and Cash Equivalents</b>	(960,277)	1,011,532
<b>Cash and Cash Equivalents - Beginning of year</b>	2,455,226	1,443,694
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,494,949</b>	<b>\$ 2,455,226</b>

## Statement of Cash Flows (Continued) University

	Year Ended June 30	
	2022	2021, As Restated
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (30,520,079)	\$ (27,669,829)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	3,284,164	3,577,857
Changes in operating assets and liabilities and deferred outflows of resources and deferred inflows of resources which provided (used) cash:		
Accounts receivable	(851,960)	(410,497)
Direct loans receivable	(75,016)	(297,959)
Notes receivable	(31,699)	(39,671)
Prepaid items	(146,632)	453,837
Inventory	(13,071)	12,759
Accounts payable	374,378	547,112
Accrued wages and benefits	146,589	(700,339)
Compensated absences payable	38,045	(260,769)
Unearned revenue	(139,886)	(474,525)
Net OPEB asset	(1,026,666)	(1,124,280)
Net pension liability	(14,682,358)	(2,178,563)
Net OPEB liability	-	(8,745,723)
Deferred outflows of resources - Net pension expense	(2,031,190)	1,003,389
Deferred outflows of resources - Net OPEB pension expense	503,776	863,925
Deferred inflows of resources - Net pension expense	11,271,556	(359,328)
Deferred inflows of resources - Net OPEB expense	(1,520,395)	2,085,775
	<u>(1,520,395)</u>	<u>2,085,775</u>
Net cash used in operating activities	<u>\$ (35,420,444)</u>	<u>\$ (33,716,829)</u>

## Note 1 - Reporting Entity

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

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

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

## Note 1 - Reporting Entity (Continued)

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

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

## Note 2 - Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2022 and 2021, respectively.

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

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

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

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

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

With the implementation of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* effective for reporting periods beginning after December 15, 2019, Shawnee State University's policy is to not capitalize net interest on construction projects until completion of the project. The amount of the capitalized interest is the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. The University's financial statements were not impacted by the implementation of GASB Statement No. 89.

Leased assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. The amortized leased asset is reported as an outflow of resources which is combined with depreciation expense related to other capital assets for financial reporting purposes.

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

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

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

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

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

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

**Deferred Inflows of Resources** - In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents

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

an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 13. Defeasance of bond and service concession agreement amounts are included as deferred inflow of resources since they are recognized in a future period.

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

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

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

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

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

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

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

**Scholarship Discounts and Allowances** - Student tuition and fee revenue, and certain other revenue from students, are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain federal, state, local, and nongovernmental grants are recorded as either operating or nonoperating revenue in the University's financial statements based on whether or not they are considered exchange transactions. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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

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

*Accounting and Financial Reporting for Service Concession Arrangements*, service concession arrangements are to be reported as deferred inflows/outflows of resources. The University recorded deferred inflows of resources of \$347,597 and \$487,607 at June 30, 2022 and 2021, respectively.

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

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

**Adoption of New Accounting Pronouncements** - As of June 30, 2022, the GASB issued the following statement implemented by the University:

- **Accounting for Leases** - During the current year, the University adopted GASB Statement No. 87, *Leases*. As a result, the University now includes a liability for the present value of payments expected to be made and a lease-right-to-use asset. Lease activity is further described in Note 9. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87.

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

The effect of this new standard on June 30, 2021 net position was as follows:

	<u>Previously Reported</u>	<u>Change</u>	<u>Adjusted Balance</u>
<b><u>Statement of Net Position</u></b>			
<b>Assets and Deferred Outflows of Resources:</b>			
Lease right of use asset	\$ -	\$620,522	\$ 620,522
Total noncurrent assets	93,927,964	620,522	94,548,486
Total assets	106,631,567	620,522	107,252,089
Total Assets and Deferred Outflows of Resources	111,924,460	620,522	112,544,982
<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>			
Lease Liability	-	629,934	629,934
Total noncurrent liabilities	50,219,533	629,934	50,849,467
Total Liabilities	57,035,486	629,934	57,665,420
Unrestricted	(21,924,647)	(9,412)	(21,934,059)
Total Net Position	41,418,833	(9,412)	41,409,421
Total Liabilities, Deferred Inflows of Resources, and Net Position	111,924,460	620,522	112,544,982
<b><u>Statement of Revenue, Expenses, and Changes in Net Position</u></b>			
<b>Operating Expenses</b>			
Institutional Support	8,509,996	(87,609)	8,422,387
Depreciation and amortization expense	3,501,874	75,983	3,577,857
Total operating expenses	51,556,864	(11,626)	51,545,238
<b>Operating Loss</b>	(27,681,455)	11,626	(27,669,829)
<b>Nonoperating Revenue (Expenses)</b>			
Interest on capital asset-related debt	(584,140)	(21,038)	(605,178)
Nonoperating Revenue	40,342,570	(21,038)	40,321,532
<b>Change in Net Position Before Capital Appropriations</b>	12,661,115	(9,412)	12,651,703
<b>Increase in Net Position</b>	13,113,353	(9,412)	13,103,941
<b>Net Position-End of year</b>	41,418,833	(9,412)	41,409,421

Note 2 - Summary of Significant Accounting Policies (Continued)

<u>Statement of Cash Flows University</u>	<u>Previously Reported</u>	<u>Change</u>	<u>Adjusted Balance</u>
<b>Cash Flows from Operating Activities</b>			
Cash payments to suppliers for goods and services	\$(17,260,982)	\$ 87,609	\$(17,173,373)
Net cash used in operating activities	(33,804,438)	87,609	(33,716,829)
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal payments	(915,000)	(66,571)	(981,571)
Interest payments	(647,438)	(21,038)	(668,476)
Net cash used in capital and related financing activities	(2,008,883)	(87,609)	(2,096,492)
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities:</b>			
Operating Loss	(27,681,455)	11,626	(27,669,829)
Depreciation and amortization expense	(3,501,874)	(75,983)	(3,577,857)
Net cash used in operating activities	(33,804,438)	87,609	(33,716,829)

**Upcoming Accounting Pronouncements** - As of June 30, 2022, the GASB has issued the following statements not yet implemented by the University:

- Public-Private and Public-Public Partnerships and Availability Payment Arrangements** – In March 2020, the Governmental Accounting Standards Board issued GASB Statement No. 94, *Public-Private and Public-Public Partnership Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments, deferred inflows of resources, and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange of exchange-like transaction. The provisions of this statement are effective for the University’s financial statements for the year ending June 30, 2023. The standard is not expected to have a significant effect on the University’s financial statements.
- Subscription-Based Information Technology Arrangements** – In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*,

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

which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The University is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2023.

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

**COVID -19 Pandemic** - On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the University's operations were also impacted. Due to the "shelter-at-home" guidelines the University shifted to a remote online learning environment and recommended students should return home. Shawnee State University issued room and board refunds to students. The University also had many conference or athletic events cancelled or temporarily postponed until the "shelter-at-home" guidelines were reduced or removed, which resulted in lost revenues for the University for the year ended June 30, 2020, June 30, 2021 and June 30, 2022. To offset the financial impact to students and the losses incurred by the University due to the disruption caused by COVID-19, the University received grants and other relief primarily from the Higher Education Emergency Relief Fund (HEERF) and the Coronavirus Relief Fund (CRF). The University has been awarded a total of approximately \$22.3 million since March 2020. As of June 30, 2022, the University has disbursed approximately \$8.4 million directly to students to provide emergency financial aid grants. Since the initial awards were received in 2020, approximately \$13.9 million of the University's institutional awards and \$807,185 of Strengthening Institutional Program award was used to cover any eligible costs associated with significant changes to delivery of instruction due to COVID-19;

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

such as, personal protection equipment, student debt forgiveness of \$1,101,734, and lost revenue of \$6,437,304. The severity of the continued impact due to COVID-19 on the University's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent of the impact on the University's community, all of which are uncertain and cannot be predicted.

**Subsequent Events** – Shawnee State University (the “University”) on August 4, 2022 issued information offering a plan to its eligible employees under which a qualifying employee in consideration for voluntary relinquishment of employment by January 1, 2023 under the terms provided may receive a cash payment(s) or other incentives. This Plan is not a retirement program and is not intended to provide retirement income. This Plan is intended to qualify as a severance pay plan as defined under Code Section 457(e)(11) and as a “window program” under Code Section 409A and Treasury Regulation Section 1.457-11(d)(3). The University is evaluating the impact this incentive program will have on the financial statements once the number of participants is finalized.

## Note 3 - Deposits and Investments

**Deposits** - At June 30, 2022, the carrying amount of the University's deposits (which consist of cash, excluding cash on hand of \$2,131, deposits held by trustee, and investments) was \$1,492,818 and the bank balance was \$1,724,399. The difference in the carrying amount and bank balance primarily results from outstanding checks. Of the bank balance, \$250,000 is covered by the Federal Deposit Insurance Corporation. At June 30, 2021, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$2,131, deposits held by trustee, and investments) was \$2,453,095 and the bank balance was \$2,898,657.

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

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

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

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

As of June 30, 2021, the University had the following investments and maturities using the segmented time distribution method:

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

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

Investments at June 30, 2022 and 2021 are shown in the statement of net position as noncurrent assets in the amount of \$7,905,850 and \$8,790,608, respectively.

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

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

As of June 30, 2022, and 2021, the University had the following investments and quality ratings:

Investment Type	Rating	2022	2021
		Fair Value	Fair Value
U.S. govt. and agency bonds	AAA	\$ 1,317,934	\$ 274,708
	AA	77,999	1,328,927
Corporate bonds and notes	AAA	154,638	-
	AA	244,300	219,814
	A	810,542	691,124
	BBB	564,164	800,025
Fixed-income mutual funds	AAA	1,290,954	1,700,473
Money market funds	AAA	255,578	564,627
STAR Ohio funds	AAA	195,839	195,294
		<u>\$ 4,911,948</u>	<u>\$ 5,774,992</u>

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

**Note 4 - Fair Value Measurements**

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

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

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

	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Money market:				
Money market	\$ 255,578	\$ 255,578	\$ -	\$ -
Total money market	255,578	255,578	-	-
Debt securities:				
U.S. gov. and agency bonds	1,395,933	1,395,933	-	-
Corporate bonds and notes	1,773,644	-	1,773,644	-
Total debt securities	3,169,577	1,395,933	1,773,644	-
Mutual funds:				
Fixed-income mutual funds	1,290,954	1,290,954	-	-
Equity mutual funds	2,993,902	2,993,902	-	-
Total mutual funds	4,284,856	4,284,856	-	-
 Total investments by fair value level	 \$ 7,710,011	 \$ 5,936,367	 \$ 1,773,644	 \$ -

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

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

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

Short-term investment and investments on the statement of net position at June 30, 2022 and 2021 include investments in STAR Ohio of \$195,839 and \$195,294, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

**Note 5 - Accounts Receivable**

The composition of accounts receivable at June 30, 2022 and 2021 is summarized as follows:

	2022	2021
Student tuition and fees	\$ 4,121,577	\$ 3,856,418
Grants and contracts	9,214,426	7,706,542
Other	110,598	25,745
Total accounts receivable	13,446,601	11,588,705
Less allowance for doubtful accounts	(1,670,381)	(1,787,940)
Accounts receivable - Net	\$ 11,776,220	\$ 9,800,765

**Note 6 - Capital Assets**

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

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

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

**Note 6 - Capital Assets (Continued)**

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

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

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

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

**Note 7 - Compensated Absences**

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

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

**Note 8 - Long-term Obligations**

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

	Principal Outstanding July 1, 2021	Additions	Deductions	Principal Outstanding June 30, 2022	Current Portion
General Receipt Bonds, Series 2016	\$ 18,005,000	\$ -	\$ 945,000	\$ 17,060,000	\$ 970,000
Unamortized bond premium	515,555	-	37,616	477,939	40,323
Sub total long-term debt	18,520,555	-	982,616	17,537,939	1,010,323
Compensated absences	1,809,092	221,549	183,504	1,847,137	184,714
Total long-term liabilities	<u>\$ 20,329,647</u>	<u>\$ 221,549</u>	<u>\$ 1,166,120</u>	<u>\$ 19,385,076</u>	<u>\$ 1,195,037</u>

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

The changes in the University's long-term obligations during fiscal year 2021 were as follows:

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

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

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

The interest expense for the bonds in fiscal years 2022 and 2021 was \$554,118 and \$584,140, respectively.

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

Principal and interest amount due within each of the next five years and thereafter on the Series 2016 bond obligations outstanding at June 30, 2022 are as follows:

Years Ending June 30	Principal	Interest	Total
2023	\$ 970,000	\$ 593,925	\$ 1,563,925
2024	1,000,000	564,825	1,564,825
2025	1,020,000	544,825	1,564,825
2026	1,045,000	521,875	1,566,875
2027	1,080,000	480,075	1,560,075
2028-2032	6,145,000	1,683,775	7,828,775
2033-2037	3,990,000	622,625	4,612,625
2038-2041	1,810,000	161,000	1,971,000
Total	<u>\$ 17,060,000</u>	<u>\$ 5,172,925</u>	<u>\$ 22,232,925</u>

**Note 9 - Leases**

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

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

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

**Note 9 – Leases (Continued)**

Lease asset activity of the University was as follows for June 30, 2021:

Leased Asset Class	Beginning Balance			Ending Balance
	July 1, 2020	Additions	Deductions	June 30, 2021
Building	\$ 696,505	-	\$ -	\$ 696,505
<b>Accumulated Amortization</b>				
Building	\$ -	-	\$ (75,983)	\$ (75,983)
<b>Net Book Value of Leased Assets</b>	<u>\$ 696,505</u>	<u>\$ -</u>	<u>\$ (75,983)</u>	<u>\$ 620,522</u>

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

Years Ending June 30	Principal	Interest	Total
2023	\$ 70,906	\$ 16,703	\$ 87,609
2024	73,178	14,431	87,609
2025	75,522	12,087	87,609
2026	77,943	9,667	87,610
2027	80,440	7,169	87,609
2028-2030	<u>183,241</u>	<u>6,581</u>	<u>189,822</u>
Total	<u>\$ 561,230</u>	<u>\$ 66,638</u>	<u>\$ 627,868</u>

The capital interest expense for the leases in fiscal years 2022 and 2021 was \$18,905 and \$21,038, respectively.

**Note 10 - Contingencies**

The University receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of

### Note 10 – Contingencies (Continued)

management, any such disallowed claims would not have a significant adverse effect on the overall financial statements of the University at June 30, 2022.

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

The U.S. Department of Commerce awarded an Economic Development Administration (EDA) Grant in the amount of \$2,793,393 to Shawnee State University and the Shawnee State University Development Foundation. The State of Ohio awarded an additional \$700,000 as matching funds to Shawnee State University. The funding will be utilized for the renovations of the Shawnee State University Kricker Innovation Hub. The University is the lead recipient on the project and will facilitate the administration of the award. The construction must be completed by December 28, 2022. The Foundation holds title to the property on which the renovations will occur.

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

### Note 11 - State Support

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

In addition to the performance-based subsidy and supplement, the State of Ohio provides funding for the construction of major plant facilities on the University's campus. State funding for the construction of university facilities is obtained from

## Note 11 - State Support (Continued)

the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn initiates the construction and subsequent lease of the facility by the Ohio Department of Higher Education. Upon completion of a facility, the Ohio Department of Higher Education turns over control to the University. The University capitalizes the costs of these facilities as construction is completed and payment is received from the Ohio Public Facilities Commission.

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

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

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

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

## Note 12 - Grants and Contracts

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

**Note 13 - Retirement Plans**

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

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

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

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

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

Member contributions are set at the maximums authorized by the ORC. The plans’ 2022 and 2021 employer and member contribution rates on covered payroll to each system are:

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

**Note 13 – Retirement Plans (Continued)**

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

	For the years ended 6/30			
	2022		2021	
	Pension	OPEB	Pension	OPEB
STRS	\$ 1,466,922	\$ -	\$ 1,534,798	\$ -
OPERS	1,346,929	-	1,230,886	-
Total	\$ 2,813,851	\$ -	\$ 2,765,684	\$ -

**Benefits Provided –**

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

Effective August 1, 2017-July 1, 2019, any member may retire who has (1) five years of service credit and attained age 60; (2) 27 years of service credit and attained age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019-July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Beginning August 1, 2015, eligibility requirements for an unreduced benefit changed. The maximum annual retirement allowance, payable for life, considers years of credited service, final average salary (3-5 years) and multiplying by a factor ranging from 2.2 percent to 2.6 percent with 0.1 percent incremental increases for years greater than 30-31, depending on retirement age.

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

## Note 13 – Retirement Plans (Continued)

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

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

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

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

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

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

**Note 13 – Retirement Plans (Continued)**

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2022 and 2021, the University reported a liability for its proportionate share of the net pension liability of STRS/OPERS. For June 30, 2022, the net pension liability was measured as of June 30, 2021 for STRS, and December 31, 2021 for the OPERS plan. For June 30, 2021, the net pension liability was measured as of June 30, 2020 for STRS, and December 31, 2020 for the OPERS plan. 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 2022	Percent Change 2021
		2022	2021	2022	2021		
STRS	June 30	\$ 11,261,080	\$ 22,335,934	0.08807%	0.09231%	-4.59%	0.83%
OPERS	December 31	5,109,974	8,717,478	0.06013%	0.05946%	1.13%	-9.94%
Total		<u>\$ 16,371,054</u>	<u>\$ 31,053,412</u>				

For the years ended June 30, 2022 and 2021, the University recognized pension (recovery) of \$(5,441,992) and \$(1,534,502) respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 619,609	\$ 198,452	\$ 53,123	\$ 526,733
Changes of assumptions	3,784,278	-	1,204,299	-
Net difference between projected and actual earnings on pension plan investments	-	15,953,880	1,086,199	3,444,552
Changes in proportion and differences between university contributions and proportionate share of contributions	127,161	1,899,966	136,336	2,809,457
University contributions subsequent to the measurement date	<u>2,103,370</u>	<u>-</u>	<u>2,123,271</u>	<u>-</u>
Total	<u>\$ 6,634,418</u>	<u>\$ 18,052,298</u>	<u>\$ 4,603,228</u>	<u>\$ 6,780,742</u>

**Note 13 – Retirement Plans (Continued)**

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

Year Ending June 30	Amount
2023	\$ (3,386,328)
2024	(3,960,075)
2025	(3,075,205)
2026	(3,102,101)
2027	915
Thereafter	1,543
	<u>\$ (13,521,251)</u>

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

**Net OPEB Liability/(Asset), Deferrals, and OPEB Expense** – At June 30, 2022, the University reported a liability/(asset) for its proportionate share of the net OPEB liability/(asset) of STRS/OPERS. For June 30, 2022, the net OPEB liability/(asset) was measured as of June 30, 2021 for STRS, and December 31, 2021 for the OPERS plan. For June 30, 2021, the net OPEB liability/(asset) was measured as of June 30, 2020 for STRS, and December 31, 2020 for the OPERS plan. The total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of those dates, except OPERS which used an actuarial valuation dated December 31, 2020 and 2019, respectively, rolled forward to the measurement date by incorporating the expected value of health care cost accruals, the actual health care payments, and interest accruals during the year for the defined benefit health care plans.

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

For plan years ending June 30, 2021 and 2020, STRS did not allocate employer contributions to the OPEB plan. Therefore, STRS’ calculation of the employers’

**Note 13 – Retirement Plans (Continued)**

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

For plan years ending December 31, 2021 and 2020, OPERS did not allocate employer contributions to the OPEB plan. Therefore, OPERS’s calculation of the employers’ proportionate share is based on total contributions to the plan for both pension and OPEB.

Plan	Measurement Date	Net OPEB Liability/(Asset)		Proportionate Share		Percent Change	Percent Change
		2022	2021	2022	2021	2022	2021
STRS	June 30	\$ (1,857,000)	\$ (1,622,000)	0.08807%	0.09231%	-4.59%	-8.39%
OPERS	December 31	(1,809,946)	(1,018,280)	0.06013%	0.05716%	5.20%	-5.29%
Total		\$ (3,666,946)	\$ (2,640,280)				

For the years ended June 30, 2022 and 2021, the University recognized OPEB (recovery) of \$(2,043,285) and \$(6,920,203), respectively. At June 30, 2022 and 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 66,000	\$ 614,541	\$ 104,000	\$ 1,241,992
Changes of assumptions	119,000	1,840,646	527,598	3,190,918
Net difference between projected and actual earnings on OPEB investments	-	1,377,855	57,000	542,350
Changes in proportion and differences between university contributions and proportionate share of contributions	889	431,921	1,067	810,098
University contributions subsequent to the measurement date	-	-	-	-
Total	\$ 185,889	\$ 4,264,963	\$ 689,665	\$ 5,785,358

**Note 13 – Retirement Plans (Continued)**

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

Year Ending June 30	Amount
2023	\$ (1,969,887)
2024	(970,858)
2025	(718,330)
2026	(348,082)
2027	(73,286)
Thereafter	1,370
	<u>\$ (4,079,039)</u>

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

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

Note 13 – Retirement Plans (Continued)

	STRS	OPERS
Valuation date - Pension	June 30, 2021	December 31, 2021
Valuation date - OPEB	June 30, 2021	December 31, 2020
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	2.05 percent - 3.00 percent
Salary increases, including inflation	2.50 percent - 12.50 percent	2.75 percent - 10.75 percent
Inflation	2.50 percent	2.75 percent
Investment rate of return - Pension	7.00 percent, net of investment expense, including inflation	6.90 percent, net of investment expense, including inflation
Investment rate of return - OPEB	7.00 percent, net of investment expense, including inflation	6.00 percent, net of investment expense, including inflation
Health care cost trend rates	16.2 percent to 30.0 percent initial 4 percent ultimate	5.50 percent initial, 3.50 percent ultimate in 2034
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2020
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016.	Pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these tables.

**Note 13 – Retirement Plans (Continued)**

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

	STRS	OPERS
Valuation date - Pension	June 30, 2020	December 31, 2020
Valuation date - OPEB	June 30, 2020	December 31, 2019
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	None	0.50% to 3.0%
Salary increases, including inflation	2.5% - 12.5%	3.25% -10.75%
Inflation	2.50%	3.25%
Investment rate of return - Pension	7.45%, net of investment expense, including inflation	7.2%, net of investment expense, including inflation
Investment rate of return - OPEB	7.45%, net of investment expense, including inflation	6.0% net of investment expense, including inflation
Health care cost trend rates	-6.7% to 11.9% initial, 4% ultimate	8.5% initial, 3.5% ultimate in 2035
Experience study date	Period of 5 years ended June 30, 2016	Period of 5 years ended December 31, 2015
Mortality basis	RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016	RP-2014 Healthy Annuitant Mortality Table

### Note 13 – Retirement Plans (Continued)

**Pension Discount Rate** The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rates used to measure the total pension liabilities for STRS were 7.00 percent and 7.45 percent for the plan years ended June 30, 2021 and 2020. The discount rates used to measure the total pension liability for OPERS were 6.90 percent and 7.20 percent for the plan years ended December 31, 2021 and 2020, respectively.

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

*STRS – OPEB Discount Rate:* The discount rates used to measure the total OPEB assets was 7.00 percent and 7.45 percent for the plan years ended June 30, 2021 and 2020. At June 30, 2021 and 2020, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

*OPERS – OPEB Discount Rate:* The discount rates used to measure the total OPEB liabilities/(assets) were 6.0 percent for the plan years ended December 31, 2021 and 2020. At December 31, 2021 and 2020, the plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

**Note 13 – Retirement Plans (Continued)**

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. OPERS has two different portfolios of investment, a defined benefit portfolio for pension and health care portfolio for OPEB. As a result, there are different target allocations and long-term expected real rates of return disclosed for each portfolio. The target allocation and best estimates of arithmetic (geometric for STRS) real rates of return for each major asset class are summarized in the following table as of the dates listed below:

STRS - as of 6/30/21			OPERS - as of 12/31/21				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Pension Portfolio		Health Care Portfolio		
			Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	
Domestic equity	28.00%	7.35%	Fixed income	24.00%	1.32%	34.00%	1.07%
International equity	23.00%	7.55%	Domestic equities	21.00%	5.64%	25.00%	5.64%
Alternatives	17.00%	7.09%	Real estate	11.00%	5.39%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	12.00%	10.42%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	23.00%	7.36%	25.00%	7.36%
Liquidity reserves	1.00%	2.25%	Risk Parity	5.00%	2.92%	2.00%	2.92%
			REITs	0.00%	0.00%	7.00%	3.71%
			Other Investments	4.00%	2.85%	7.00%	1.93%
Total	100.00%		Total	100.00%		100.00%	

STRS - as of 6/30/20			OPERS - as of 12/31/20				
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Pension Portfolio		Health Care Portfolio		
			Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	
Domestic equity	28.00%	7.35%	Fixed income	25.00%	1.32%	34.00%	1.07%
International equity	23.00%	7.55%	Domestic equities	21.00%	5.64%	25.00%	5.64%
Alternatives	17.00%	7.09%	Real estate	10.00%	5.39%	0.00%	0.00%
Fixed income	21.00%	3.00%	Private equity	12.00%	10.42%	0.00%	0.00%
Real estate	10.00%	6.00%	International equity	23.00%	7.36%	25.00%	7.36%
Liquidity reserves	1.00%	2.25%	REITs	0.00%	0.00%	7.00%	6.48%
			Other Investments	9.00%	4.75%	9.00%	4.02%
Total	100.00%		Total	100.00%		100.00%	

Note 13 – Retirement Plans (Continued)

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

Plan	1.00 Percent Decrease		2022 Current Discount Rate		1.00 Percent Increase	
	STRS	6.00%	\$ 21,087,788	7.00%	\$ 11,261,080	8.00%
OPERS	5.90%	13,702,081	6.90%	5,109,974	7.90%	(2,038,258)
		<u>\$ 34,789,869</u>		<u>\$ 16,371,054</u>		<u>\$ 919,275</u>

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

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

Changes in the Discount Rate

Plan	1.00 Percent Decrease		2022 Current Discount Rate		1.00 Percent Increase	
	STRS	6.00%	\$ (1,566,998)	7.00%	\$ (1,857,000)	8.00%
OPERS	5.00%	(1,064,418)	6.00%	(1,809,946)	7.00%	(2,428,746)
		<u>\$ (2,631,416)</u>		<u>\$ (3,666,946)</u>		<u>\$ (4,527,949)</u>

Note 13 – Retirement Plans (Continued)

Changes in the Discount Rate

2021

Plan	1.00 Percent Decrease	Current Discount Rate	1.00 Percent Increase
STRS	6.45% \$ (1,411,560)	7.45% \$ (1,622,000)	8.45% \$ (1,801,219)
OPERS	5.00% (253,201)	6.00% (1,018,280)	7.00% (1,647,236)
	\$ (1,664,761)	\$ (2,640,280)	\$ (3,448,455)

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

Changes in Health Care Cost Trend Rate

2022

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

Changes in Health Care Cost Trend Rate

2021

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

### Note 13 – Retirement Plans (Continued)

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

**Assumption changes** – During the measurement periods ended June 30, 2021 and December 31, 2021, respectively, certain assumption changes were made by the plans. The OPERS pension discount rate was reduced from 7.20 percent to 6.90 percent, which impacted the annual actuarial valuation for the pension liability as of December 31, 2021. The STRS pension and OPEB discount rates were reduced from 7.45 percent to 7.00 percent, which impacted the annual actuarial valuation for the pension and OPEB liabilities as of the June 30, 2021 measurement date.

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

**Changes since the measurement date** – STRS had a new experience study completed for the period July 1, 2016 to June 30, 2021 which will be used for the 2022 valuation. The experience study indicates changes in assumptions, including updating mortality tables from RP-2014 to PubT-2010 (and related improvement factors), retirement rates, and OPEB participation assumptions which will impact STRS net pension liability and net OPEB liability.

**Defined Contribution Pension Plan** - The Alternative Retirement Plan (ARP) is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University’s Board of Trustees adopted the University’s plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS or OPERS, from the list of three providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS or OPERS, and who elect to participate in the ARP, must contribute the employee’s share of retirement contributions to one of three private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an

### **Note 13 – Retirement Plans (Continued)**

amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 9.53 percent for STRS and 11.56 percent for OPERS for the years ended June 30, 2022 and 2021. The employer also contributes what would have been the employer's contribution under STRS or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting. The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options. STRS and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. For the year ended June 30, 2022 and 2021, employee contributions totaled \$557,810 and \$534,523, and the University recognized pension expense of \$618,356 and \$591,242, respectively.

### **Note 14 - Risk Management**

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

During fiscal year 2022, the University maintained the lines of coverage below. All limits are dedicated to the University, unless explicitly noted as shared with other IUC-IC members. Real property and contents are 100 percent insured.

Note 14 – Risk Management (Continued)

Description of Coverage	Policy Term	Limit of Liability	Member Deductible
<b>GROUP PROPERTY PROGRAM</b>			
"All Risk" Property Coverage including Boiler & Machinery (3)	07/01/2021 - 07/01/2022	\$250,000 for All Perils except \$900,000 for CAT Perils	\$100,000 (2)
	07/01/2021 - 07/01/2022	\$1,483,750,000 Various Sublimits Apply	\$100,000 (2)
Automobile Physical Damage (Self-Insured)	07/01/2021 - 07/01/2022	Actual Cash Value	Varies
Property Engineering and Administrative Fees (4)	07/01/2021 - 07/01/2022	N/A	N/A
Fine Arts, including Library Values	07/01/2021 - 07/01/2022	\$350,000,000 library values, any one loss \$100,000,000 fine art any one loss \$25,000,000 fine art any one transit \$25,000,000 fine art any one exhibition \$20,000,000 unscheduled items, any one	\$25,000 except Nil for Non-Owned Fine Arts
Terrorism, including Active Assailant & SRCC	07/01/2021 - 07/01/2022	\$100,000,000 \$500,000,000	\$100,000
<b>GROUP CASUALTY PROGRAM</b>			
IUC-RMIC Casualty Self-Insurance Pool (5)	07/01/2021 - 07/01/2022	\$1,000,000 (5)	\$100,000
Deductible Paybacks (Carl Warren Claims)	07/01/2021 - 07/01/2022	N/A	N/A
IUC-RMIC General Liability MOC	07/01/2021 - 07/01/2022	\$15,000,000(6)	\$100,000
IUC-RMIC Automobile Liability MOC	07/01/2021 - 07/01/2022	\$15,000,000(6)	\$100,000
IUC-RMIC Educators Legal Liability MOC	07/01/2021 - 07/01/2022	\$15,000,000(6)	\$100,000
1st Excess General & Automobile Liability	07/01/2021 - 07/01/2022	\$20,000,000 excess \$15,000,000	N/A
1st Excess Educators Legal Liability	07/01/2021 - 07/01/2022	\$20,000,000 excess \$15,000,000	N/A
Casualty Administrative Fees (7)	07/01/2021 - 07/01/2022	N/A	N/A
Member Loss Control Funds	07/01/2021 - 07/01/2022	N/A	N/A
<b>OTHER GROUP COVERAGES</b>			
Crime	07/01/2021 - 07/01/2022	\$5,000,000	\$100,000
Cyber Liability/Breach Response	07/01/2021 - 07/01/2022	\$5,000,000	\$100,000
Excess Social Engineering (8)	07/01/2021 - 07/01/2022	\$3,000,000	Follow Form X/S
Fiduciary Liability	07/01/2021 - 07/01/2022	\$5,000,000	\$100,000 except-\$500,000 class action
Foreign Package Liability	07/01/2021 - 07/01/2024	\$1,000,000	Nil
International Travel Assistance Services - ISOS (9)	07/01/2020 - 07/01/2023	N/A	(10)
Medical Malpractice (10)	07/01/2021 - 07/01/2022	\$1,000,000 / \$3,000,000 \$2,000,000 / \$2,000,000	\$25,000
Pollution (11)	07/01/2021 - 07/01/2024	\$5,000,000 Each Incident \$15,000,000 Aggregate (3-yr term)	\$50,000 (12)
Special Accident (12)	07/01/2019 - 07/01/2022	\$20,000,000	Nil

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

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

**Note 14 – Risk Management (Continued)**

services necessary to operate the Program, solely for eligible participants of the public colleges and university adopting the Program.

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

Changes in the self-insurance claims liability for the years ended June 30, 2022, 2021, and 2020 are summarized as follows:

	2022	2021	2020
Accrued claims liability - Beginning of year	\$ 405,767	\$ 233,187	\$ 284,468
Current year claims	4,734,098	5,143,988	3,482,867
Claims payments	<u>(4,749,998)</u>	<u>(4,971,408)</u>	<u>(3,534,148)</u>
Accrued claims liability - End of year	<u>\$ 389,867</u>	<u>\$ 405,767</u>	<u>\$ 233,187</u>

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

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

**Note 15 - Component Unit Disclosure**

*Basis of Presentation*

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

*Net Assets*

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Net assets without donor restrictions are resources available to support operations. Net assets with donor restrictions at June 30, 2022 and 2021 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 revenue in the period the related commitments are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received beyond the fiscal year are discounted at an appropriate discount rate.

*Investments*

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

The fair value of investments at June 30, 2022 and 2021, by classification, is as follows:

	2022	2021
U.S. government securities	\$ 1,616,958	\$ 1,528,742
Foreign bond issues	399,734	491,588
Mutual funds:		
Equity	12,146,527	14,219,458
Fixed income	2,623,894	3,463,572
Corporate bond issues	1,521,629	1,718,311
Common Stock	17,051	-
Limited Partnership	46,582	46,582
	\$ 18,372,375	\$ 21,468,253
Total		

Note 15 - Component Unit Disclosure (Continued)

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

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
U.S. government securities	\$ 1,616,958	\$-	\$-	\$ 1,616,958
Mutual funds:				
Equity	12,146,527	-	-	12,146,527
Fixed income	2,623,894	-	-	2,623,894
Common Stock:				
Domestic	17,051			17,051
Foreign bond issues	-	399,734	-	399,734
Corporate bond issues	-	1,521,629	-	1,521,629
Beneficial interest in trusts practical expedient:	-	-	789,640	789,640
Partnership	-	-	-	46,582
Total assets	<u>\$ 16,404,430</u>	<u>\$ 1,921,363</u>	<u>\$ 789,640</u>	<u>\$ 19,162,015</u>

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

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
U.S. government securities	\$ 1,528,742	\$-	\$-	\$ 1,528,742
Mutual funds:				
Equity	14,219,458	-	-	14,219,458
Fixed income	3,463,572	-	-	3,463,572
Foreign bond issues	-	491,588	-	491,588
Corporate bond issues	-	1,718,311	-	1,718,311
Beneficial interest in trusts	-	-	953,289	953,289
Measured using NAV as a practical expedient:				
Partnership	-	-	-	46,582
Total assets	<u>\$ 19,211,772</u>	<u>\$ 2,209,899</u>	<u>\$ 953,289</u>	<u>\$ 22,421,542</u>

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

*Fixed Assets*

Property and equipment consist of the following:

	2022	2021
Land	\$ 2,011,200	\$ 2,011,200
Equipment and furniture	81,202	81,202
Buildings	8,942,735	8,942,735
Construction in progress	2,541,573	302,123
Total property and equipment	13,576,710	11,337,260
Accumulated depreciation	1,809,124	1,575,048
Net property and equipment	\$ 11,767,586	\$ 9,762,212

*Debt*

The Foundation entered into a \$4,500,000 note with an interest rate of 5.0 percent payable to Hatcher Real Estate, LLC for the purchase of the Fourth Street Properties. The note is secured by the land and buildings. This note is payable in monthly installments of \$29,698. The payments are based on a 20-year amortization schedule and include a balloon payment due at maturity on February 25, 2019 for the remaining balance. The Foundation exercised an option to extend the maturity date for a two-year period to February 25, 2021, then exercised a second option to extend the maturity date to February 25, 2028. At June 30, 2022 and 2021, the outstanding principal balance of the note was \$3,145,291 and \$3,339,113, respectively.

On August 17, 2017, the Foundation entered into a \$400,000 note with an interest rate of 5.0 percent payable to Burg DMI, LLC to purchase property at 221 Chillicothe Street. The note is secured by the land and building. This note requires monthly interest only payments for forty-eight months with the total principal due no later than August 17, 2021. The balance of this note was paid in full on September 2, 2020.

*Related Party Transactions*

The Foundation made distributions to, or on behalf of, the University of \$1,405,972 during the year ended June 30, 2022 and \$1,000,416 during the year ended June 30, 2021. Administrative expenses of \$245,673 in fiscal year 2022 and \$289,704

## Note 15 - Component Unit Disclosure (Continued)

in fiscal year 2021 were reimbursed to Shawnee State University for direct costs, including an allocation of salary and benefits, incurred in the management of the Foundation's and University's endowment funds.

The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was \$15,499 and \$17,668 as of June 30, 2022 and 2021, respectively, and is reflected as a lease receivable in the Foundation's statements of net assets.

The Foundation passed through federal grants to the University, the administrative agent for the grants, in the amount of \$377,304 and \$330,485 during the years ended June 30, 2022 and 2021, respectively. The Foundation has recorded a grant payable to the University at June 30, 2022 and 2021 in the amount of \$196,147 and \$177,236.

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

## Required Supplementary Information

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# Shawnee State University

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability:								
As a percentage	0.0088%	0.0923%	0.0916%	0.0999%	0.1057%	0.11182%	0.10962%	0.11347%
Amount	\$ 11,261,080	\$ 22,335,934	\$ 20,245,020	\$ 21,971,679	\$ 25,109,186	\$ 37,430,954	\$ 30,295,455	\$ 27,600,967
University's covered employee payroll	\$ 10,478,014	\$ 8,792,043	\$ 11,153,686	\$ 10,747,943	\$ 11,360,000	\$ 13,596,142	\$ 11,436,893	\$ 10,440,100
University's proportionate share of the collective pension liability, as a percentage of the University's covered employee payroll	107.47%	254.05%	181.51%	204.43%	221.03%	275.31%	264.89%	264.37%
Plan fiduciary net position as a percentage of the total pension liability	87.80%	75.50%	77.40%	77.30%	77.30%	66.78%	72.10%	74.71%

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

	2022	2021	2020	2019	2018	2017	2016	2015
University's proportion of the collective net pension liability:								
As a percentage	0.0601%	0.0595%	0.0660%	0.0694%	0.07287%	0.07976%	0.08469%	0.08633%
Amount	\$ 5,109,974	\$ 8,717,478	\$ 12,986,955	\$ 18,960,124	\$ 11,380,348	\$ 18,089,973	\$ 14,649,733	\$ 10,394,787
University's covered employee payroll	\$ 9,620,921	\$ 10,962,843	\$ 9,748,350	\$ 10,567,457	\$ 10,333,800	\$ 9,138,607	\$ 10,894,207	\$ 10,899,653
University's proportionate share of the collective pension liability, as a percentage of the University's covered employee payroll	53.11%	79.52%	133.22%	179.42%	110.13%	197.95%	134.47%	95.37%
Plan fiduciary net position as a percentage of the total pension liability	93.01%	87.21%	82.44%	74.91%	84.85%	77.39%	81.19%	86.53%

### STRS Schedule of University Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,466,922	\$ 1,534,798	\$ 1,561,516	\$ 1,504,712	\$ 1,590,400	\$ 1,574,598	\$ 1,655,224	\$ 1,623,157
Contributions in relation to the actuarially determined contractually required contribution	\$ 1,466,922	\$ 1,534,798	\$ 1,561,516	\$ 1,504,712	\$ 1,590,400	\$ 1,574,598	\$ 1,655,224	\$ 1,623,157
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 10,478,014	\$ 8,792,043	\$ 11,153,686	\$ 10,747,943	\$ 11,360,000	\$ 11,247,129	\$ 11,823,029	\$ 11,593,979
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

### OPERS Schedule of University Pension Contributions

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,346,929	\$ 1,230,886	\$ 1,364,769	\$ 1,479,444	\$ 1,446,721	\$ 1,279,405	\$ 1,495,704	\$ 1,534,786
Contributions in relation to the actuarially determined contractually required contribution	\$ 1,346,929	\$ 1,230,886	\$ 1,364,769	\$ 1,479,444	\$ 1,446,721	\$ 1,279,405	\$ 1,495,704	\$ 1,534,786
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 9,620,921	\$ 10,962,843	\$ 9,748,350	\$ 10,567,457	\$ 10,333,800	\$ 9,138,607	\$ 10,683,600	\$ 10,962,757
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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

*Changes of assumptions.*

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

During the plan year ended June 30, 2017, there were changes to several assumptions for STRS. The cost-of-living adjustment dropped from 2.00 percent to 0.00 percent. The wage inflation dropped from 2.75 percent to 2.50 percent. The investment rate of return decreased from 7.75 percent to 7.45 percent. The mortality tables used changed from RP-2000 to RP-2014.

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

During the plan year ended December 31, 2018, the discount rate was reduced from 7.5 percent to 7.2 percent.

During the plan year ended December 31, 2016, there were changes to several assumptions for OPERS. The wage inflation dropped from 3.75 percent to 3.25 percent. The projected salary increase range changed from 4.25-10.05 percent to 3.25-10.75 percent. The mortality tables used changed from RP-2000 to RP-2014.

# Shawnee State University

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

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

#### Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the collective net OPEB liability:					
As a percentage	0.0088%	0.0923%	0.0916%	0.0999%	0.10570%
Amount	-\$1,857,000	-\$1,622,000	-\$1,516,000	-\$1,606,000	\$ 4,124,011
University's covered payroll	\$10,478,014	\$8,792,043	\$11,153,686	\$10,747,943	\$ 11,360,000
University's proportionate share of the collective OPEB liability, as a percentage of the University's covered payroll	(17.72%)	(18.45%)	(13.59%)	(14.94%)	36.30%
Plan fiduciary net position as a percentage of the total OPEB liability	174.70%	182.10%	174.70%	176.00%	47.11%

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

#### Liability

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
University's proportion of the collective net OPEB liability:					
As a percentage	0.0601%	0.0572%	0.0633%	0.0669%	0.07287%
Amount	-\$1,809,946	-\$1,018,280	\$8,745,723	\$8,716,574	\$ 7,650,350
University's covered payroll	\$9,620,921	\$10,962,843	\$9,748,350	\$10,567,457	\$ 10,333,800
University's proportionate share of the collective OPEB liability, as a percentage of the University's covered payroll	(18.81%)	(9.29%)	89.71%	82.49%	74.03%
Plan fiduciary net position as a percentage of the total OPEB liability	128.23%	115.57%	47.80%	46.33%	54.14%

### STRS Schedule of University Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$10,478,014	\$8,792,043	\$11,153,686	\$10,747,943	\$ 11,360,000
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%

### OPERS Schedule of University Contributions

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -	\$ 64,689
Contributions in relation to the actuarially determined contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ 64,689
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$9,620,921	\$10,962,843	\$9,748,350	\$10,567,457	\$ 10,333,800
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.63%

*Changes of benefit terms.* There were no significant changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2021 and December 31, 2021, respectively.

*Changes of assumptions.*

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

During the plan year ended June 30, 2018, there were changes to several assumptions for STRS. The health care cost trend rates decreased from 6.00 percent to 11.00 percent initial and 4.50 percent ultimate for plan year ended June 30, 2017, to (5.23) percent to 9.62 percent initial and 4 percent ultimate for plan year ended June 30, 2018. The discount rate increased from a blended rate between the long-term expected rate of return and a 20-year municipal bond rate of 4.13 percent to the investment rate of return of 7.45 percent based on the cash flow analysis.

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

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

During the plan year ended December 31, 2019, there were changes to several assumptions for OPERS. The health care cost trend rates decreased from 10.0 percent initial and 3.25 percent ultimate to 10.5 percent initial and 3.5 percent ultimate. The discount rate was reduced from 3.96 percent to 3.16 percent.

## Supplementary Information

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

**Independent Auditor's Report**

To Management and the Board of Trustees  
Shawnee State University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Shawnee State University (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 14, 2022.

**Report on Internal Control Over Financial Reporting**

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

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 or significant deficiencies may exist that were not identified.

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.

**Report on Compliance and Other Matters**

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

To Management and the Board of Trustees  
Shawnee State University

**Purpose of This Report**

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

*Plante & Moran, PLLC*

October 14, 2022

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

**Independent Auditor's Report**

To the Board of Trustees  
Shawnee State University

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

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

We have audited Shawnee State University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

***Responsibilities of Management for Compliance***

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

To the Board of Trustees  
Shawnee State University

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

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

### ***Other Matter***

The results of our auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with the Uniform Guidance, which are described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

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

To the Board of Trustees  
Shawnee State University

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-003 to be a significant deficiency.

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

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

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

*Plante & Moran, PLLC*

October 14, 2022

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount provided to Subrecipients	Federal Expenditures
U.S. Department of Agriculture - Passed through Ohio Department of Education: Child and Adult Care Food Program	10.558	16-CU, 21-CU, 21-FU	\$ -	\$ 32,383
U.S. Department of Commerce - Economic Development Cluster - Economic Adjustment Assistance	11.307	N/A	-	1,765,359
U.S. Department of Health and Human Services - CCDF Cluster - Child Care and Development Block Grant	93.575	N/A	-	58,910
U.S. Department of Education:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	N/A	-	53,475
Federal College Work Study	84.033	N/A	-	114,729
Federal Pell Grant Program	84.063	N/A	-	5,255,263
Federal Direct Loan Program	84.268	N/A	-	11,031,178
Teacher Education Assistance for College & Higher Education (TEACH)	84.379	N/A	-	<u>75,534</u>
Total Student Financial Assistance Cluster			-	16,530,179
TRIO Cluster:				
Educational Opportunity Centers	84.066A	N/A	-	453,811
Upward Bound Math Science	84.047M	N/A	-	<u>302,528</u>
Total TRIO Cluster			-	756,339
Special Education (IDEA) Cluster:				
Passed through the Ohio Dept of Education:				
Special Education Grants to States - TVI Collaborative	84.027	N/A	-	592,194
Special Education Grants to States - Deaf/Hard of Hearing	84.027	N/A	-	<u>515,903</u>
Total Special Education (IDEA) Cluster			-	1,108,097
Higher Education Institutional Aid	84.031A	N/A	-	86,828
Passed through the Ohio Dept of Education:				
Twenty-first Century Community Learning Centers	84.287	016863	-	622,225
Striving Readers	84.371C	N/A	-	107,464
Special Education - State Personnel Development	84.323A	N/A	-	2,700
Education Stabilization Fund:				
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Student Aid	84.425E	N/A	-	4,860,250
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Institutional Portion	84.425F	N/A	-	3,589,287
COVID-19: Higher Education Emergency Relief Fund (HEERF) - Strengthening Institutions	84.425M	N/A	-	400,000
Passed through the Ohio Department of Education:				
COVID-19: Governor's Emergency Education Relief Funds (GEER)	84.425C	N/A	-	109,126
COVID-19: American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	N/A	-	<u>87,975</u>
Total Education Stabilization Fund			-	<u>9,046,638</u>
Total U.S. Department of Education			-	28,260,470

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Total Amount provided to Subrecipients	Federal Expenditures
U.S. Department of Labor - H-1B Job Training Grants - Ohio Manufacturing Workforce Partnership	17.268	N/A	\$ -	\$ 65,509
U.S. Appalachian Regional Commission - Appalachian Area Development	23.002	N/A	-	618,103
U.S. National Aeronautics and Space Administration - Space Technology	43.012	N/A	-	4,168
U.S. National Endowment for the Humanities: Promotion of the Arts Partnership Agreements	45.025	N/A	-	2,500
Promotion of the Arts Humanities Federal/State Partnership Grants to States	45.129	N/A	-	1,750
	45.310	N/A	<u>-</u>	<u>1,000</u>
Total National Endowment for the Humanities			-	5,250
U.S. Department of Health and Human Services - Mental and Behavioral Health Education and Training Grants	93.732	N/A	<u>-</u>	<u>138,467</u>
Total U.S. Department of Health and Human Services			-	197,377
U.S. Corporation for National and Community Service - AmeriCorps - Project Bear	94.006	N/A	<u>-</u>	<u>229,865</u>
Total federal expenditures			<u>\$ -</u>	<u>\$ 31,178,484</u>

## Notes to Schedule of Expenditures of Federal Awards

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**Year Ended June 30, 2022**

### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Shawnee State University (the "University") and its discretely presented component unit, Shawnee State University Development Foundation, under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

### **Note 2 - Summary of Significant Accounting Policies**

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

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

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

For the year ended June 30, 2022, the University received a waiver from the U.S. Department of Education for the institutional share requirement under the Federal Work-Study and Federal Supplemental Educational Opportunity Grant (SEOG) programs.

### **Note 4 - Federal Direct Loan Program**

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

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2022**

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

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

**Federal Awards**

Internal control over major programs:

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

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

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
84.007, 84.033, 84.063, 84.268, 84.379	Student Financial Assistance Cluster	Unmodified
84.425C, 84.425E, 84.425F, 84.425M, 84.425U, 11.307	COVID-19: Education Stabilization Fund Economic Development Cluster	Unmodified Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$935,355

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

**Section II - Financial Statement Audit Findings**

None

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Section III - Federal Program Audit Findings

Reference Number	Finding
2022-001	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN Nos. 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - Yes - 2021-003</p> <p><b>Criteria</b> - Returns of Title IV funds are required to be deposited or transferred into the SFA account or electronic fund transfers initiated to the Department of Education (ED) as soon as possible, but no later than 45 days after the date the institution determines that the student withdrew (34 CFR 668.173(b)).</p> <p><b>Condition</b> - The University did not return Title IV funds to the Department of Education within the required time frame for certain students who required a return of funds, and it did not initially identify all students who required a return of Title IV funds.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Of the 25 withdrawn students tested for proper return of Title IV funds, the funds for 7 students requiring a return were not returned to ED by the University within the required time frame. The 7 errors identified were for the summer and fall 2021 terms.</p> <p>Additionally, it was noted that 3 students in the summer and fall 2021 terms who required a return of Title IV had not been identified by the University, consisting of a total return of \$5,581. The University ran an updated report that covered missing students and properly calculated and provided returns of Title IV aid for these students after identification as part of audit procedures; as such, there are no questioned costs.</p> <p><b>Cause and Effect</b> - The University had a change in personnel in the financial aid department and did not have a process in place to ensure calculations performed were processed and returned to ED within the required time frame. This led to returns of Title IV funds to ED being completed outside the required time frame, and/or students who required a return of Title IV funds were missed.</p> <p><b>Recommendation</b> - We recommend that the University institute a process to ensure that all returns of Title IV aid are calculated and returned within the required time frame.</p>

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Schedule of Findings and Questioned Costs (Continued)

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Year Ended June 30, 2022

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2022-001 (cont.)	<p><b>Views of Responsible Officials and Corrective Action Plan</b> - Upon notification of Finding No. 2021-003, a new R2T4 process was created for the spring 2022 academic term. This process consists of creating a new report to identify students who withdrew from all courses during each academic term. Once the R2T4 calculation is completed, the aid adjustment is made in the financial aid system and posted to the student's account the same day. The aid amounts are manually adjusted in COD.</p> <p>All audit errors related to Finding No. 2022-001 are from the summer 2021 and fall 2021 academic terms. There were no errors in the audit sample for spring 2022. The new procedure continues to be in place.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2022-002	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN Nos. 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Federal Pell Grant Program: An institution shall submit, in accordance with deadline dates established by the secretary, through publication in the Federal Register, other reports and information the secretary requires and shall comply with the procedures the secretary finds necessary to ensure that the reports are correct (34 CFR Section 690.83(b)(2)).</p> <p>Federal Direct Student Loans: Changes in student status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR Section 685.309(b)).</p> <p><b>Condition</b> - Shawnee State University did not report student status changes timely and accurately for certain students who graduated or withdrew during the year.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Of the 25 students tested for student change status, 15 student status changes were not submitted within the required time frame, and 4 students were not properly reported as graduated or withdrawn.</p> <p><b>Cause and Effect</b> - The University did not have a process in place in order to ensure timely and proper reporting for all student status changes. As a result, there were instances of reporting outside of the required time frame and instances where reporting was incorrect.</p> <p><b>Recommendation</b> - We recommend that the University put a control process in place in order to ensure all student status changes are reported timely and accurately.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Prior to an enrollment report being uploaded to the National Student Clearinghouse, the Recalculate Academic Record process in our student information system, currently J1, will be run to identify any student registration records that may be stuck in a current status due to a mixed "Repeat" status. Those records will be corrected as needed.</p> <p>The office underwent major staffing changes, which caused a delay in submitting reports in a timelier manner. The staffing issues have been resolved, and reports are uploaded on the scheduled submission date.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2022-003	<p><b>Assistance Listing Number, Federal Agency, and Program Name</b> - ALN No. 84.425F; Department of Education; Higher Education Emergency Relief Fund Institutional Portion</p> <p><b>Federal Award Identification Number and Year</b> - N/A</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Per the grant award and frequently asked questions provided by the Department of Education, the Higher Education Emergency Relief Fund Institutional Portion grant was required to be used for activities to "prevent, prepare for, and respond to the coronavirus." Further, the Higher Education Emergency Relief Fund III frequently asked questions guidance released by the Department of Education provides that institutions may use grant funds "to pay for certain payroll costs, including employee benefits, if (1) such costs are newly associated with coronavirus and (2) the costs were incurred on or after March 13, 2020, the date of the declaration of the national emergency due to the coronavirus."</p> <p><b>Condition</b> - The University charged unallowable payroll expenditures to the grant, as they were for payroll costs and related employee benefits that were not for costs newly associated with the coronavirus or to prevent, prepare for, or respond to the coronavirus.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - Of the 50 expenditures selected for testing of activities allowed or unallowed, 1 expenditure for faculty payroll was noted that was not allowable, as it was not newly associated with the coronavirus.</p> <p>The expenditure was allowable through the summer 2021 term, as the faculty role had been hired to provide for decreased class sizes due to the coronavirus. However, beginning with the fall 2021 term, decreased class sizes were no longer required by the University, but the University continued to charge the faculty member's salary to the grant.</p> <p>Total unallowed costs related to this issue were \$40,232. However, after including allowable lost revenue of approximately \$4.2 million, total expenditures incurred by the University exceeded the total grant award by approximately \$2.7 million. As such, these unallowed costs are not questioned costs, as allowable lost revenue would be able to be claimed by the University to replace the unallowed costs.</p> <p><b>Cause and Effect</b> - The University did not have a fully operating process in place to ensure that periodic costs charged to the grant continued to be for activities to prevent, prepare for, and respond to the coronavirus.</p> <p><b>Recommendation</b> - We recommend that the University put a control process in place to ensure that all ongoing payroll costs charged to the grant are for costs associated with the coronavirus.</p>



Shawnee State University

10/12/2022

**Summary Schedule of Prior Audit Findings**

**Prior Year Finding Number:**

2021-001

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

Year ended June 30, 2021

**Federal Program, Assistance Listing Number and Name:**

ALN Nos. 84.425E and 84.425F; Department of Education; COVID-19 - Higher Education Emergency Relief Fund Student Portion and COVID-19 - Higher Education Emergency Relief Fund Institutional Portion

**Original Finding Description:**

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

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

Fully corrected

**Planned Corrective Action:**

N/A

**Prior Year Finding Number:**

2021-002

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

Year ended June 30, 2021

**Federal Program, Assistance Listing Number and Name:**

ALN Nos. 84.425F; Department of Education; COVID-19 - Higher Education Emergency Relief Fund Institutional Portion

**Original Finding Description:**

The University charged unallowable expenditures and lost revenue to the grant, as they were for activities previously charged to the grant or not calculated properly.

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

Shawnee State University has provided additional information to the Department of Education (Mr. Richard Esterbrook) requesting a review of the Finding and determination of the disposition of the item. Due to the heavy load of COVID -19 Higher Education Emergency Relief Fund findings being reviewed by the Department of Education, review of finding 021-002 has not yet been completed. The University will comply with the decision made by the Department of Education once it has been received. No similar expenditures were charged to the grant in 2022.

**Planned Corrective Action:**

N/A

**Prior Year Finding Number:**

2021-003

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

Year ended June 30, 2021

**Federal Program, Assistance Listing Number and Name:**

ALN Nos. 84.063 and 84.268; Department of Education; Federal Pell Grant Program and Federal Direct Loan Program.

**Original Finding Description:**

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

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

Not corrected, see finding re-issued as finding 2022-001

**Planned Corrective Action:**

Upon notification of Finding No. 2021-003, a new R2T4 process was created for the Spring 2022 academic term. This process consists of a new report created to identify students who withdrew from all courses during each academic term. Once the R2T4 calculation is completed, the aid adjustment is made in the financial aid system and posted to the student's account the same day. The aid amounts are manually adjusted in COD.

All errors related to finding No. 2022-001 are from Summer 2021 academic term and the Fall 2021 academic term. There were no errors in the audit sample for Spring 2022. The new process continues to be in place.



**Shawnee State University**

**10/12/2022**

**Corrective Action Plan**

**Finding Number:** 2022-001

**Condition:** The University did not return title IV funds to the Department of Education within the required time frame for certain students who required a return of funds and did not identify all students initially that required a return of title IV.

**Planned Corrective Action:**

Upon notification of Finding No. 2021-003, a new R2T4 process was created for the Spring 2022 academic term. This process consists of a new report created to identify students who withdrew from all courses during each academic term. Once the R2T4 calculation is completed, the aid adjustment is made in the financial aid system and posted to the student's account the same day. The aid amounts are manually adjusted in COD.

All errors related to finding No. 2022-001 are from Summer 2021 academic term and the Fall 2021 academic term. There were no errors in the audit sample for Spring 2022. The new process continues to be in place.

**Contact person responsible for corrective action:** Nicole Neal

**Anticipated Completion Date:** 10/6/2022

**Finding Number:** 2022-002

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

**Planned Corrective Action:**

Prior to an enrollment report being uploaded to the National Student Clearinghouse, the Recalculate Academic Record process in our student information system, currently J1, will be ran to identify any student registration records that may be stuck in a current status due to a mixed Repeat status. Those records will be corrected as needed.

The office underwent major staffing changes, which caused a delay in submitting reports in a timelier manner. The staffing issues have been resolved and reports are uploaded on the scheduled submission date.

**Contact person responsible for corrective action:** Tamara Sheets

**Anticipated Completion Date:** 10/6/2022

**Finding Number:** 2022-003

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

**Planned Corrective Action:** Shawnee State University has discontinued charging salaries to the HEERF award. Any potential new salaries or payments for services will be reviewed and evaluated by the Program Director to certify that the expenses are costs newly associated with coronavirus or to prevent, prepare for, or respond to coronavirus.

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

**Anticipated Completion Date:** 10/6/2022

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**Schedule of Findings and Questioned Costs (Continued)**

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**Year Ended June 30, 2022**

**Section III - Federal Program Audit Findings (Continued)**

Reference Number	Finding
2022-003 (cont.)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - Shawnee State University has discontinued charging salaries to the HEERF award. Any potential new salaries or payments for services will be reviewed and evaluated by the program director to certify that the expenses are costs newly associated with the coronavirus or to prevent, prepare for, or respond to the coronavirus.

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# OHIO AUDITOR OF STATE KEITH FABER



**SHAWNEE STATE UNIVERSITY**

**SCIOTO COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 11/10/2022**

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

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