

**SHAWNEE STATE UNIVERSITY**

**FINANCIAL STATEMENTS**

June 30, 2009 and 2008





# Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Report of Independent Auditors on Financial Statements* of the Shawnee State University, Scioto County, prepared by Crowe Horwath LLP, for the audit period July 1,, 2008 through June 30, 2009. 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 "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

November 9, 2009

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SHAWNEE STATE UNIVERSITY  
Portsmouth, Ohio

FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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## REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Board of Trustees  
Shawnee State University  
Portsmouth, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Shawnee State University (“the University”), a component unit of the State of Ohio, as of June 30, 2009 and 2008, which collectively comprise the University’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University’s management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and discretely presented component unit of the University, as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 - 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Columbus, Ohio  
October 16, 2009

SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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This section of Shawnee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2009. This discussion, prepared by University management, provides an overview of the University's financial activities and should be evaluated in conjunction with the accompanying financial statements and footnotes.

This annual report consists of the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These statements have been prepared in accordance with Governmental Accounting Standards Board's ("GASB") Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities* as amended.

In addition, in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Shawnee State University Development Foundation's Financial Statements have been included in this annual report. This information has been provided on separate financial statements. Shawnee State University's "Management's Discussion and Analysis" and Shawnee State University's "Notes To Financial Statements" reflect only information related to the University.

### **Financial Highlights**

Key financial highlights for 2009 are as follows:

- Total net assets decreased \$826,438.
- Total assets increased \$2,965,612. Current assets increased \$9,496,590 and non-current assets (excluding capital assets) decreased \$18,307,881 primarily as the result of the conversion of the 2007 Bond Series long term investments to short term investments to meet projected construction costs and bond covenants related to the University Center renovation project. Construction related to the expansion of the University's Student Center is a significant factor in the net capital assets increase of \$11,776,903.
- Total liabilities increased \$3,792,050; current liabilities increased \$2,575,443 and non-current liabilities increased \$1,216,607.
- Total revenue increased \$2,852,134 from 2008 to 2009 compared with a \$2,109,019 increase from 2007 to 2008.
- Total expenses increased \$3,264,656 from 2008 to 2009 as compared with \$3,940,477 from 2007 to 2008.
- Non-operating revenue increased \$1,243,851. Non-operating expenses decreased \$41,595.

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(Continued)

SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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**Using this Financial Report**

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

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

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets present information about the University and its activities in a way that helps answer the question, "How did Shawnee State University do financially during 2009?" The Statement of Net Assets includes all short-term and long-term assets and liabilities, both financial and capital. The accrual basis of accounting is used for the recording of revenue and expenses. This basis of accounting records revenue when earned and expenses when incurred, regardless of when the cash is actually received or paid.

Over time, increases or decreases in net assets are one indicator of the improvement or deterioration of the University's financial health. Non-financial factors such as student retention rate, enrollment growth, and condition of facilities must also be considered.

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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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**STATEMENT OF NET ASSETS**

The Statement of Net Assets, which reports all assets and liabilities of the University, reflects the financial position of the University at the end of the fiscal year. Total assets minus total liabilities equal net assets. The University's assets, liabilities, and net assets as of June 30, 2009, 2008, and 2007 are presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets:			
Current Assets	\$ 19,009,798	\$ 9,513,208	\$ 26,737,012
Capital Assets, Net	81,643,794	69,866,891	69,082,757
Non-Current Assets	<u>15,248,116</u>	<u>33,555,997</u>	<u>17,579,105</u>
Total Assets	<u>115,901,708</u>	<u>112,936,096</u>	<u>113,398,874</u>
Liabilities:			
Current Liabilities	9,200,610	6,625,167	6,578,189
Non-Current Liabilities	<u>20,331,931</u>	<u>19,115,324</u>	<u>19,211,164</u>
Total Liabilities	<u>29,532,541</u>	<u>25,740,491</u>	<u>25,789,353</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	71,129,700	68,801,722	67,532,757
Restricted, Expendable	881,098	985,770	1,568,444
Unrestricted	<u>14,358,369</u>	<u>17,408,113</u>	<u>18,508,320</u>
Total Net Assets	<u>\$ 86,369,167</u>	<u>\$ 87,195,605</u>	<u>\$ 87,609,521</u>

Total assets of the University increased \$2,965,612 in 2009. Current assets increased \$9,496,590 and non-current assets (excluding capital assets) decreased \$18,307,881. The increase in Current Assets in 2009 is predominantly attributable to the conversion of the 2007 Bond Series Long Term Investments to Short Term Investments to meet projected construction costs and bond covenants related to the University Center renovation project. Net assets decreased \$826,438. Total liabilities increased \$3,792,050 as compared to a decrease in 2008 of \$48,862 and an increase of \$17,874,620 in 2007 primarily attributable to the new bond series. Current liabilities increased \$2,575,443 and non-current liabilities increased \$1,216,607 in 2009.

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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the University. The change in net assets during the fiscal year is a measurement of the change in the overall financial condition of the University. The University's revenues, expenses, and changes in net assets for fiscal years ended June 30, 2009, June 30, 2008 and June 30, 2007 are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating Revenues			
Tuition, Fees, and Other			
Student Charges	\$ 18,742,448	\$ 18,765,787	\$ 16,842,131
Grants and Contracts	4,746,239	4,433,028	4,976,600
Sales and Services	1,656,337	1,574,119	1,630,949
Other Income	454,089	453,241	292,260
Non-Operating Revenues			
Investment Income	(1,536,654)	86,647	2,140,159
State Appropriations	17,448,098	16,285,402	14,815,074
Other Grants	11,936,301	10,231,845	9,868,748
Capital Appropriations	<u>2,521,820</u>	<u>1,286,475</u>	<u>441,604</u>
Total Revenues	<u>55,968,678</u>	<u>53,116,544</u>	<u>51,007,525</u>
Operating Expenses			
Instruction and Research	19,813,592	19,000,872	16,645,606
Public Service	3,568,800	3,213,866	3,287,080
Academic Support	2,869,845	2,898,017	2,869,678
Student Services	3,822,169	3,826,614	3,725,907
Institutional Support	8,101,718	6,970,722	6,656,689
Operation and Maintenance of Plant	4,729,566	4,533,103	4,390,389
Scholarships	6,472,193	5,899,007	5,421,102
Depreciation	2,472,708	2,352,265	2,268,091
Auxiliary Enterprises	4,907,936	4,757,810	4,162,155
Non-Operating Expenses			
Interest on Capital Asset Related Debt	-	-	122,677
Loss on Disposal of Fixed Assets	24,840	25,839	30,013
Amortization of Debt Issuance Cost	<u>11,749</u>	<u>52,345</u>	<u>10,596</u>
Total Expenses	<u>56,795,116</u>	<u>53,530,460</u>	<u>49,589,983</u>
Increase (Decrease) in Net Assets	<u>\$ (826,438)</u>	<u>\$ (413,916)</u>	<u>\$ 1,417,542</u>

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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reason, and critical analysis/logical thinking. To enrich the lives of the community, the University provides opportunities for continuing personal and professional development, intellectual discovery, and appreciation for the creative and performing arts. The University charges students tuition and fees in accordance with approved University policy, as constrained by State laws. Based on State regulations, in-state undergraduate tuition and fees did not increase from 2008 to 2009.

During 2009, the University generated revenues from tuition and fees in excess of \$18.7 million and had total expenses of approximately \$56.8 million. During 2009, investment income amounted to a negative \$1,536,654 as compared to a positive \$86,647 during 2008 and a positive \$2,140,159 during 2007. The substantial decline in investment markets in general is mirrored in the University's decrease in investment income.

Other Grants experienced a 17% increase. Income from federal aid programs such as Pell, SEOG, and TEACH amounted to \$7.6 million in 2009 as compared with \$6.2 million in 2008.

The 16% increase in Institutional Support expense from \$6,970,722 in 2008 to \$8,101,718 in 2009 is primarily attributable to the University establishing its own security force, hiring a consultant firm to perform a marketing study, filling some vacant positions, and purchasing printing and graphics equipment. The 11% increase in Public Service expenditures predominantly relates to new grants received in 2009 targeted to assist with elementary after school programs and community technology education efforts.

State appropriations represent 31.2% of the University's total revenue in 2009, 30.7% in 2008, and 29% in 2007. These percentages illustrate that tuition and fee revenue alone is not sufficient to cover relevant operational expenses. The University is dependent upon a predictable and relatively stable level of state appropriation funding.

Based upon updated GASB implementation guidelines, Pell Grants and certain other grants are considered non-exchange transactions and therefore are reflected as non-operating activity. These grants represent 21.3% of the University's total revenue in 2009, 19.3% in 2008, and 19.4% in 2007.

Capital appropriations increased \$1,235,345 from 2008 to 2009. In 2009 a substantial portion of state funds were appropriated for Facilities Office renovations, completion of the Rhodes Center project, and architectural services related to the University Student Center expansion. During 2008 state funds were allocated for various renovation projects with the largest being the Rhodes Center. In contrast, no substantial state-funded renovations occurred in 2007.

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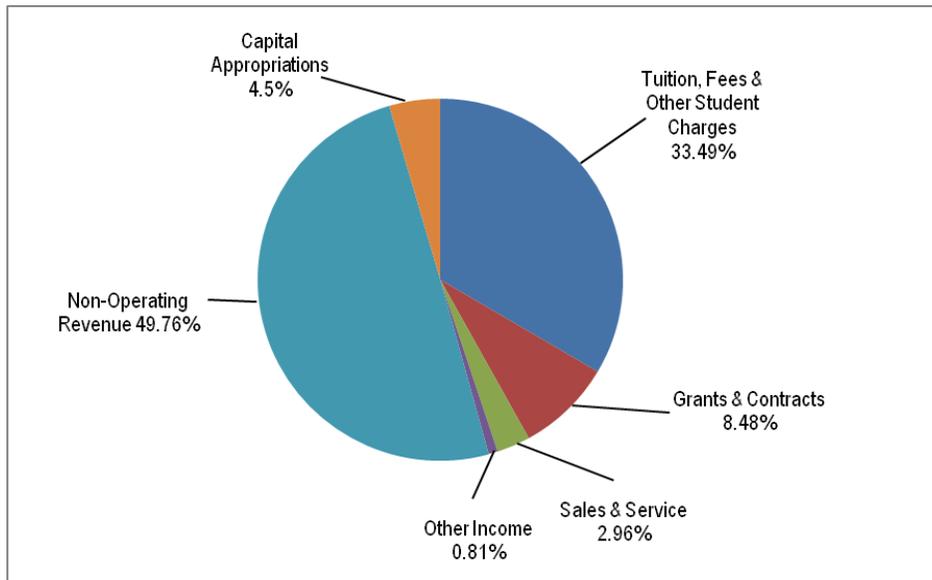
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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

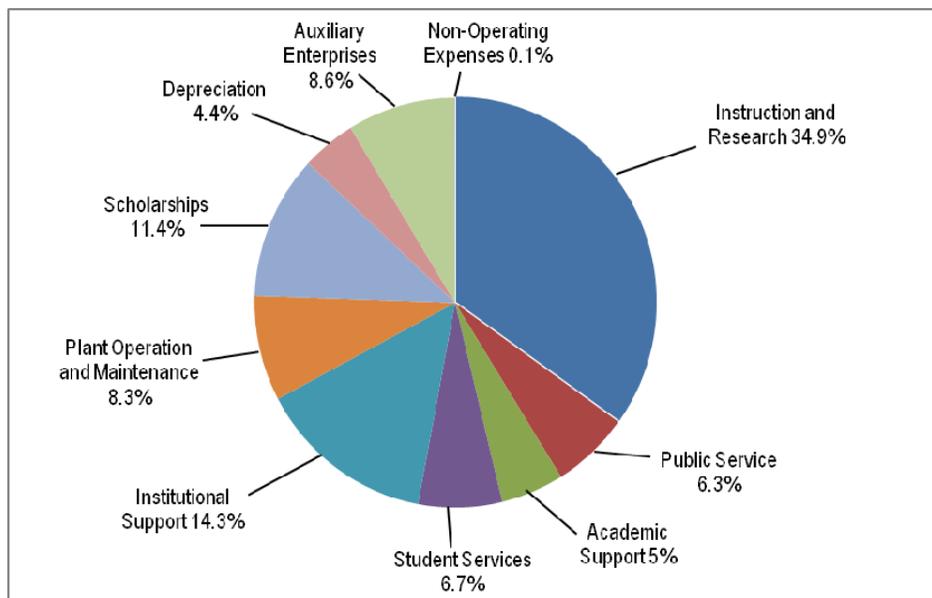
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The following graphs summarize Shawnee State University's revenue and expense activity for the fiscal year ending June 30, 2009.

Graph 1  
Revenue Activity



Graph 2  
Expense Activity



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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about the University's financial condition by reporting the cash sources (receipts) and the cash uses (payments) during the fiscal year ending June 30, 2009. A comparison of cash sources and uses during fiscal years 2009, 2008 and 2007 is presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b><u>Cash provided (used) by:</u></b>			
Operating activities	\$ (27,311,988)	\$ (25,383,801)	\$ (23,689,555)
Non-capital financing activities	29,349,428	26,497,900	24,812,035
Capital and related financing activities	(9,821,795)	(4,591,267)	16,295,622
Investing activities	<u>16,490,347</u>	<u>(15,060,929)</u>	<u>346,246</u>
Net increase (decrease) in cash and cash equivalents	8,705,992	(18,538,097)	17,764,348
Cash and cash equivalents - beginning of the year	<u>5,324,269</u>	<u>23,862,366</u>	<u>6,098,018</u>
end of the year	<u>\$ 14,030,261</u>	<u>\$ 5,324,269</u>	<u>\$ 23,862,366</u>

Cash and cash equivalents increased by \$8,705,992 from 2008 to 2009, compared to a decrease of \$18,538,097 from 2007 to 2008, with the fluctuation mainly related to the reclassification of bond proceeds from investments to short term investments and cash equivalents.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2009, the University had \$81,643,794 in net capital assets. This reflects an overall increase of \$11,776,903 in net capital assets from 2008.

Capital Assets, Net of Depreciation  
At June 30,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Land	\$ 7,768,581	\$ 7,597,752	\$ 7,583,753
Land Improvements	6,928,631	6,928,632	6,928,632
Buildings and Improvements	45,641,872	46,274,764	45,035,263
Equipment	2,982,834	2,731,104	2,820,846
Library Books	4,538,611	4,475,673	4,390,260
Construction in Progress	<u>13,783,265</u>	<u>1,858,966</u>	<u>2,324,003</u>
Totals	<u>\$ 81,643,794</u>	<u>\$ 69,866,891</u>	<u>\$ 69,082,757</u>

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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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**Debt Administration**

At June 30, 2009, the University had one outstanding General Revenue Bonds Payable totaling \$17,515,000; \$500,000 of which is due within one year. This reflects an overall decrease of \$250,000 in the General Revenue Bonds Payable liability from 2008.

Outstanding Debt at Year End

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Revenue Bonds Payable:			
6.0% to 7.1% 1989 - Series A	\$ -	\$ -	\$ 580,000
4.6% to 6.3% 1996 - Series B	-	-	970,000
4.0% to 5.0% - Series 2007	<u>17,515,000</u>	<u>17,765,000</u>	<u>18,000,000</u>
Total	<u>\$ 17,515,000</u>	<u>\$ 17,765,000</u>	<u>\$ 19,550,000</u>

All of the bonds were issued to make capital improvements; the Series A Bonds and the Series B Bonds were refunded in 2008. The Series 2007 Bonds are being issued for the purpose of paying the cost to renovate and construct a new addition to the University Center and for the refunding of the outstanding Series A and Series B Bonds.

**Current Financial Issues and Concerns**

Fiscal year 2009 was a distinctly unusual year from a financial perspective for the nation as well as state governments and entities. State-supported universities such as Shawnee State University experienced the same fiscal, economic, and political dynamics. Like others, we instituted steps to minimize, to the degree possible, the negative effects that could be realized from a year of volatile external influences.

Shawnee State's financial performance for FY09 was influenced by factors such as the continuation of statewide revenue shortfalls, delays and uncertainty of the state budget, national and state regulatory (and unfunded) mandates, extended and unparalleled stock market downturns, enrollment growth, significant reductions in state aid for low-income students, continued employment declines, and an aggressive construction program. Federal mandates and state legislation continue to place unprecedented demands upon University resources as we respond to requirements of the Higher Education Opportunity Act (HEOA-2008) and the transformational strategies of the University System of Ohio (USO).

The condition of the state of Ohio's revenue during the biennium generated substantial pressure to find alternative sources for the state to sustain fundamental social services and programs. As evidence of the governor's unwavering commitment to education as a means of reviving the state's economy, cuts to this sector were constrained. Still, deep cuts to related programs result in the potential redirection of institutional funds to sustain these services.

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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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Consequently, the current economic and regulatory environment instills a more guarded approach to new programs and building (growth) investments.

Shawnee State has maintained a strong financial position as measured by Ohio's public university fiscal assessment via Senate Bill 6 ("SB 6") ratios. Common to most other public institutions, the sustained nature of the poor economic climate causing devaluation of investment portfolios was a primary factor in lowering the SB 6 composite ratio for FY09. The change in the FY09 ratio is unremarkable given the common economic influences and the institution's evident continued fiscal strength. Further, Shawnee is managing its resources in a manner to preserve its fund balance into fiscal year 2010. In the end, enrollment growth has made the difference in the University's ability to weather the economic storms. Rebounding from a 5% decline in enrollment due to the conversion to semesters in 2007, the fall 2008 enrollment increase of 7.5% (headcount) and an additional 8.1% increase realized fall 2009 have been significant factors in the institution's ability to avoid more severe outcomes.

In response to the expectation of future economic challenges, Shawnee State University continues to examine spending practices including planned construction and renovation projects. The President's FY09 cost-containment measures were effective and have been extended into FY10. These measures include: "soft freeze" on hiring (every vacancy is examined before a decision is made to replace), departmental budgets built on a reduced FY09 level, central oversight of use of unexpended departmental account balances, a controlled hold on administrative computer replacements, and the delay of some construction projects. Delayed projects include the multi-purpose field, renovation of public plaza area, and others. Selected projects are under review at the cabinet level with the potential reinstatement of those viewed to be of critical need. Significant factors with which the University contends include the financial obligations of contractual and scheduled salary adjustments and other inflationary costs. Offering opportunities for employees to choose voluntary separations and/or retirements are under review. Finally, all budget managers are aware of the volatility of funding that could result in the potential for stronger cost-containment measures, if necessary.

Funded by the issuance of debt in 2007, the first phase (modernization of food services operation, addition of 5,000 square foot ballroom, addition of student services administrative offices and student organization areas) of the University Center rehabilitation and renovation construction project was completed according to schedule. Phase two (new bookstore, welcome desk/area, student recreation area and expanded small group social and study areas) is on schedule for completion in January - February 2010. As planned, the Board of Trustees implemented a student bond repayment fee (maximum of \$300 per academic year) that was previously reviewed and approved by the student government association, the Board of Trustees and the Board of Regents. The fee became effective fall semester 2009 and proceeds are earmarked for repayment of the \$18 million debt service. The University has no other debt.

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SHAWNEE STATE UNIVERSITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the fiscal year ended June 30, 2009

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Shawnee State University realized a record total enrollment count of 4,300 for fall 2009. The residential student population resulted in full housing with some units being converted for needed space. The admissions office is receiving applications for fall 2010. And, plans for expanded housing by means of independent residential developer options are being explored. The University invested in an image and marketing makeover in 2009 that by all indications appears to be effectively extending our campus beyond the local boundaries. As the nation's economic condition improves, the University is also recovering somewhat from its prior-year investment losses.

Many positive and outstanding outcomes have occurred on campus and more are expected to be experienced in coming years. The University is positioned for a solid and optimistic future of growth. However, the challenges with that growth, the continued uncertainty of the economy and state revenue, coupled with such factors as projected reductions of high school graduates in coming years and an increasingly demanding operational environment, require financial vigilance, organizational flexibility, and complex and constant planning. With those factors in mind, the FY10 budget strategically invests resources directed toward achieving institutional goals that expand student access opportunities, sustain educational quality, preserves student affordability principles, supports ongoing operational efficiencies, and enables the University to continue as a recognized leader and driver of the economy.

SHAWNEE STATE UNIVERSITY  
 STATEMENTS OF NET ASSETS  
 June 30, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 4,384,943	\$ 4,354,868
Short-term investments	<u>9,645,318</u>	<u>969,401</u>
Total cash and cash equivalents	14,030,261	5,324,269
Receivables		
Accounts (net of allowance for doubtful accounts of \$902,501 in 2009 and \$791,485 in 2008, respectively)	4,609,537	3,670,420
Notes	52,759	54,336
Amounts due from primary government	72,228	213,330
Interest receivable	25,181	95,941
Inventory	38,198	52,282
Deferred charges	11,749	12,458
Prepaid items	<u>169,885</u>	<u>90,172</u>
Total current assets	19,009,798	9,513,208
Non-current assets		
Investments	14,966,139	33,262,270
Deferred charges	281,977	293,727
Capital assets, net	<u>81,643,794</u>	<u>69,866,891</u>
Total non-current assets	<u>96,891,910</u>	<u>103,422,888</u>
Total assets	<u>\$ 115,901,708</u>	<u>\$ 112,936,096</u>

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SHAWNEE STATE UNIVERSITY  
STATEMENTS OF NET ASSETS  
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 2,953,081	\$ 993,703
Accrued wages and benefits	3,254,823	2,976,056
Compensated absences payable	185,453	177,814
Bonds payable	500,000	250,000
Accrued interest payable	68,633	69,467
Deferred revenue	2,030,928	1,915,464
Deposits held by and due to others	<u>207,692</u>	<u>242,663</u>
Total current liabilities	9,200,610	6,625,167
Non-current liabilities		
Compensated absences payable	1,669,074	1,600,324
Deferred revenue	1,647,857	-
Bonds payable	<u>17,015,000</u>	<u>17,515,000</u>
Total non-current liabilities	20,331,931	19,115,324
Total liabilities	<u>29,532,541</u>	<u>25,740,491</u>
Net assets		
Invested in capital assets, net of related debt	71,129,700	68,801,722
Restricted		
Expendable		
Loans	113,026	113,045
Expendable - other	768,072	872,725
Unrestricted	<u>14,358,369</u>	<u>17,408,113</u>
Total net assets	<u>86,369,167</u>	<u>87,195,605</u>
Total liabilities and net assets	<u>\$ 115,901,708</u>	<u>\$ 112,936,096</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,310,261	\$ 2,250,241
Investments	8,970,184	10,905,529
Pledges receivable, net	968,071	1,280,045
Contracts receivable	50,000	2,050,000
Beneficial interest in trusts held by others	1,014,952	1,390,839
Other assets	<u>157,949</u>	<u>166,836</u>
 Total assets	 <u>\$ 13,471,417</u>	 <u>\$ 18,043,490</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable	\$ 6,630	\$ 8,023
Deposits held and due to others	70,212	68,342
Annuity payment liability	473,852	443,524
Due to Shawnee State University	<u>200,000</u>	<u>2,050,000</u>
Total liabilities	<u>750,694</u>	<u>2,569,889</u>
Net assets		
Unrestricted	(962,880)	411,342
Temporarily restricted	6,874,459	8,260,677
Permanently restricted	<u>6,809,144</u>	<u>6,801,582</u>
Total net assets	<u>12,720,723</u>	<u>15,473,601</u>
 Total liabilities and net assets	 <u>\$ 13,471,417</u>	 <u>\$ 18,043,490</u>

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See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>REVENUES</b>		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$8,509,877 in 2009 and \$6,862,540 in 2008)	\$ 18,742,448	\$ 18,765,787
Federal grants and contracts	2,938,263	2,731,479
State grants and contracts	1,056,158	1,014,837
Local grants and contracts	288,573	295,331
Private gifts, grants and contracts	463,245	391,381
Sales and services	1,656,337	1,574,119
Miscellaneous	<u>454,089</u>	<u>453,241</u>
Total operating revenues	<u>25,599,113</u>	<u>25,226,175</u>
<b>EXPENSES</b>		
Operating expenses		
Education and general		
Instructions and departmental research	19,813,592	19,000,872
Public service	3,568,800	3,213,866
Academic support	2,869,845	2,898,017
Student services	3,822,169	3,826,614
Institutional support	8,101,718	6,970,722
Operation and maintenance of plant	4,729,566	4,533,103
Scholarships and fellowships	6,472,193	5,899,007
Depreciation expense	2,472,708	2,352,265
Auxiliary enterprises	<u>4,907,936</u>	<u>4,757,810</u>
Total operating expenses	<u>56,758,527</u>	<u>53,452,276</u>
Operating loss	<u>(31,159,414)</u>	<u>(28,226,101)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State appropriations	17,448,098	16,285,402
Federal, state and local grants and contracts	11,020,780	9,486,329
Private grants and contracts	915,521	745,516
Investment income	(1,536,654)	86,647
Interest on capital asset related debt	-	-
Loss on disposal of capital assets	(24,840)	(25,839)
Amortization of debt issuance cost	<u>(11,749)</u>	<u>(52,345)</u>
Net non-operating revenues	<u>27,811,156</u>	<u>26,525,710</u>
Increase (decrease) in net assets before capital appropriations	(3,348,258)	(1,700,391)
Capital appropriations	<u>2,521,820</u>	<u>1,286,475</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(826,438)</b>	<b>(413,916)</b>
<b>NET ASSETS</b>		
Beginning of year	<u>87,195,605</u>	<u>87,609,521</u>
End of year	<u>\$ 86,369,167</u>	<u>\$ 87,195,605</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION  
STATEMENTS OF ACTIVITIES

Year ended June 30, 2009 with comparative 2008 totals

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	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	Total <u>2009</u>	Total <u>2008</u>
<b>Revenues, gains and other support</b>					
Contributions	\$ 8,258	\$ 198,144	\$ 82,562	\$ 288,964	\$ 1,487,906
Investment income, net	(1,240,738)	(520,038)	-	(1,760,776)	(933,669)
Net assets released from restrictions	<u>1,139,324</u>	<u>(1,064,324)</u>	<u>(75,000)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>(93,156)</u>	<u>(1,386,218)</u>	<u>7,562</u>	<u>(1,471,812)</u>	<u>554,237</u>
<b>Expenses</b>					
Scholarships and other student aid	251,466	-	-	251,466	237,423
Institutional support	797,453	-	-	797,453	682,540
Guest speakers and lecturers	15,551	-	-	15,551	20,065
Management and general expenses	<u>216,596</u>	<u>-</u>	<u>-</u>	<u>216,596</u>	<u>279,818</u>
Total expenses and losses	<u>1,281,066</u>	<u>-</u>	<u>-</u>	<u>1,281,066</u>	<u>1,219,846</u>
<b>Change in net assets</b>	(1,374,222)	(1,386,218)	7,562	(2,752,878)	(665,609)
Net assets at beginning of year	<u>411,342</u>	<u>8,260,677</u>	<u>6,801,582</u>	<u>15,473,601</u>	<u>16,139,210</u>
<b>Net assets at end of year</b>	<u>\$ (962,880)</u>	<u>\$ 6,874,459</u>	<u>\$ 6,809,144</u>	<u>\$ 12,720,723</u>	<u>\$ 15,473,601</u>

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See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2008

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	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
<b>Revenues, gains, and other support</b>				
Contributions	\$ 122,095	\$ 1,012,353	\$ 353,458	\$ 1,487,906
Investment income, net	(40,748)	(892,921)	-	(933,669)
Net assets released from restrictions	<u>1,045,640</u>	<u>(1,045,640)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>1,126,987</u>	<u>(926,208)</u>	<u>353,458</u>	<u>554,237</u>
<b>Expenses and losses</b>				
Scholarships and other student aid	237,423	-	-	237,423
Institutional support	682,540	-	-	682,540
Guest speakers and lecturers	20,065	-	-	20,065
Management and general expenses	<u>279,818</u>	<u>-</u>	<u>-</u>	<u>279,818</u>
Total expenses and losses	<u>1,219,846</u>	<u>-</u>	<u>-</u>	<u>1,219,846</u>
<b>Change in net assets</b>	(92,859)	(926,208)	353,458	(665,609)
Net assets, beginning of year	<u>504,201</u>	<u>9,186,885</u>	<u>6,448,124</u>	<u>16,139,210</u>
<b>Net assets, end of year</b>	<u>\$ 411,342</u>	<u>\$ 8,260,677</u>	<u>\$ 6,801,582</u>	<u>\$ 15,473,601</u>

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See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities</b>		
Cash received from tuition, fees, and other student charges	\$ 18,546,281	\$ 18,105,310
Cash received from gifts, grants and contracts	4,164,157	4,364,469
Cash received from sales and services	1,560,397	1,683,168
Cash received from miscellaneous services	454,089	453,241
Cash payments to suppliers for goods and services	(10,948,337)	(11,425,778)
Cash payments to employees for services	(24,180,826)	(22,561,172)
Cash payments for employee benefits	(10,435,556)	(10,104,032)
Cash payments for scholarships and fellowships	<u>(6,472,193)</u>	<u>(5,899,007)</u>
Net cash from operating activities	(27,311,988)	(25,383,801)
<b>Cash flows from non-capital financing activities</b>		
State appropriations	17,448,098	16,285,402
Non-exchange Gifts, Grants and Contracts	11,936,301	10,231,845
Net cash from agency transactions	<u>(34,971)</u>	<u>(19,347)</u>
Net cash from non-capital financing activities	29,349,428	26,497,900
<b>Cash flows from capital and related financing activities</b>		
Capital appropriations	2,662,922	1,130,549
Proceeds from contracts	1,850,000	-
Payments for original issue costs	-	(70,786)
Payments for capital acquisitions	(13,251,117)	(3,006,310)
Principal payments	(250,000)	(1,785,000)
Interest payments	<u>(833,600)</u>	<u>(859,720)</u>
Net cash from capital and related financing activities	(9,821,795)	(4,591,267)
<b>Cash flows from investing activities</b>		
Interest on investments	1,165,034	2,035,038
Proceeds for sales and maturities of investments	16,442,061	360,193
Purchase of securities	<u>(1,116,748)</u>	<u>(17,456,160)</u>
Net cash from investing activities	<u>16,490,347</u>	<u>(15,060,929)</u>
<b>Net change in cash</b>	8,705,992	(18,538,097)
Cash and cash equivalents, beginning of year	<u>5,324,269</u>	<u>23,862,366</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 14,030,261</u>	<u>\$ 5,324,269</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY  
 STATEMENTS OF CASH FLOWS  
 Years ended June 30, 2009 and 2008

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	<u>2009</u>	<u>2008</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (31,159,414)	\$ (28,226,101)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	2,472,708	2,352,265
Changes in assets and liabilities		
Accounts receivable	(798,015)	(1,362,411)
Notes receivable	1,577	4,350
Prepaid items	(79,713)	83,193
Inventory	14,084	(6,200)
Accounts payable	1,959,378	339,830
Accrued wages and benefits	278,767	531,910
Compensated absences payable	76,389	171,290
Deferred revenue	(77,749)	738,073
Claims payable	-	(10,000)
	-	(10,000)
Net cash used by operating activities	<u>\$ (27,311,988)</u>	<u>\$ (25,383,801)</u>

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See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 1 - REPORTING ENTITY**

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

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

The Shawnee State University Development Foundation (the "Foundation") is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, the resources the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the University have been prepared on the accrual basis and are in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Shawnee State University also applies Financial Accounting Standards Board ("FASB") Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after the applicable date. The significant Shawnee State University accounting policies are described below.

**Basis of Presentation**

In accordance with GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities* and subsequent standards issued by GASB, the University has elected to report as an entity engaged in business-type activities. GASB No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net assets categories:

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
  - Nonexpendable* – Net assets subject to externally imposed stipulations that they be maintained permanently by the University.
  - Expendable* – Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These net assets principally represent amounts for specified capital construction projects.
- **Unrestricted:** Net assets whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Basis of Accounting**

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

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

**Deferred Revenue**

Deferred revenue is predominantly made up of three categories of income. The first consists of receipts relating to tuition and student fees in advance of the services to be provided. The University will recognize revenue to the extent these services are provided over the coming fiscal year. The second is the net original issue premium of General Receipt Bonds issued in 2007. This revenue is computed using an effective interest rate method over the life of the bonds. The third is revenue received from Sodexo, Inc., university food service, and Barnes & Noble, Inc., university bookstore. These funds are designated for improvements to the dining facilities and the bookstore as part of the University Center renovation project. The funding is dependent on Sodexo, Inc., and Barnes & Noble, Inc., retaining their respective contracts with Shawnee State University. The straight line method will be used to amortize the revenue over the ten year periods of the contracts.

**Income Taxes**

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

**Deposits and Investments**

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The University has invested funds in the State Treasury Asset Reserve of Ohio ("STAR Ohio"). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2009.

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

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

**Accounts Receivable**

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

**Capital Assets**

Capital assets utilized by Shawnee State University are reported on the statement of net assets. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Shawnee State University maintains a capitalization threshold of one thousand, five hundred dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The University does not possess any infrastructure.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Shawnee State University's policy is to capitalize net interest on construction projects until completion of the project. The amount of the capitalized interest is the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. Capitalized interest for fiscal year 2009 was \$224,684. No capitalized interest was recorded for fiscal year 2008.

**Compensated Absences**

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

**Operating Revenues and Expenses**

The University's policy for defining operation activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services or payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues as defined by GASB Statements No. 34 and 35, including state appropriations and investment income. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and recent updates in *GASB's Implementation Guide*, Pell grants are considered non-exchange transactions and are recorded as non-operating revenues in the accompanying financial statements.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Discounts and Allowances**

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

**Prepaid Items**

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

**Deferred Charges**

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

**Budgetary Process**

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

**Estimates**

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Adoption of New Accounting Pronouncements**

In fiscal year 2009, the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* became effective. Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participation in pollution remediation activities such as site assessments and cleanups. Statement No. 52 established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Adopting these statements had no effect on the University's financial statements.

**Recently Issued Accounting Pronouncements**

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software to reduce inconsistencies. The University will be required to implement this statement in fiscal year 2010.

In June 2008, GASB issued Statement No.53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local Governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), forward contracts, and futures contracts. The University will be required to implement this statement in fiscal 2010.

Management has not yet determined the impact GASB Statement 51 and 53 will have on the University's financial statements and disclosures.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

**Deposits**

*Custodial credit risk:* At June 30, 2009, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$3,082, deposits held by trustee, and investments) was \$4,381,861 and the bank balance was \$4,762,471. The difference in the carrying amount and bank balance results from outstanding checks and deposits in transit. Of the bank balance, \$250,000 is covered by federal deposit insurance. The remaining balance at June 30, 2009 of \$4,512,471 is uninsured but collateralized by U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the University.

**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, 2009, the University had the following investments and maturities using the segmented time distribution method:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury	\$ 499,890	\$ 499,890	\$ -	\$ -
Bond Mutual Funds	5,044,408	-	2,388,971	2,655,437
Money Market Funds	5,196,974	5,196,974	-	-
STAR Ohio Funds	4,426,033	4,426,033	-	-
Repurchase Agreement	<u>4,680,600</u>	<u>4,680,600</u>	<u>-</u>	<u>-</u>
	19,847,905	<u>\$ 14,803,497</u>	<u>\$ 2,388,971</u>	<u>\$ 2,655,437</u>
Equities and Equity Funds	<u>4,763,552</u>			
	<u>\$ 24,611,457</u>			

(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2008, the University had the following investments and maturities using the segmented time distribution method:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>&lt;1</u>	<u>1-5</u>	<u>6-10</u>
Bond Mutual Funds	\$ 4,946,737	\$ -	\$ 2,402,426	\$ 2,544,311
Money Market Funds	2,173,749	2,173,749	-	-
STAR Ohio Funds	4,370,295	4,370,295	-	-
Repurchase Agreement	<u>16,180,600</u>	<u>-</u>	<u>16,180,600</u>	<u>-</u>
	27,671,381	<u>\$ 6,544,044</u>	<u>\$ 18,583,026</u>	<u>\$ 2,544,311</u>
Equities and Equity Funds	<u>6,560,290</u>			
	<u>\$ 34,231,671</u>			

Investments at June 30, 2009 and 2008 are shown in the statement of net assets as current in the amount of \$9,645,318 and \$969,401, respectively, and as non-current in the amount of \$14,966,139 and \$34,231,671, 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. Investments below investment grade and derivatives are specifically prohibited.

As of June 30, 2009 the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AAA</u>	<u>AA</u>	<u>BBB</u>
U.S. Treasury Bill	\$ 499,890	\$ 499,890	\$ -	\$ -
Bond Funds	5,044,408	2,388,971	2,655,437	-
Money Market Funds	5,196,974	5,196,974	-	-
STAR Ohio Funds	4,426,033	4,426,033	-	-
Repurchase Agreement	<u>4,680,600</u>	<u>4,680,600</u>	<u>-</u>	<u>-</u>
	<u>\$ 19,847,905</u>	<u>\$ 17,192,468</u>	<u>\$ 2,655,437</u>	<u>\$ -</u>

(Continued)

SHAWNEE STATE UNIVERSITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2009 and 2008

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**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2008 the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AAA</u>	<u>AA</u>	<u>BBB</u>
Bond Funds	\$ 4,946,737	\$ 2,402,426	\$ 2,544,311	\$ -
Money Market Funds	2,173,749	2,102,557	71,192	-
STAR Ohio Funds	4,370,295	4,370,295	-	-
Repurchase Agreement	16,180,600	16,180,600	-	-
	<u>\$ 27,671,381</u>	<u>\$ 25,055,878</u>	<u>\$ 2,615,503</u>	<u>\$ -</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% of the total investment portfolio.

**NOTE 4 - STATE SUPPORT**

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

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

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

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 4 - STATE SUPPORT** (Continued)

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

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

**NOTE 5 - RISK MANAGEMENT**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the University maintained comprehensive insurance coverage with a private carrier for real property, building contents, and motor vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

Coverage provided by this company is as follows:

Real and personal property (\$100,000 deductible)	\$ 164,318,382
Automobile liability (\$100,000 deductible)	1,000,000*
Uninsured motorists (\$100,000 deductible)	1,000,000*
Employee benefits liability (Aggregate)	1,000,000*
General liability per occurrence (\$100,000 deductible)	1,000,000*

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

Effective January 1, 2007 the University switched to a fully insured health care plan; and as a result, the liability for unpaid claim costs is no longer needed. No significant change occurred in employee health care coverage.

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

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 6 - GRANTS AND CONTRACTS**

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

**NOTE 7 - RETIREMENT PLANS**

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

*Ohio Public Employees Retirement System (OPERS):* Employees (except for teaching faculty) participate in OPERS, a cost-sharing multiple-employer public employee retirement system operated by the State. OPERS provides retirement and disability benefits, access to health care benefits based on eligible years of service to members and beneficiaries, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Ohio Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 10% and the employer contribution rate is 14%. The University's contributions to OPERS for the years ending June 30, 2009, 2008, and 2007 were \$1,368,544, \$1,265,391 and \$1,111,217, respectively, which are equal to the required contributions for each year.

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 7 - RETIREMENT PLANS (Continued)**

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Plan members are required to contribute 10% of their annual covered salary and the University is required to contribute 14%. The University's contribution for pension obligations to STRS Ohio for the fiscal years ending June 30, 2009, 2008, and 2007 was \$1,533,788, \$1,443,786 and \$1,154,834, respectively. All required contributions have been made for the three fiscal years.

*Alternative Retirement Plan (ARP):* All newly hired full time administrative employees, classified support staff, and faculty are eligible to choose an Alternative Retirement Plan ("ARP") rather than the STRS Ohio or OPERS. Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the University. Employees have 120 days from the date of hire to decide into which retirement system they wish to enroll. If no decision is made, they will be assigned the appropriate state retirement plan based upon the position for which they were hired. Vesting of all contributions made by the University occurs after one (1) year of service.

The eleven companies approved to offer an ARP for the University employees are AIF VALIC, AIG SunAmerica Life Assurance Co., AXA Equitable Life Insurance Co., Great American Life Insurance Co., ING Life Insurance and Annuity Co., Lincoln National Life Insurance Co., Metropolitan Life Insurance Co., Nationwide Life Insurance Co., TIAA-CREFF, The Hartford, and The Travelers Companies, Inc. The obligation for the payment of benefits has been transferred from the University to the elected insurance company.

Effective July 1, 2004, an employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. The University contributes 14%. For the period July 1, 2008 through June 30, 2009, 10.5% of this amount was paid into the member's ARP account. The remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover un-funded liabilities. The employee receives no benefits from STRS Ohio for the 3.5% contributed by the employer.

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

As of June 30, 2009, there are approximately 55 active participants in an ARP. The University's contribution for employees enrolled in ARP accounts for fiscal year 2009, 2008, and 2007 was \$460,474, \$400,236 and \$334,287, respectively.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 8 - POSTEMPLOYMENT BENEFITS**

Ohio Public Employees Retirement System (OPERS): OPERS provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit ("OPEB") as described in GASB Statement No. 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised code provides statutory authority requiring public employers to fund health care through their contributions to OPERS. Effective July 1, 2008, the employer contribution rate for state employers was 14%. Of this contribution, 7% was the portion that was used to fund health care for the year ended June 30, 2009.

The University's fiscal year 2009, 2008, and 2007 employer contributions to OPERS totaled \$1,368,544, \$1,265,391, and \$1,111,217, respectively. Of these amounts, \$95,798, \$82,250, and \$52,782 were used to fund health care for the year for employees in fiscal years 2009, 2008, and 2007 respectively. This represents 7%, 6.5% and 4.75% of employer contributions for fiscal years 2009, 2008, and 2007, respectively.

The following assumptions and calculations were based on the System's latest Actuarial Review performed as of December 31, 2007. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2007 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.30%. Health care costs were assumed to increase between 4.5% and 8% from 2007 through 2014. Years 2015 and after are assumed to increase at the projected wage inflation rate.

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants was 363,503, as of December 31, 2008. \$12.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2007. The actuarially accrued liability and unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.8 billion and \$17.0 billion, respectively.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)**

*State Teachers Retirement System (STRS Ohio):* STRS Ohio has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2008 and after, the Board has allocated 1.0% of contributions toward health care. The balance in the Health Care Stabilization Fund was \$3.7 billion on June 30, 2008. For the University, this amount equaled \$109,556, \$103,128, and \$82,488 during fiscal years 2009, 2008, and 2007 respectively.

For the fiscal year ended June 30, 2008, net health care costs paid by STRS Ohio were \$288.9 million. There were 126,506 eligible benefit recipients.

**NOTE 9 - COMPENSATED ABSENCES**

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

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2009 and 2008

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**NOTE 10 - LONG-TERM OBLIGATIONS**

The changes in the University's long-term obligations during fiscal year 2009 were as follows:

	Principal Outstanding <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 2009</u>	Amounts Due in One <u>Year</u>
2007 General Receipts					
Bonds, Series 2007	\$ 17,765,000	\$ -	\$ 250,000	\$ 17,515,000	\$ 500,000
Compensated Absences	<u>1,778,138</u>	<u>212,804</u>	<u>136,415</u>	<u>1,854,527</u>	<u>185,453</u>
Total Long-Term Liabilities	<u>\$ 19,543,138</u>	<u>\$ 212,804</u>	<u>\$ 386,415</u>	<u>\$ 19,369,527</u>	<u>\$ 685,453</u>

The changes in the University's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 2008</u>	Amounts Due in One <u>Year</u>
1989 General Receipts					
Bonds, Series A	\$ 580,000	-	\$ 580,000	-	-
1996 General Receipts					
Bonds, Series B	970,000	-	970,000	-	-
2007 General Receipts					
Bonds, Series 2007	18,000,000	-	235,000	17,765,000	250,000
Compensated Absences	<u>1,606,848</u>	<u>304,988</u>	<u>133,698</u>	<u>1,778,138</u>	<u>177,814</u>
Total Long-Term Liabilities	<u>\$ 21,156,848</u>	<u>\$ 304,988</u>	<u>\$ 1,918,698</u>	<u>\$ 19,543,138</u>	<u>\$ 427,814</u>

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 10 - LONG-TERM OBLIGATIONS (Continued)**

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

There was no interest expense for 2008 or fiscal year 2009.

Principal and interest amounts due within each of the next five years and thereafter on the Series 2007 bond obligations outstanding at June 30, 2009 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 500,000	\$ 823,600	\$ 1,323,600
2011	510,000	803,600	1,313,600
2012	535,000	783,200	1,318,200
2013	560,000	761,800	1,321,800
2014	575,000	739,400	1,314,400
2015 - 2019	2,535,000	3,387,000	5,922,000
2020 - 2024	3,150,000	2,775,000	5,925,000
2025 - 2029	4,015,000	1,905,750	5,920,750
2030 - 2034	5,135,000	795,250	5,930,250
Total	<u>\$ 17,515,000</u>	<u>\$ 12,774,600</u>	<u>\$ 30,289,600</u>

**NOTE 11 - LEASES**

The University's operating leases consist of real property and movable equipment. Total expenditures during 2009 and 2008 under operating leases amounted to approximately \$4,500 and \$6,400.

The operating leases expire in fiscal year 2013. Minimum lease payments are \$4,500 in fiscal year 2010 and \$3,500 in the fiscal years 2011, 2012 and 2013.

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**NOTE 12 - CAPITAL ASSETS**

Capital Asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>06/30/2008</u>	<u>Reclass</u> <u>and</u> <u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/2009</u>
Capital assets, not being depreciated				
Land	\$ 7,597,752	\$ 170,829	\$	\$ 7,768,581
Land improvements	6,928,632			6,928,632
Library books	4,475,673	68,060	(5,122)	4,538,611
Construction in progress	<u>1,858,966</u>	<u>12,264,348</u>	<u>(340,050)</u>	<u>13,783,264</u>
Total capital assets, not being depreciated	<u>20,861,023</u>	<u>12,503,237</u>	<u>(345,172)</u>	<u>33,019,088</u>
Capital assets being depreciated				
Buildings and improvements	70,786,386	959,215	-	71,745,601
Equipment	<u>8,969,317</u>	<u>1,152,049</u>	<u>(89,328)</u>	<u>10,032,038</u>
Total capital assets, being depreciated	<u>79,755,703</u>	<u>2,111,264</u>	<u>(89,328)</u>	<u>81,777,639</u>
Less accumulated depreciation				
Buildings and improvements	(24,511,622)	(1,592,107)	-	(26,103,729)
Equipment	<u>(6,238,213)</u>	<u>(880,601)</u>	<u>69,610</u>	<u>(7,049,204)</u>
Total accumulated depreciation	<u>(30,749,835)</u>	<u>(2,472,708)</u>	<u>69,610</u>	<u>(33,152,933)</u>
Total capital assets, being depreciated, net	<u>49,005,868</u>	<u>(361,444)</u>	<u>(19,718)</u>	<u>48,624,706</u>
Capital assets, net	<u>\$ 69,866,891</u>	<u>\$ 12,141,793</u>	<u>\$ (364,890)</u>	<u>\$ 81,643,794</u>

(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

**NOTE 12 - CAPITAL ASSETS (Continued)**

Capital Asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>07/01/07</u>	<u>Reclass</u> <u>and</u> <u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/08</u>
Capital assets, not being depreciated				
Land	\$ 7,583,753	\$ 13,999	\$ -	\$ 7,597,752
Land improvements	6,928,632		-	6,928,632
Library books	4,390,260	94,588	(9,175)	4,475,673
Construction in progress	<u>2,324,003</u>	<u>1,852,019</u>	<u>(2,317,056)</u>	<u>1,858,966</u>
Total capital assets, not being depreciated	<u>21,226,648</u>	<u>1,960,606</u>	<u>(2,326,231)</u>	<u>20,861,023</u>
Capital assets being depreciated				
Buildings and improvements	68,029,107	2,757,279	-	70,786,386
Equipment	<u>8,402,488</u>	<u>761,410</u>	<u>(194,581)</u>	<u>8,969,317</u>
Total capital assets, being depreciated	<u>76,431,595</u>	<u>3,518,689</u>	<u>(194,581)</u>	<u>79,755,703</u>
Less accumulated depreciation				
Buildings and improvements	(22,993,844)	(1,517,778)	-	(24,511,622)
Equipment	<u>(5,581,642)</u>	<u>(834,487)</u>	<u>177,916</u>	<u>(6,238,213)</u>
Total accumulated depreciation	<u>(28,575,486)</u>	<u>(2,352,265)</u>	<u>177,916</u>	<u>(30,749,835)</u>
Total capital assets, being depreciated, net	<u>47,856,109</u>	<u>1,166,424</u>	<u>(16,665)</u>	<u>49,005,868</u>
Capital assets, net	<u>\$ 69,082,757</u>	<u>\$ 3,127,030</u>	<u>\$ (2,342,896)</u>	<u>\$ 69,866,891</u>

(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 13 - CONTINGENCIES**

The University receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs, generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the University at June 30, 2009.

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

**NOTE 14 - COMPONENT UNIT DISCLOSURE**

The accompanying financial statements of the Foundation have been prepared in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations* as well as subsequently issued Standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

Temporarily restricted net assets represent funds, which are restricted for a specific purpose determined by the donor. Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified. Temporarily and permanently restricted net assets at June 30, 2009 and 2008 are restricted primarily for scholarships, University programs, and capital improvements.

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

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

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(Continued)

SHAWNEE STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2009 and 2008

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**NOTE 14 - COMPONENT UNIT DISCLOSURE (Continued)**

The fair value of investments at June 30, 2009 and 2008, by classification is as follows:

	<u>2009</u>	<u>2008</u>
U.S. Treasury & Agency Obligations	\$ 1,351,394	\$ 1,694,844
Bond Mutual Funds	611,707	431,334
Stock Mutual Funds	1,703,075	2,328,193
Common Stocks	4,814,358	5,859,779
Corporate Bond Issues	<u>489,650</u>	<u>591,379</u>
	<u>\$ 8,970,184</u>	<u>\$ 10,905,529</u>

During the year ended June 30, 2009 and 2008 the Foundation made distributions of \$2,914,470 and \$940,028 to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Shawnee State University Development Foundation, Inc. at 940 Second Street, Portsmouth, Ohio, 45662.

**SUPPLEMENTARY INFORMATION**

SHAWNEE STATE UNIVERSITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2009

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass through Entity identifying <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 208,820
Federal Work-Study Program	84.033		195,074
Academic Competitiveness Grants	84.375		252,836
National Science and Mathematics Access to Retain Talent Grant	84.376		106,388
Federal Pell Grant Program	84.063		6,780,034
Federal Family Education Loans	84.032		19,213,838
Teacher Education Assistance for College & Higher Education Grants	84.379		<u>202,838</u>
Total Student Financial Aid Cluster			<u>26,959,828</u>
TRIO Cluster:			
Student Support Services	84.042		256,888
Talent Search	84.044		302,354
Upward Bound	84.047		279,982
Educational Opportunity Centers	84.066		365,151
Upward Bound Math Science	84.047		<u>249,753</u>
Total TRIO Cluster			<u>1,454,128</u>
<i>Passed through Ohio Department of Education</i>			
Adult Education: Basic Grants to States	84.002	AB-S1	106,517
Twenty-first Century - Community Learning Centers	84.287	Unknown	914,177
Tech Prep Education	84.243	3E-OO	110,486
EPA OH Water Quality	66.202		38
Career & Technical Education - Basic Grants to States	84.048		1,447
OH Special Educ. Consortium	84.027		<u>31,390</u>
Total Department of Education			<u>\$ 29,578,011</u>
<u>U.S Department of Labor</u>			
<i>Passed through Ohio Department of Education</i>			
WIA Pilots, Demonstrations and Research Projects	17.261		224,195

See accompanying notes to the Schedule of Federal Awards.

SHAWNEE STATE UNIVERSITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 June 30, 2009

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Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	Pass through Entity identifying <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u> <i>Passed through Ohio Department of Education</i> Child and Adult Care Food Program	10.551	16-CU, 21-CU, 21- FU	5,463
<u>U.S Department of Veterans Affairs</u> Disabled Veterans Scholarship	64.UNK		<u>72,572</u>
Total Federal Expenditures			<u>\$ 29,880,241</u>

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See accompanying notes to the Schedule of Federal Awards.

SHAWNEE STATE UNIVERSITY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2009

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Sub-recipients: Certain funds are passed through to sub-grantee organizations by the University. Expenditures incurred by the sub-grantees and reimbursed by the University are presented in the Schedule. The University is also the sub-recipient of federal funds which have been subject to testing and are reported as expenditures "passed through" from other entities.

**NOTE 2 - FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER**

For fiscal year 2009, the University received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study and Federal Supplemental Educational Opportunity Grant programs.

**NOTE 3 - FEDERAL FAMILY EDUCATION LOAN PROGRAM**

The University originates but does not provide funding for Federal Family Education Loans ("FFELs"). The amount presented represents the value of new FFELs awarded by outside lenders during the year.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS*

Board of Trustees  
Shawnee State University  
Portsmouth, Ohio

We have audited the financial statements of the business-type activities and discretely presented component unit of Shawnee State University as of and for the year ended June 30, 2009, which collectively comprise Shawnee State University's basic financial statements and have issued our report thereon dated the same date as this report. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shawnee State University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shawnee State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that we reported to management of Shawnee State University in a separate letter dated October 16, 2009.

This report is intended solely for the information and use of management, the Finance and Facilities Committee and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*  
Crowe Horwath, LLP

Columbus, Ohio  
October 16, 2009

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Shawnee State University  
Portsmouth, Ohio

### **Compliance**

We have audited the compliance of Shawnee State University with the types of compliance requirements described in the *U. S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Shawnee State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shawnee State University's management. Our responsibility is to express an opinion on Shawnee State University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shawnee State University's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shawnee State University's compliance with those requirements.

In our opinion, Shawnee State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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(Continued)

## Internal Control Over Compliance

The management of Shawnee State University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shawnee State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to management of Shawnee State University in a separate letter dated October 16, 2009.

This report is intended for the information of the Finance and Facilities Committee, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Horwath LLP*

Crowe Horwath, LLP

Columbus, Ohio  
October 16, 2009

SHAWNEE STATE UNIVERSITY  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 June 30, 2009

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**PART I: SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	Yes	<u>X</u>	No
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Reportable condition(s) identified not considered to be material weaknesses?	Yes	<u>X</u>	N/A
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Noncompliance material to financial statements noted?	Yes	<u>X</u>	No
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	Yes	<u>X</u>	No
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Reportable condition(s) identified not considered to be material weakness(es)?	Yes	<u>X</u>	N/A
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Type of auditors' report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	Yes	<u>X</u>	No
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(Continued)





Mary Taylor, CPA  
Auditor of State

SHAWNEE STATE UNIVERSITY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 1, 2009