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

Financial Report
with Supplementary Information
June 30, 2017

Dave Yost · Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Shawnee State University, Scioto County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2016 through June 30, 2017. 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.

Dave Yost

Dave Yost
Auditor of State

October 31, 2017

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Shawnee State University

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Independent Auditor's Report

To the Board of Directors
Shawnee State University

Report on the Financial Statements

We have audited the accompanying basic financial statements of Shawnee State University (the "University") and its discretely presented component unit as of and for the years ended June 30, 2017 and 2016 and the related notes to the financial statements, which collectively comprise the University's financial statements as listed in the table of contents. These financial statements are reported as a component unit of the State of Ohio.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of Shawnee State University and its discretely presented component unit as of June 30, 2017 and 2016 and the changes in its net position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Shawnee State University

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Shawnee State University's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017 on our consideration of Shawnee State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shawnee State University's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 11, 2017

This unaudited section of Shawnee State University's (the "University") annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2017. This discussion, prepared by university management, provides an overview of the University's financial activities and should be evaluated in conjunction with the accompanying financial statements and footnotes.

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

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- Total net position decreased $3,879,290. The decrease was primarily the result of a GASB 68 pension expense increase of $3,646,590, a $677,160 reduction in nonoperating grant funding, a $463,366 decline in student tuition and fee revenue, and a decrease of $492,041 in state appropriations offset by an increase of investment income of $1,721,847.
- Total assets increased $6,952,734. Current assets increased $5,663,667 due to funding related to the issuance of new long-term debt, Bond Series 2016. Noncurrent assets (excluding capital assets) decreased $304,598 as the result of the reduction in investments held by the University.
- The $17,336,609 increase in total liabilities was primarily due to the $10,575,739 adjustment to the net pension liability related to GASB Statement No. 68 and an increase of $6,970,000 in debt related to new funding received as part of the new Bond Series 2016 issuance.
- Total deferred inflows decreased $1,669,674 primarily due to a decrease in deferred pension costs related to GASB Statement No. 68.
- Total revenue increased $3,892,377 from 2016 to 2017 compared with a decrease of $1,957,862 from 2015 to 2016. The increase was primarily due to a $1,721,847 increase in investment income and a $578,572 increase in operating grant revenue.

- Total expenses increased $3,626,746 as compared with an increase of $531,414 from 2015 to 2016. The GASB 68 pension expense increase noted in the net position section above was the key factor for the increase.

- Operating expenses increased $3,032,015 primarily as a result of the GASB 68 pension expense increase noted in the net position section above.

- Operating revenue increased by $297,354 due to increased operating grant revenue. Operating grant revenue (revenue for projects which result in an "exchange" like a product, report or some form of an outcome) was up but nonoperating grant revenue (grants that are not exchange transactions, such as scholarship grants like Pell, SEOG, OCOG) was down.

- Nonoperating revenue increased $552,646 as a result of a $1,721,847 increase in investment income, a $677,160 decrease in nonoperating grant revenue, and $492,041 in decreased state appropriations. Nonoperating expenses increased $594,731 as a result of an increase in interest expense on capital assets related debt and losses on the disposal of capital assets in 2017.

Using this Financial Report

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

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

The statement of net position and statement of revenue, expenses, and changes in net position present information about the University and its activities in a way that helps answer the question, "How did Shawnee State University do financially during 2017?" The statement of net position includes all short-term and long-term assets and liabilities, both financial and capital and deferred outflows or inflows of resources. The accrual basis of accounting is used for the recording of revenue and expenses. This basis of accounting records revenue when earned and expenses when incurred, regardless of when the cash is actually received or paid. Over time, increases or decreases in net position are one indicator of the improvement or deterioration of the University's financial health. Nonfinancial factors such as student retention rate, enrollment growth, and condition of facilities must also be considered.

Statement of Net Position

The statement of net position, which reports all assets and liabilities of the University, reflects the financial position of the University at the end of the fiscal year. Total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources equal net position. The University's assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2017, 2016, and 2015 are presented below:

	2017	2016	2015
Assets			
Current assets	$ 12,916,135	$ 7,252,468	$ 8,404,275
Capital assets - Net	81,450,795	79,857,130	82,619,039
Other noncurrent assets	17,958,495	18,263,093	20,252,421
Total assets	112,325,425	105,372,691	111,275,735
Deferred Outflows of Resources	12,939,645	8,104,734	3,188,029
Liabilities			
Current liabilities	7,305,898	7,074,526	7,426,422
Noncurrent liabilities	78,383,850	61,278,613	55,653,442
Total liabilities	85,689,748	68,353,139	63,079,864
Deferred Inflows of Resources	2,051,088	3,720,762	5,835,455
Net Position			
Net investment in capital assets	67,208,092	65,400,451	67,314,273
Restricted, expendable	168,546	196,489	192,469
Unrestricted	(29,852,404)	(24,193,416)	(21,958,297)
Total net position	**$ 37,524,234**	**$ 41,403,524**	**$ 45,548,445**

Total assets of the University increased $6,952,734 in 2017 and decreased $5,903,044 in 2016. Current assets increased $5,663,667 in 2017 following a $1,151,807 decrease in 2016. The increase in 2017 is predominantly attributable to $7,200,000 capital debt funding for new capital projects received from the issuance of Bond Series 2016. The decrease realized in current assets in 2016 were predominantly attributable to a decrease in cash and short-term investments due to reduced government funding and tuition received during the year. Noncurrent assets (excluding capital assets) decreased $304,598 in 2017 and decreased $1,989,328 in 2016 due to the liquidation of investment holdings to supplement the University's cash needs during these years.

The increased number of capital construction projects initiated in 2017 resulted in an increase of $1,593,665 in net capital assets. The $2,761,909 decrease in 2016 was due to depreciation expense and the loss on disposals of capital assets exceeding the cost of construction projects completed during 2016.

The $17,336,609 increase in total liabilities is primarily due to a $17,105,237 increase in noncurrent liabilities. The total increase is mainly attributable to a $10,575,739 increase to recognize the University's proportionate share of the net pension liability as determined by the two pension plans associated with the University, the State Teachers Retirement System and Ohio Public Employees Retirement System, as required by GASB Statement No. 68. See Note 13 to the financial statements for further details. In addition, the University issued a general receipts bond, Bond Series 2016, to refund an outstanding bond series and to provide funding for new capital projects. The new bond series increased total liabilities by $6,970,000.

Statement of Revenue, Expenses, and Changes in Net Position

The statement of revenue, expenses, and changes in net position presents the results of operations for the University. The change in net position during the fiscal year is a measurement of the change in the overall financial condition of the University. The University's revenue, expenses, and changes in net position for the fiscal years ended June 30, 2017, 2016, and 2015 are as follows:

	2017	2016	2015
Operating revenue:			
Tuition, fees, and other student charges	$ 22,116,470	$ 22,579,836	$ 23,320,139
Grants and contracts	3,854,225	3,275,653	3,586,107
Sales and services	1,969,224	1,815,460	1,846,922
Miscellaneous income	331,241	302,857	381,092
Nonoperating revenue:			
Investment income	1,790,009	68,162	342,725
State appropriations	15,811,534	16,303,575	16,257,877
Other grants	12,566,441	13,243,601	14,019,810
Capital appropriations	3,463,679	421,302	213,636
Total revenue	61,902,823	58,010,446	59,968,308
Operating expenses:			
Instruction and research	21,416,995	19,551,682	19,794,586
Public service	2,565,655	2,289,885	2,244,944
Academic support	3,050,404	3,271,911	3,210,578
Student services	4,441,226	3,751,461	3,833,267
Institutional support	11,420,704	10,372,024	10,147,354
Operation and maintenance of plant	5,260,516	5,488,162	5,581,883
Scholarships and fellowships	6,083,506	6,775,895	6,426,737
Depreciation	3,607,092	3,527,238	3,510,953
Auxiliary enterprises	6,640,647	6,426,472	6,109,114
Nonoperating expense:			
Interest on capital debt	1,081,197	695,915	757,869
Loss on disposal of capital assets	214,171	4,722	6,668
Total expenses	65,782,113	62,155,367	61,623,953
Decrease in net position	**$ (3,879,290)**	**$ (4,144,921)**	**$ (1,655,645)**

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, there was no change in rates charged for undergraduate in-state tuition and fees during 2017. Rates charged for undergraduate out-of-state students and all graduate students increased 5.0 percent effective in the summer 2016 semester.

The University's 2017 revenue from student tuition and fees has decreased to $22,116,470 from $22,579,836 in 2016 and $23,320,139 in 2015 due to decreased enrollment over these years. Tuition and fees represent 35.7 percent of the University's total revenue in 2017 and 38.9 percent in 2016 and 2015. The 15.0 percent increase in operating grants and contracts revenue to $3,854,225 in 2017 from $3,275,653 in 2016 is attributable to the increased funding the University received from initiatives to identify and obtain new grant funding in 2016 and 2017.

The combination of institution-wide spending-constraint strategies implemented in prior years while still providing funding for projects related to the University's strategic plan initiatives resulted in a 4.9 percent increase in total operating expenses in 2017 when compared to 2016 spending levels. The increase in total operating expenses is mainly a result of a $1,865,313 increase in instruction and departmental research expenses and a $1,048,680 increase in institutional support expenses in 2017. In both instances, the increase in expenses is a result of new strategic plan initiatives such as enrollment management programs or new software applications implemented to increase operational efficiency. Scholarships and fellowships expenses decreased from $6,775,895 in 2016 to $6,083,506 in 2017 primarily due to decreased enrollment in 2017 and a 2016 adjustment to the state College Credit Plus scholarship program. The change resulted in the program's expenses being recorded in 2016 as well as an adjustment for 2015 expense being recorded on a one-year lag under the prior Postsecondary Education Opportunity scholarship program. This change resulted in a combined expense being recorded in 2016. Public service expense increased by $275,770 as a result of strategic marketing efforts essential for academic enrollment growth. Operation and maintenance of plant experienced a decrease of 4.2 percent from $5,488,162 to $5,260,516 due to less local funding by the University for building projects in 2017 than in 2016 combined with savings from energy-efficiency programs implemented by the University.

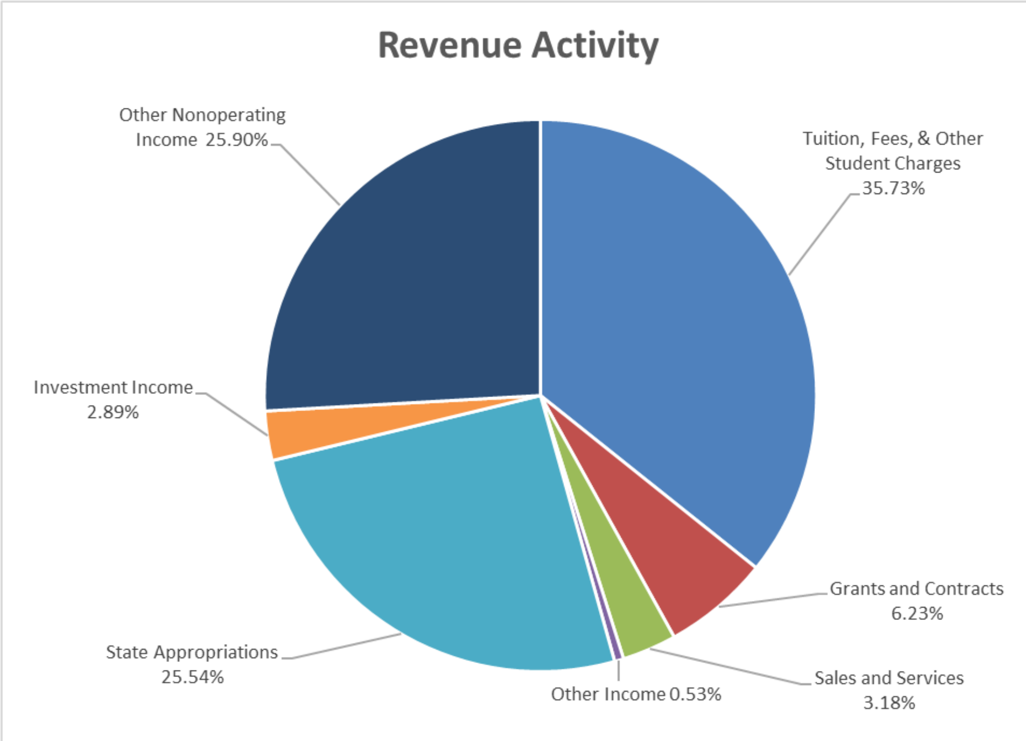
State appropriations represent 25.5 percent of the University's total revenue in 2017, 28.1 percent in 2016, and 27.1 percent in 2015. These percentages illustrate that tuition and fee revenue is not sufficient to cover operational expenses. The University has considerable dependency upon a predictable and relatively stable level of state appropriation funding.

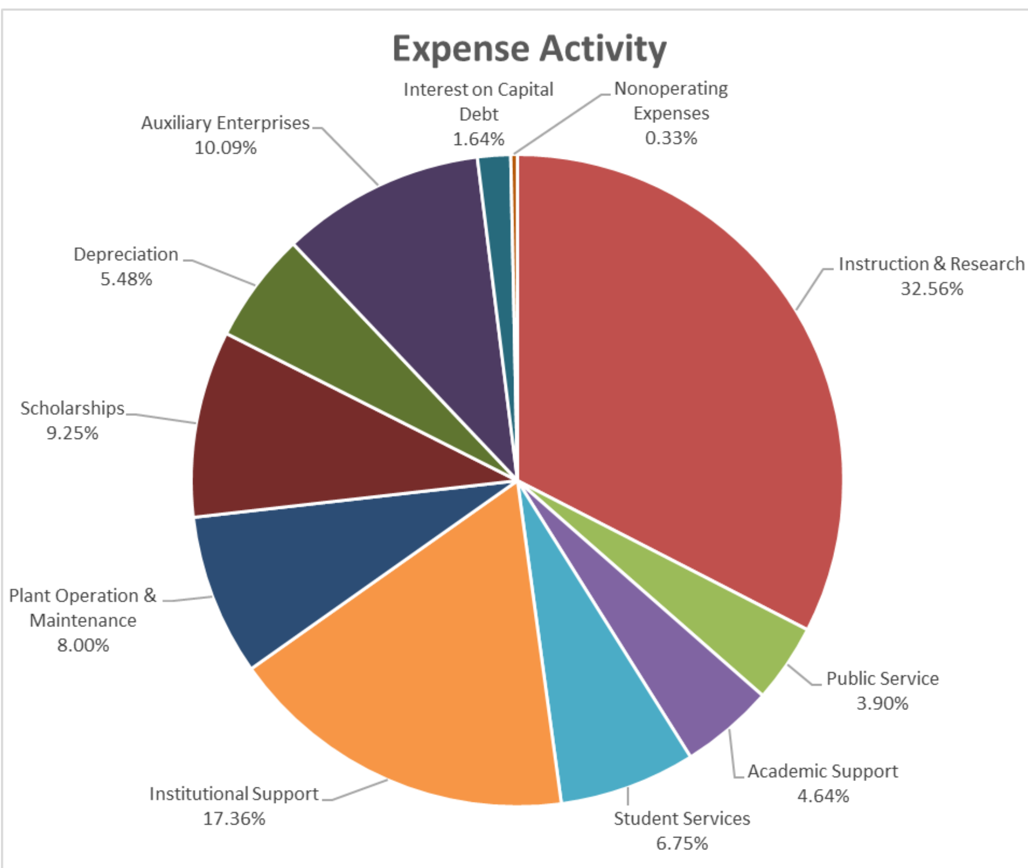
During 2017, investment income amounted to $1,790,009 as compared to $68,162 during 2016 and $342,725 during 2015. This performance mirrors the general growth experienced in investment markets during this period. During the last quarter of fiscal year 2016, the University initiated a review for a new investment consultant as well as new investment managers to improve the University's long-term investment performance. As a result of the review, TIAA was selected as the investment manager of the University's investment portfolio.

Pell Grants and certain other grants are considered nonexchange transactions and are reflected as nonoperating revenue. The federal grants portion of nonoperating other grants revenue experienced a 6.6 percent decrease. The decrease in 2017 follows a similar decrease in 2016 of 5.9 percent in the federal grant portion of nonoperating other grants revenue. Income from federal aid programs such as Pell, SEOG, and Veteran's Benefits amounted to $8.0 million in 2017 as compared with $8.7 million in 2016 and $9.6 million in 2015. Nonoperating grants revenue represents 20.3 percent of the University's total revenue in 2017, down from 22.8 percent in 2016, and 23.4 percent in 2015.

Capital appropriations increased considerably to $3,463,679 in 2017 from $421,302 in 2016, which was an increase from $213,636 in 2015. The increases in 2017, 2016, and 2015 reflect the increased state capital funding received to support the startup costs of various capital projects during those years. These projects include the STEMM building projects and major renovations to the Health Science buildings on campus.

The following graphs illustrate Shawnee State University's revenue and expense activity for the fiscal year ended June 30, 2017.


Revenue Activity
Other Nonoperating Income 25.90%
Tuition, Fees, & Other Student Charges 35.73%
Investment Income 2.89%
Grants and Contracts 6.23%
State Appropriations 25.54%
Other Income 0.53%
Sales and Services 3.18%


Expense Activity
Interest on Capital Debt 1.64%
Nonoperating Expenses 0.33%
Auxiliary Enterprises 10.09%
Depreciation 5.48%
Instruction & Research 32.56%
Scholarships 9.25%
Plant Operation & Maintenance 8.00%
Public Service 3.90%
Academic Support 4.64%
Institutional Support 17.36%
Student Services 6.75%

Statement of Cash Flows

The statement of cash flows provides information about the University's financial condition by reporting the cash sources (receipts) and the cash uses (payments) during the fiscal year ended June 30, 2017. A comparison of cash sources and uses during fiscal years 2017, 2016, and 2015 is presented below:

	2017	2016	2015
Cash (Used in) Provided By			
Operating activities	$ (28,451,678)	$ (30,518,913)	$ (27,792,718)
Noncapital financing activities	28,677,400	30,461,795	29,624,892
Capital and related financing activities	4,938,533	(1,935,434)	(2,727,227)
Investment activities	(5,851,901)	2,180,349	218,317
Net (decrease) increase in cash and cash equivalents	(687,646)	187,797	(676,736)
Cash and Cash Equivalents			
Beginning of the year	1,081,866	894,069	1,570,805
End of the year	**$ 394,220**	**$ 1,081,866**	**$ 894,069**

Cash and cash equivalents decreased by $687,646 as a result of decreased state appropriations funding and the decline in student tuition and fee revenue in 2017.

Capital Assets and Debt Administration

At the end of fiscal year 2017, the University held $81,450,795 in net capital assets. This reflects an overall increase of $1,593,665 in net capital assets from 2016. The increase was a result of the 2017 upgrades to the STEMM and Health Science buildings.

Capital assets - Net of depreciation at June 30:

	2017	2016	2015
Land	$ 8,003,370	$ 8,003,370	$ 8,003,370
Land improvements	6,928,632	6,928,632	6,928,632
Buildings and improvements	59,619,149	62,451,322	58,907,751
Equipment	1,974,114	1,763,004	2,177,996
Library books	280,551	309,007	320,416
Construction in progress	4,644,979	401,795	6,280,874
Totals	**$ 81,450,795**	**$ 79,857,130**	**$ 82,619,039**

Debt Administration

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

In fiscal year 2013, the University executed a new capital lease with Key Government Finance, Inc. The original lease proceeds of $2,820,339 are funding a portion of the University's IT infrastructure upgrade project. In 2015, the University received an additional $227,407 in funding and revised the original lease's payment schedule to reduce annual payment amounts by extending the lease through October 1, 2018. As of June 30, 2017, the remaining balance of the capital lease was $633,259, $311,642 of which is due within one year.

Outstanding debt at year end:

	2017	2016	2015
Capital lease payable - 3.16%	$ 633,259	$ 935,234	$ 1,237,553
General revenue bonds payable - 2% to 4%	20,845,000	13,875,000	14,365,000
Total debt	**$ 21,478,259**	**$ 14,810,234**	**$ 15,602,553**

Current Financial Issues and Concerns

As detailed in the previous sections of the management's discussion and analysis (MD&A), the University's fiscal year 2017 net position outcome reflects a decrease of nearly $3.9 million. The myriad factors influencing this year's performance are complex, ranging from reductions in some revenue streams (tuition and state funding), the issuance of Series 2016 Bonds, renovation and refurbishing of multiple academic buildings, key technology and operational investments, initiatives to modernize and gain efficiencies and reduce waste, solid fiscal-year investment performance outcome, focused marketing and recruitment strategies, and extensive organizational realignments.

There is no question that the University is undergoing transformational experiences that permeate the organization. The process of change management involves many elements including such steps as modifying staffing roles, assessing and upgrading skills and talents, realigning the organization's hierarchal structure, and revising/eliminating legacy practices and burdensome processes. These efforts are required in order to be prepared and to ready the environment to advance important strategic goals.

The University continues to operate frugally while investing in strategies that empower long-term outcomes. In 2016, the Board of Trustees approved the University's Strategic Plan that provided for a three-year path to reduce operating expenditures, achieve a balanced general operating budget, and begin to realize benefits from key investments. The first year of the three-year plan provided the campus with direction and vision. The second year, fiscal year 2017, began the active pursuit of operational improvements and progress to realize those planned strategies. Some examples include: the proceeds of the bond funds were utilized to complete the residential housing project and the Rhodes Athletic Center design is fully underway along with the renovations to health sciences buildings and the advanced technology center. The implementation of the University's enterprise resource planning (ERP) system was successfully achieved with immediate workflow efficiencies and positive impacts on labor-intensive and paper-burdened processes. The University realized fundamental operational changes during fiscal year 2017 while contending with external challenges being experienced by the higher education industry. Simultaneously, many innovative academic and student-success programs were implemented during this same period. All of these steps are being undertaken in order to realize the University's long-term strategies and to meet the obligations and expectations to perform as a high-quality public university.

Statement of Net Position
University

	June 30 2017	June 30 2016
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 394,220	$ 1,081,866
Short-term investments	7,111,745	14
Total cash and short-term investments	7,505,965	1,081,880
Receivables:		
Accounts (net of allowance for doubtful accounts of $2,754,694 in 2017 and $2,942,397 in 2016)	4,806,900	5,635,905
Notes	81,498	83,672
Amounts due from primary government	136,126	93,207
Interest receivable	26,279	37,103
Inventory	36,036	40,424
Prepaid items	323,331	280,277
Total current assets	12,916,135	7,252,468
Noncurrent Assets		
Investments	17,958,495	18,263,093
Capital assets - Net	81,450,795	79,857,130
Total noncurrent assets	99,409,290	98,120,223
Total assets	112,325,425	105,372,691
Deferred Outflows of Resources - Pension costs	12,939,645	8,104,734
Total Assets and Deferred Outflows of Resources	**$ 125,265,070**	**$ 113,477,425**

Shawnee State University

Statement of Net Position (Continued)
University

	June 30 2017	June 30 2016
Liabilities, Deferred Inflows of Resources, and Net Position		
Current Liabilities		
Accounts payable	$ 907,754	$ 992,148
Accrued wages and benefits	3,404,214	3,633,939
Compensated absences payable	187,571	192,456
Capital lease payable	311,642	301,976
Bonds payable	625,000	500,000
Accrued interest payable	73,100	78,952
Unearned revenue	1,660,051	1,241,843
Deposits held by and due to others	136,566	133,212
Total current liabilities	7,305,898	7,074,526
Noncurrent Liabilities		
Compensated absences payable	1,688,137	1,732,106
Unearned revenue	633,169	593,061
Net pension liability	55,520,927	44,945,188
Capital lease payable	321,617	633,258
Bonds payable	20,220,000	13,375,000
Total noncurrent liabilities	78,383,850	61,278,613
Total liabilities	85,689,748	68,353,139
Deferred Inflows of Resources		
Service concession agreements	240,000	360,000
Pension costs	1,266,521	3,360,762
Bond refunding	544,567	-
Total deferred inflows of resources	2,051,088	3,720,762
Net Position		
Net investment in capital assets	67,208,092	65,400,451
Restricted:		
Expendable		
Loans	112,899	112,896
Other	55,647	83,593
Unrestricted	(29,852,404)	(24,193,416)
Total net position	37,524,234	41,403,524
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 125,265,070**	**$ 113,477,425**

Statement of Net Assets
Development Foundation

	June 30 2017	June 30 2016
Assets		
Cash and cash equivalents	$ 778,340	$ 421,867
Investments	18,323,910	17,602,784
Contributions receivable - Net	441,137	268,123
Lease receivable from related party	26,345	28,514
Beneficial interest in trusts held by others	1,025,037	952,875
Cash surrender value of life insurance	250,223	227,667
Other assets	92,455	85,700
Net property and equipment	11,204,572	11,206,083
Total assets	**$ 32,142,019**	**$ 30,793,613**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 91,682	$ 27,354
Accrued real estate tax	70,490	71,875
Deferred revenue	-	11,521
Deposits held and due to others	191,063	160,321
Annuity payment liability	198,486	245,529
Note payable	4,024,546	4,175,573
Total liabilities	4,576,267	4,692,173
Net Assets		
Unrestricted	8,917,933	8,118,867
Temporarily restricted	8,338,042	7,783,030
Permanently restricted	10,309,777	10,199,543
Total net assets	27,565,752	26,101,440
Total liabilities and net assets	**$ 32,142,019**	**$ 30,793,613**

Shawnee State University

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

	Year Ended June 30 2017	Year Ended June 30 2016
Operating Revenue		
Student tuition and fees (net of scholarship allowances of $10,521,140 in 2017 and $11,115,109 in 2016)	$ 22,116,470	$ 22,579,836
Federal grants and contracts	2,180,014	2,247,491
State grants and contracts	609,042	249,101
Local grants and contracts	372,238	374,240
Private gifts, grants, and contracts	692,931	404,821
Sales and services	1,969,224	1,815,460
Miscellaneous	331,241	302,857
Total operating revenue	28,271,160	27,973,806
Operating Expenses		
Education and general:		
Instruction and departmental research	21,416,995	19,551,682
Public service	2,565,655	2,289,885
Academic support	3,050,404	3,271,911
Student services	4,441,226	3,751,461
Institutional support	11,420,704	10,372,024
Operation and maintenance of plant	5,260,516	5,488,162
Scholarships and fellowships	6,083,506	6,775,895
Depreciation expense	3,607,092	3,527,238
Auxiliary enterprises	6,640,647	6,426,472
Total operating expenses	64,486,745	61,454,730
Operating Loss	(36,215,585)	(33,480,924)
Nonoperating Revenue (Expenses)		
State appropriations	15,811,534	16,303,575
Federal, state, and local grants and contracts	11,347,138	12,144,024
Private grants and contracts	1,219,303	1,099,577
Investment income	1,790,009	68,162
Interest on capital asset-related debt	(1,081,197)	(695,915)
Loss on disposal of capital assets	(214,171)	(4,722)
Net nonoperating revenue	28,872,616	28,914,701
Change in Net Position Before Capital Appropriations	(7,342,969)	(4,566,223)
Other Revenue - Capital appropriations	3,463,679	421,302
Decrease in Net Position	(3,879,290)	(4,144,921)
Net Position - Beginning of year	41,403,524	45,548,445
Net Position - End of year	**$ 37,524,234**	**$ 41,403,524**

Statement of Activities
Development Foundation
Year Ended June 30, 2017
(with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2017	Total 2016
Revenue and Other Support					
Contributions	$ 595,021	$ 525,251	$ 66,594	$ 1,186,866	$ 763,365
Investment income - Net	200,354	1,869,981	-	2,070,335	(91,714)
Change in value of split-interest agreements	47,292	14,574	48,640	110,506	(180,698)
Losses for uncollectible contributions	(5,085)	(5,057)	(5,000)	(15,142)	(15,595)
Loss on sale of assets		-	-	-	(5,317)
Other income		-	-	-	3,500
Rental income	426,903	-	-	426,903	407,412
Net assets released from restrictions	1,849,737	(1,849,737)	-	-	-
Total revenue and other support	3,114,222	555,012	110,234	3,779,468	880,953
Expenses and Losses					
Scholarships and other student aid	426,155	-	-	426,155	434,363
Institutional support	831,502	-	-	831,502	459,979
Guest speakers and lecturers	11,548	-	-	11,548	18,381
Management and general expenses	410,271	-	-	410,271	350,164
Rental expenses	635,680	-	-	635,680	624,595
Total expenses and losses	2,315,156	-	-	2,315,156	1,887,482
Change in Net Assets	799,066	555,012	110,234	1,464,312	(1,006,529)
Net Assets - Beginning of year	8,118,867	7,783,030	10,199,543	26,101,440	27,107,969
Net Assets - End of year	**$ 8,917,933**	**$ 8,338,042**	**$ 10,309,777**	**$ 27,565,752**	**$ 26,101,440**

Statement of Activities (Continued)
Development Foundation
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Contributions	$ 93,047	$ 625,839	$ 44,479	$ 763,365
Investment income - Net	(77,894)	(13,820)	-	(91,714)
Change in value of split-interest agreements	(105,526)	(75,358)	186	(180,698)
Losses for uncollectible contributions	(8,603)	(6,992)	-	(15,595)
Loss on sale of assets	(5,317)	-	-	(5,317)
Other income	3,500	-	-	3,500
Rental income	407,412	-	-	407,412
Net assets released from restrictions	1,261,779	(1,261,779)	-	-
Total revenue and other support	1,568,398	(732,110)	44,665	880,953
Expenses and Losses				
Scholarships and other student aid	434,363	-	-	434,363
Institutional support	459,979	-	-	459,979
Guest speakers and lecturers	18,381	-	-	18,381
Management and general expenses	350,164	-	-	350,164
Rental expenses	624,595	-	-	624,595
Total expenses and losses	1,887,482	-	-	1,887,482
Change in Net Assets	(319,084)	(732,110)	44,665	(1,006,529)
Net Assets - Beginning of year	8,437,951	8,515,140	10,154,878	27,107,969
Net Assets - End of year	**$ 8,118,867**	**$ 7,783,030**	**$ 10,199,543**	**$ 26,101,440**

Shawnee State University

Statement of Cash Flows
University

	Year Ended June 30	
	2017	2016
Cash Flows from Operating Activities		
Cash received from tuition, fees, and other student charges	$ 22,692,017	$ 23,094,667
Cash received from gifts, grants, and contracts	4,124,361	2,964,762
Cash received from sales and services	1,949,256	1,779,944
Cash received from miscellaneous services	331,241	302,857
Cash payments to suppliers for goods and services	(17,344,394)	(14,321,290)
Cash payments to employees for services	(25,922,738)	(27,278,081)
Cash payments for employee benefits	(8,197,915)	(10,285,877)
Cash payments for scholarships and fellowships	(6,083,506)	(6,775,895)
Net cash used in operating activities	(28,451,678)	(30,518,913)
Cash Flows from Noncapital Financing Activities		
State appropriations	15,811,534	16,303,575
Nonexchange gifts, grants, and contracts	12,850,577	13,677,793
Federal direct student loan program receipts	20,184,323	21,579,490
Federal direct student loan program disbursements	(20,171,887)	(21,149,464)
Net cash from agency transactions	2,853	50,401
Net cash provided by noncapital financing activities	28,677,400	30,461,795
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	3,420,760	354,235
Proceeds from capital debt	21,419,729	-
Payments for capital acquisitions	(4,907,632)	(801,435)
Principal payments	(13,656,976)	(792,319)
Interest payments	(1,337,348)	(695,915)
Net cash provided by (used in) capital and related financing activities	4,938,533	(1,935,434)
Cash Flows from Investing Activities		
Interest on investments	1,449,347	747,953
Proceeds for sales and maturities of investments	1,962,773	2,380,344
Purchases of securities	(9,264,021)	(947,948)
Net cash (used in) provided by investing activities	(5,851,901)	2,180,349
Net Change in Cash and Cash Equivalents	(687,646)	187,797
Cash and Cash Equivalents - Beginning of year	1,081,866	894,069
Cash and Cash Equivalents - End of year	**$ 394,220**	**$ 1,081,866**

Statement of Cash Flows (Continued)
University

	Year Ended June 30	
	2017	2016
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (36,215,585)	$ (33,480,924)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,607,092	3,527,238
Changes in operating assets and liabilities and deferred outflows of resources and deferred inflows of resources which provided (used) cash:		
Accounts receivable	403,981	534,602
Notes receivable	2,174	1,875
Prepaid items	47,576	(87,095)
Inventory	4,388	1,964
Accounts payable	(88,837)	146,606
Accrued wages and benefits	(229,759)	(375,031)
Compensated absences payable	(48,854)	(515,275)
Unearned revenue	419,559	(368,052)
Net pension liability	10,575,739	6,949,434
Deferred outflows of resources - Net pension expense	(4,834,911)	(6,988,535)
Deferred inflows of resources - Net pension expense	(2,094,241)	134,280
Net cash used in operating activities	**$ (28,451,678)**	**$ (30,518,913)**

Note 1 - Reporting Entity

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

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

Shawnee State University Development Foundation (the "Foundation") is a legally separate, tax-exempt organization supporting the University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation's board of trustees is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources the Foundation holds and invests are restricted by the donors to the activities of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board. A separate financial report for the Foundation is available by contacting The Shawnee State University Development Foundation, 940 Second Street, Portsmouth, Ohio, 45662 or by calling 740-351-3284.

Note 1 - Reporting Entity (Continued)

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* and subsequent standards issued by the GASB, the University has elected to report as an entity engaged in business-type activities.

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

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

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

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

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

Accounts Receivable - Accounts receivable consist 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.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB) Statement No. 79, *Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants*, which establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2017 and 2016, respectively.

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

Capital Assets - Capital assets utilized by Shawnee State University are reported on the statement of net position. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Shawnee State University maintains a capitalization threshold of $5,000 for movable equipment and $100,000 for buildings. Building improvement projects over $100,000 are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or significantly extend an asset's life are not.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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. The University recorded $115,632 and $0 of capitalized interest as of June 30, 2017 and 2016, respectively.

Deferred Outflows of Resources - In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The University's deferred outflows of resources are related to the net pension liability. See Note 13 for more information.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The University deferred inflows of resources related to the net pension liability, service concession agreements, and bond refunding. See Note 13 for more on the net pension liability.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

- Operating revenue includes revenue from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises (net of scholarship discounts and allowances), and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.

- Nonoperating revenue includes revenue from activities that have the characteristics of nonexchange transactions, such as state appropriations and certain federal, state, local, and private gifts, and grants. The implication is that such revenue is derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Service Concession Arrangements - The University has an agreement with a food service provider, which is a service concession arrangement. The University received funds toward dining hall renovations that are contingent upon the University utilizing the services of the food service provider over a 10-year period. The amounts received are being amortized over the life of the contract arrangement. The unamortized amounts previously were reflected as unearned revenue. Under GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, service concession arrangements are to be reported as deferred inflows/outflows of resources. The University recorded deferred inflows of resources of $240,000 and $360,000 at June 30, 2017 and 2016, respectively.

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

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

Upcoming Accounting Pronouncements - As of June 30, 2017, the GASB has issued the following statement not yet implemented by the University:

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

Note 2 - Summary of Significant Accounting Policies (Continued)

- **Accounting for Certain Asset Retirement Obligations** - In November 2016, the Governmental Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The University is currently evaluating the impact of this standard. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2019.

- **Accounting for Fiduciary Activities** - In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The University is currently evaluating the impact of this standard, specifically related to holding assets for other organizations. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2020.

- **Accounting for Leases** - In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is not expected to have a significant effect on the University's financial statements. The provisions of this statement are effective for the University's financial statements for the year ending June 30, 2021.

Note 3 - Deposits and Investments

Deposits - Custodial credit risk: At June 30, 2017, the carrying amount of the University's deposits (which consist of cash, excluding cash on hand of $3,185, deposits held by trustee, and investments) was $391,035 and the bank balance was $383,025. The difference in the carrying amount and bank balance primarily results from outstanding checks. Of the bank balance, $250,000 is covered by the Federal Deposit Insurance Corporation. At June 30, 2016, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of $3,715, deposits held by trustee, and investments) was $1,078,151 and the bank balance was $1,193,345.

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, 2017, the University had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	More than 5
U.S. govt. and agency bonds	$ 2,803,052	$ -	$ 2,000,333	$ 802,719
Corporate bonds and notes	1,680,658	-	917,007	763,651
Foreign corporate bonds	25,639	-	25,639	-
Fixed-income mutual funds	2,212,892	-	2,212,892	-
Money market funds	8,456,691	8,456,691	-	-
STAR Ohio funds	434,413	434,413	-	-
Total	15,613,345	$ 8,891,104	$ 5,155,871	$ 1,566,370
Equities and equity funds	9,456,895			
Total	$ 25,070,240			

Note 3 - Deposits and Investments (Continued)

As of June 30, 2016, the University had the following investments and maturities using the segmented time distribution method:

		Investment Maturities (in years)		
Investment Type	Fair Value	<1	1-5	More than 5
U.S. govt. and agency bonds	$ 963,325	$ -	$ 641,837	$ 321,488
Corporate bonds and notes	1,794,187	82,541	914,047	797,599
Foreign government bonds	61,007	-	27,836	33,171
Foreign corporate bonds	243,266	35,992	49,588	157,686
Fixed-income mutual funds	3,420,049	-	86,849	3,333,200
Money market funds	186,835	39,793	147,042	-
STAR Ohio funds	2,423,889	2,423,889	-	-
Total	9,092,558	$ 2,582,215	$ 1,867,199	$ 4,643,144
Equities and equity funds	9,170,549			
Total	$ 18,263,107			

Investments at June 30, 2017 and 2016 are shown in the statement of net position as current in the amount of $7,111,745 and $14, respectively, and as noncurrent in the amount of $17,958,495 and $18,263,093, respectively.

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

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

Note 3 - Deposits and Investments (Continued)

As of June 30, 2017 and 2016, the University had the following investments and quality ratings:

Investment Type	Rating	2017 Fair Value	2016 Fair Value
U.S. govt. and agency bonds	AA+	$ 2,803,052	$ 963,325
Corporate bonds and notes	AAA	111,303	11,687
	AA	176,943	136,936
	A	614,116	719,920
	BBB	778,296	925,644
Foreign government bonds	A	-	61,007
Foreign corporate bonds	AA	-	11,038
	A	6,174	61,687
	BBB	19,465	170,541
Fixed-income mutual funds	AAA	2,212,892	1,514,570
	BBB	-	1,303,204
	BB	-	602,275
Money market funds	AAA	7,151,582	186,835
	AA+	1,305,109	-
STAR Ohio funds	AAA	434,413	2,423,889
		$ 15,613,345	$ 9,092,558

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

Note 4 - Fair Value Measurements

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

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

The University has the following assets with recurring fair value measurements as of June 30, 2017 and 2016:

		Fair Value Measurements Using		
	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities:				
U.S. govt. and agency bonds	$ 2,803,052	$ 2,274,334	$ 528,718	$ -
Corporate bonds and notes	1,680,658	-	1,680,658	-
Foreign corporate bonds	25,639	-	25,639	-
Total debt securities	4,509,349	2,274,334	2,235,015	-
Mutual funds:				
Fixed-income mutual funds	2,212,892	2,212,892	-	-
Equity mutual funds	9,456,895	9,456,895		
Money market mutual funds	8,456,691	8,456,691	-	-
Total mutual funds	20,126,478	20,126,478	-	-
Total investments by fair value level	$ 24,635,827	$ 22,400,812	$ 2,235,015	$ -

Note 4 - Fair Value Measurements (Continued)

	Balance at June 30, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt securities:				
U.S. Treasury securities	$ 963,325	$ 852,702	$ 110,623	$ -
Foreign government bonds	61,007	-	61,007	-
Domestic corporate bonds	1,794,187	-	1,794,187	-
Foreign corporate bonds	243,266	-	243,266	-
Total debt securities	3,061,785	852,702	2,209,083	-
Equity securities:				
Domestic equity securities	1,536,427	1,536,427	-	-
International equity securities	209,764	209,764	-	-
Total equity securities	1,746,191	1,746,191	-	-
Mutual funds:				
Fixed-income mutual funds	3,420,048	3,420,048	-	-
Domestic equity mutual funds	5,871,858	5,871,858	-	-
Domestic tactical balanced mutual funds	1,552,500	1,552,500	-	-
Money market mutual funds	186,836	186,836	-	-
Total mutual funds	11,031,242	11,031,242	-	-
Total investments by fair value level	$ 15,839,218	$ 13,630,135	$ 2,209,083	$ -

Short-term investment and investments on the statement of net position at June 30, 2017 and 2016 include investments in STAR Ohio of $434,413 and $2,423,889, respectively. The investments in STAR Ohio are measured at amortized cost; therefore, they are not included in the tables above. There are no limitations or restrictions on any STAR Ohio participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given to STAR Ohio 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the STAR Ohio investors will be combined for these purposes.

Note 5 - Accounts Receivable

The composition of accounts receivable at June 30, 2017 and 2016 is summarized as follows:

	2017	2016
Student tuition and fees	$ 6,195,364	$ 7,039,905
Grants and contracts	1,288,530	1,475,564
Other	77,700	62,833
Total accounts receivable	7,561,594	8,578,302
Less allowance for doubtful accounts	(2,754,694)	(2,942,397)
Accounts receivable - Net	$ 4,806,900	$ 5,635,905

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Reclass and Additions	Reductions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 8,003,370	$ -	$ -	$ 8,003,370
Land improvements	6,928,632	-	-	6,928,632
Construction in progress	401,795	4,389,067	(145,883)	4,644,979
Total capital assets not being depreciated	15,333,797	4,389,067	(145,883)	19,576,981
Capital assets being depreciated:				
Buildings and improvements	105,824,087	287,985	(167,820)	105,944,252
Equipment	13,935,436	801,470	(130,489)	14,606,417
Library books	4,192,356	36,406	(35,676)	4,193,086
Total capital assets being depreciated	123,951,879	1,125,861	(333,985)	124,743,755
Less accumulated depreciation:				
Buildings and improvements	(43,372,765)	(2,972,476)	20,138	(46,325,103)
Equipment	(12,172,432)	(569,754)	109,883	(12,632,303)
Library books	(3,883,349)	(64,862)	35,676	(3,912,535)
Total accumulated depreciation	(59,428,546)	(3,607,092)	165,697	(62,869,941)
Total capital assets being depreciated - Net	64,523,333	(2,481,231)	(168,288)	61,873,814
Capital assets - Net	$ 79,857,130	$ 1,907,836	$ (314,171)	$ 81,450,795

Note 6 - Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Reclass and Additions	Reductions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 8,003,370	$ -	$ -	$ 8,003,370
Land improvements	6,928,632	-	-	6,928,632
Construction in progress	6,280,874	355,912	(6,234,991)	401,795
Total capital assets not being depreciated	21,212,876	355,912	(6,234,991)	15,333,797
Capital assets being depreciated:				
Buildings and improvements	99,439,807	6,384,280	-	105,824,087
Equipment	13,901,061	205,912	(171,537)	13,935,436
Library books	4,425,294	58,938	(291,876)	4,192,356
Total capital assets being depreciated	117,766,162	6,649,130	(463,413)	123,951,879
Less accumulated depreciation:				
Buildings and improvements	(40,532,056)	(2,840,709)	-	(43,372,765)
Equipment	(11,723,065)	(616,182)	166,815	(12,172,432)
Library books	(4,104,878)	(70,347)	291,876	(3,883,349)
Total accumulated depreciation	(56,359,999)	(3,527,238)	458,691	(59,428,546)
Total capital assets being depreciated - Net	61,406,163	3,121,892	(4,722)	64,523,333
Capital assets - Net	$ 82,619,039	$ 3,477,804	$(6,239,713)	$ 79,857,130

Note 7 - Compensated Absences

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

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

Note 8 - Long-term Obligations

The changes in the University's long-term obligations during fiscal year 2017 were as follows:

	Principal Outstanding July 1, 2016	Additions	Deductions	Principal Outstanding June 30, 2017	Current Portion
General Receipt Bonds, Series 2007	$ 13,875,000	$ -	$ 13,875,000	$ -	$ -
General Receipt Bonds, Series 2016	-	20,845,000	-	20,845,000	625,000
Unamortized bond premium	576,601	636,974	588,605	624,970	-
Capital lease	935,234	-	301,975	633,259	311,642
Compensated absences	1,924,562	196,455	245,309	1,875,708	187,571
Total long-term liabilities	$ 17,311,397	$ 21,678,429	$ 15,010,889	$ 23,978,937	$ 1,124,213

The changes in the University's long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding July 1, 2015	Additions	Deductions	Principal Outstanding June 30, 2016	Current Portion
2007 General Receipts Bonds, Series 2007	$ 14,365,000	$ -	$ 490,000	$ 13,875,000	$ 500,000
Unamortized bond premium	606,502	-	29,901	576,601	-
Capital lease	1,237,553	-	302,319	935,234	301,976
Compensated absences	2,439,837	270,486	785,761	1,924,562	192,456
Total long-term liabilities	$ 18,648,892	$ 270,486	$ 1,607,981	$ 17,311,397	$ 994,432

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

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

Note 8 - Long-term Obligations (Continued)

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

In fiscal year 2013, the University entered into a capital lease agreement to fund an IT infrastructure upgrade project. The agreement totaled $2,820,339 with various payment dates through October 1, 2016. In fiscal year 2015, the University added $227,407 in net additional capital lease funding and revised the payment schedule to reduce annual payment amounts by extending payment dates through October 1, 2018. As of June 30, 2016, assets totaling $3,047,632 were purchased utilizing these funds. The assets purchased are included within buildings at June 30, 2016.

The interest expense for fiscal years 2017 and 2016 was $1,081,197 and $695,915, respectively.

Principal and interest amounts due within each of the next five years and thereafter on the Series 2016 bond obligations outstanding at June 30, 2017 are as follows:

Years Ending June 30	Principal	Interest	Total
2018	$ 625,000	$ 694,775	$ 1,319,775
2019	645,000	682,275	1,327,275
2020	655,000	669,375	1,324,375
2021	915,000	649,725	1,564,725
2022	945,000	622,275	1,567,275
2023-2027	5,115,000	2,705,525	7,820,525
2028-2032	6,145,000	1,683,775	7,828,775
2033-2037	3,990,000	622,625	4,612,625
2038-2041	1,810,000	161,000	1,971,000
Total	$ 20,845,000	$ 8,491,350	$ 29,336,350

Note 8 - Long-term Obligations (Continued)

Principal and interest amounts due within each of the next two years on the capital lease obligations outstanding at June 30, 2017 are as follows:

Years Ending June 30	Principal	Interest	Total
2018	$ 311,642	$ 20,270	$ 331,912
2019	321,617	10,294	331,911
Total	$ 633,259	$ 30,564	$ 663,823

Note 9 - Leases

The University's operating leases consist of real property and movable equipment that expire in fiscal year 2029. Total expenditures during 2017 and 2016 under operating leases amounted to approximately $107,000 and $91,000, respectively.

Note 10 - Contingencies

The University receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a significant adverse effect on the overall financial statements of the University at June 30, 2017.

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

Note 11 - State Support

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

Note 11 - State Support (Continued)

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

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

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

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

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

Note 12 - Grants and Contracts

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

Note 13 - Retirement Plans

Plan Description - The University participates in the State Teachers Retirement System (STRS) and the Ohio Public Employees Retirement System (OPERS), statewide, cost-sharing, multiple-employer defined benefit public employee retirement systems governed by the Ohio Revised Code (ORC) that cover substantially all employees of the University, including law enforcement officers of the University. Each system has multiple retirement plan options available to its members, ranging from three in STRS and three in OPERS. Each system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. Each system also provides postemployment healthcare benefits (including Medicare B premiums) to retirees and beneficiaries who elect to receive those benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. The reports may be obtained by contacting:

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

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215
(800) 222-7377
www.opers.org

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

Note 13 - Retirement Plans (Continued)

Member contributions are set at the maximums authorized by the ORC. The plans' 2017 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution Rate
	Pension	Postretirement Healthcare	Total	Total
STRS (beginning 7/1/16)	14.00%	0.00%	14.00%	14.00%
OPERS - State/Local (through 12/31/16)	12.00%	2.00%	14.00%	10.00%
OPERS - State/Local (beginning 1/1/17)	13.00%	1.00%	14.00%	10.00%
OPERS - Law Enforcement (through 12/31/16)	16.10%	2.00%	18.10%	13.00%
OPERS - Law Enforcement (beginning 1/1/17)	17.10%	1.00%	18.10%	13.00%

The plans' 2016 employer and member contribution rates on covered payroll to each system are:

	Employer Contribution Rate			Member Contribution Rate
	Pension	Postretirement Healthcare	Total	Total
STRS (beginning 7/1/15)	14.00%	0.00%	14.00%	13.00%
STRS (beginning 7/1/14)	14.00%	0.00%	14.00%	12.00%
OPERS - State/Local	12.00%	2.00%	14.00%	10.00%
OPERS - Law Enforcement	16.10%	2.00%	18.10%	13.00%

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

	For the years ended June 30	
	2017	2016
STRS	$ 1,574,598	$ 1,655,224
OPERS	1,279,405	1,495,704
Total	$ 2,854,003	$ 3,150,928

Note 13 - Retirement Plans (Continued)

Benefits Provided

STRS - Plan benefits are established under Chapter 3307 of the Ohio Revised Code, as amended by Substitute Senate Bill 342 in 2012, which gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the cost-of-living adjustment as the need or opportunity arises, depending on the retirement system's funding progress.

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

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

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

OPERS - Plan benefits are established under Chapter 145 of the Ohio Revised Code, as amended by Substitute Senate Bill 343 in 2012. The requirements to retire depend on years of service (15 to 30 years) and attaining the age of 48 to 62, depending on when the employee became a member. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Member retirement benefits are calculated on a formula that considers years of service (15-30 years), age (48-62 years), and final average salary, using a factor ranging from 1.0 percent to 2.5 percent.

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

Note 13 - Retirement Plans (Continued)

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

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3.0 percent.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2017, the University reported a liability for its proportionate share of the net pension liability of STRS and OPERS. The net pension liability was measured as of July 1, 2016 for the STRS plan and December 31, 2016 for the OPERS plan. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

	Measurement	Net Pension Liability		Proportionate Share		Percent
Plan	Date	2017	2016	2017	2016	Change
STRS	July 1	$ 37,430,954	$ 30,295,455	0.11182%	0.10962%	2.01%
OPERS	December 31	18,089,973	14,649,733	0.07976%	0.08469%	-5.82%
Total		$ 55,520,927	$ 44,945,188			

For the years ended June 30, 2017 and 2016, the University recognized pension expense of $7,228,893 and $3,539,600, respectively. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,630,104	$ 210,869
Changes of assumptions	2,878,731	-
Net difference between projected and actual earnings on pension plan investments	5,810,965	-
Changes in proportion and differences between university contributions and proportionate share of contributions	502,134	1,055,654
University contributions subequent to the measurement date	2,117,711	-
Total	$ 12,939,645	$ 1,266,523

Note 13 - Retirement Plans (Continued)

At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,382,338	$ 295,025
Net difference between projected and actual earnings on pension plan investments	4,329,058	2,178,816
Changes in proportion and differences between university contributions and proportionate share of contributions	1,664	886,921
University contributions subequent to the measurement date	2,391,674	-
Total	$ 8,104,734	$ 3,360,762

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

Year Ending June 30	Amount
2018	$ 2,602,707
2019	2,797,594
2020	2,967,362
2021	1,188,741
2022	(407)
Thereafter	(583)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in 2018.

Assumption Changes - During the current measurement period, the OPERS board adopted certain assumption changes, which impacted its annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent, which increased the University's respective net pension liability.

Changes Between Measurement Date and Report Date - In March 2017, the STRS board adopted certain assumption changes that will impact its annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS board voted to suspend cost-of-living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the University's net pension liability is expected to be significant.

Note 13 - Retirement Plans (Continued)

Actuarial Assumptions - The total pension liability is based on the results of an actuarial valuation and was determined using the following actuarial assumptions, applied to all periods included in the measurement for the period ended June 30, 2017, as follows:

	STRS - as of 6/30/16	OPERS - as of 12/31/16
Valuation date	July 1, 2016	December 31, 2016
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	3.25 percent -10.75 percent
Inflation	2.75 percent	3.25 percent
Investment rate of return	7.75 percent, net of pension plan investment expense	7.50 percent, net of pension plan investment expense
Experience study date	Period of five years ended July 1, 2012	Period of five years ended December 31, 2015
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2014 Healthy Annuitant Mortality Table

The following actuarial assumptions, applied to all periods included in the measurement for the period ended June 30, 2016, were as follows:

	STRS - as of 6/30/15	OPERS - as of 12/31/15
Valuation date	July 1, 2015	December 31, 2015
Actuarial cost method	Entry age normal	Individual entry age
Cost of living	2.0 percent	3.0 percent
Salary increases, including inflation	2.75 percent - 12.25 percent	4.25 percent - 10.05 percent
Inflation	2.75 percent	3.75 percent
Investment rate of return	7.75 percent - Net of pension plan investment expense	8.00 percent - Net of pension plan investment expense
Experience study date	Period of five years ended July 1, 2012	Period of five years ended December 31, 2010
Mortality basis	RP-2000 Combined Mortality Table (Projection 2022-Scale AA)	RP-2000 Mortality Table (Projected 20 years using Projection Scale AA)

Note 13 - Retirement Plans (Continued)

Discount Rate - The discount rates used to measure the total pension liability at June 30 2017 were 7.75 percent and 7.50 percent for STRS and OPERS, respectively. The discount rates used to measure the total pension liabilities at June 30, 2016 were 7.75 percent and 8.00 percent for STRS and OPERS, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	STRS - as of 6/30/16			OPERS - as of 12/31/16	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity	31.00%	5.50%	Fixed income	23.00%	2.75%
International equity	26.00%	5.35%	Domestic equities	20.70%	6.34%
Alternatives	14.00%	5.50%	Real estate	10.00%	4.75%
Fixed income	18.00%	1.25%	Private equity	10.00%	8.97%
Real estate	10.00%	4.25%	International equity	18.30%	7.95%
Liquidity reserves	1.00%	0.50%	Other investments	18.00%	4.92%
Total	100.00%		Total	100.00%	

Note 13 - Retirement Plans (Continued)

Investment Category	STRS - as of 6/30/15 Target Allocation	STRS - as of 6/30/15 Long-term Expected Real Rate of Return	Investment Category	OPERS - as of 12/31/15 Target Allocation	OPERS - as of 12/31/15 Long-term Expected Real Rate of Return
Domestic equity	31.00%	5.50%	Fixed income	23.00%	2.31%
International equity	26.00%	5.35%	Domestic equities	20.70%	5.84%
Alternatives	14.00%	5.50%	Real estate	10.00%	4.25%
Fixed income	18.00%	1.25%	Private equity	10.00%	9.25%
Real estate	10.00%	4.25%	International equity	18.30%	7.40%
Liquidity reserves	1.00%	0.50%	Other investments	18.00%	4.59%
Total	100.00%		Total	100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate for the period ended June 30, 2017:

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	$ 49,742,696	7.75%	$ 37,430,954	8.75%	$ 27,045,274
OPERS	6.50%	27,673,795	7.50%	18,089,973	8.50%	10,105,188
		$ 77,416,491		$ 55,520,927		$ 37,150,462

The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate for the period ended June 30, 2016:

Plan	1.00 Percent Decrease		Current Discount Rate		1.00 Percent Increase	
STRS	6.75%	$ 42,082,672	7.75%	$ 30,295,455	8.75%	$ 20,327,605
OPERS	7.00%	23,373,034	8.00%	14,649,733	9.00%	7,292,921
		$ 65,455,706		$ 44,945,188		$ 27,620,526

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

Note 13 - Retirement Plans (Continued)

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

An employee in an OPERS eligible position contributes 10 percent of his/her earned income to his/her ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2017 and 2016, 13.23 percent was paid into the member's ARP account and the remaining 0.77 percent was paid to OPERS, as required by state legislation, to cover unfunded liabilities.

An employee in a STRS eligible position contributes 13 percent of his/her earned income to his/her ARP account. Legislation mandates the employer must contribute an amount to the state retirement system to which the employee would otherwise have belonged. For the years ended June 30, 2017 and 2016, 9.5 percent was paid into the member's ARP account and the remaining 4.5 percent was paid to STRS, as required by state legislation, to cover unfunded liabilities.

As of June 30, 2017 and 2016, there are approximately 70 and 71 active participants, respectively, participating in an ARP. The University's contribution for employees enrolled in ARP accounts for fiscal years 2017, 2016, and 2015 was $556,760, $490,810, and $462,550, respectively.

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

Note 14 - Postemployment Benefits

Ohio Public Employees Retirement System (OPERS) - OPERS provides access to postretirement healthcare coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. OPERS' eligibility requirements for postemployment healthcare coverage are changed for those retiring on and after January 1, 2015. Please see the plan statement in the OPERS 2016 CAFR for details. Access to healthcare coverage for disability recipients and primary survivor recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB to its eligible members and beneficiaries. Authority to establish and amend benefits is provided per the Ohio Revised Code.

Note 14 - Postemployment Benefits (Continued)

OPERS' Postemployment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). Each year, the OPERS board of trustees determines the portion of the employer contribution rate that will be set aside for funding of postemployment health care. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan, as recommended by OPERS' actuary, was 2.0 percent during calendar years 2017 and 2016. The OPERS board of trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the University's 2017, 2016, and 2015 contributions to OPERS used to fund postemployment benefits was $201,116, $213,589, and $218,291, respectively.

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

Previously, under Ohio law, funding for postemployment health care could be deducted from employer contributions. Effective July 1, 2014, no employer contributions for STRS are being allocated to postemployment health care.

Note 15 - Risk Management

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

During fiscal year 2017, the University maintained the lines of coverage below. All limits are dedicated to the University, unless explicitly noted as shared with other IUC-IC members. Real property and contents are 100 percent insured.

Note 15 - Risk Management (Continued)

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

Notes:

(1) Shared limits with other IUC-IC members

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

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

The University has a self-insured healthcare plan.

Note 15 - Risk Management (Continued)

Changes in the self-insurance claims liability for the years ended June 30, 2017, 2016, and 2015 are summarized as follows:

	2017	2016	2015
Accrued claims liability - Beginning of year	$ 494,763	$ 614,345	$ 514,099
Current year claims	5,122,619	4,127,013	4,895,035
Claims payments	(5,204,473)	(4,246,595)	(4,794,789)
Accrued claims liability - End of year	$ 412,909	$ 494,763	$ 614,345

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

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

Note 16 - Component Unit Disclosure

Basis of Presentation

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

Net Assets

Temporarily restricted net assets represent funds which are restricted for a specific purpose determined by the donor. Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, the principal be maintained intact and only the earnings of the fund be expended as the donor has specified. Temporarily and permanently restricted net assets at June 30, 2017 and 2016 are restricted primarily for scholarships, university programs, and capital improvements.

Note 16 - Component Unit Disclosure (Continued)

Contribution Revenue

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

Investments

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

The fair value of investments at June 30, 2017 and 2016, by classification, is as follows:

	2017	2016
U.S. government securities	$ 1,794,111	$ 1,096,177
Foreign bond issues	171,720	222,907
Mutual funds:		
Equity	12,462,337	7,230,836
Fixed income	2,960,123	2,645,293
Balanced	-	2,188,424
Common stock	-	2,697,923
Corporate bond issues	935,619	1,521,224
Total	$ 18,323,910	$ 17,602,784

Assets Measured at Fair Value on a Recurring Basis at June 30, 2017

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
U.S. government securities	$ 1,794,111	$ -	$ -	$ 1,794,111
Mutual funds:				
Equity	12,462,337	-	-	12,462,337
Fixed income	2,960,123	-	-	2,960,123
Foreign bond issues	-	171,720	-	171,720
Corporate bond issues	-	935,619	-	935,619
Beneficial interest in trusts	-	-	1,025,037	1,025,037
Total assets	$ 17,216,571	$ 1,107,339	$ 1,025,037	$ 19,348,947

Note 16 - Component Unit Disclosure (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2016
U.S. government securities	$ 1,096,177	$ -	$ -	$ 1,096,177
Mutual funds:				
Equity	7,230,836	-	-	7,230,836
Fixed income	2,645,293	-	-	2,645,293
Balanced	2,188,424	-	-	2,188,424
Common stock:				
Industrials	193,687	-	-	193,687
Healthcare	349,801	-	-	349,801
Information technology	632,469	-	-	632,469
Telecomm	12,325	-	-	12,325
Energy	36,044	-	-	36,044
Materials	209,688	-	-	209,688
Foreign	353,613	-	-	353,613
Financials	365,516	-	-	365,516
Consumer goods	468,898	-	-	468,898
Real estate	75,882	-	-	75,882
Foreign bond issues	-	222,907	-	222,907
Corporate bond issues	-	1,521,224	-	1,521,224
Beneficial interest in trusts	-	-	952,875	952,875
Total assets	$ 15,858,653	$ 1,744,131	$ 952,875	$ 18,555,659

Fixed Assets

During fiscal year 2016, the Foundation acquired one new property. The transaction occurred on November 23, 2015 at the purchase price of $150,000.

Note 16 - Component Unit Disclosure (Continued)

Property and equipment consist of the following:

	2017	2016
Land	$ 2,248,769	$ 2,168,264
Equipment and furniture	13,938	5,747
Buildings	9,717,077	9,551,652
Construction in progress	-	15,699
Total property and equipment	11,979,784	11,741,362
Accumulated depreciation	775,212	535,279
Net property and equipment	$ 11,204,572	$ 11,206,083

Debt

The Foundation entered into a $4,500,000 note with an interest rate of 5.0 percent payable to Hatcher Real Estate, LLC for the purchase of the Fourth Street Properties. The note is secured by the land and buildings. This note is payable in monthly installments of $29,698. The payments are based on a 20-year amortization schedule and include a balloon payment due at maturity on February 25, 2019 for the remaining balance. The Foundation will have an option to extend the maturity date for a two-year period; however, payments will continue during that time. At June 30, 2017 and 2016, the outstanding principal balance of the note was $4,024,546 and $4,175,573, respectively.

Related Party Transactions

During the years ended June 30, 2017 and 2016, the Foundation made distributions of $1,341,063 and $994,464, respectively, to or on behalf of the University for both restricted and unrestricted purposes. The Foundation leases building space to Shawnee State University for the use of educational facilities. The outstanding lease due under this arrangement was $26,344 and $28,514 as of June 30, 2017 and 2016, respectively. On June 16, 2017, Shawnee State University transferred the land and building located at 310 Chillicothe Street, valued at $193,565, to the Foundation. Complete financial statements for the Foundation can be obtained from the Shawnee State University Development Foundation, Inc. at 940 Second Street, Portsmouth, Ohio 45662.

Required Supplementary Information

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

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

	2017	2016	2015
University's proportion of the collective net pension liability:			
As a percentage	0.11182%	0.10962%	0.11347%
Amount	$ 37,430,954	$ 30,295,455	$ 27,600,967
University's covered employee payroll	$ 13,596,142	$ 11,436,893	$ 10,440,100
University's proportionate share of the collective pension liability, as a percentage of the University's covered employee payroll	275.31%	264.89%	264.37%
Plan fiduciary net position as a percentage of the total pension liability	66.78%	72.10%	74.71%

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

	2017	2016	2015
University's proportion of the collective net pension liability:			
As a percentage	0.07976%	0.08469%	0.08633%
Amount	$ 18,089,973	$ 14,649,733	$ 10,394,787
University's covered employee payroll	$ 9,138,607	$ 10,894,207	$ 10,899,653
University's proportionate share of the collective pension liability, as a percentage of the University's covered employee payroll	197.95%	134.47%	95.37%
Plan fiduciary net position as a percentage of the total pension liability	77.39%	81.19%	86.53%

STRS Schedule of University Contributions

	2017	2016	2015
Statutorily required contribution	$ 1,574,598	$ 1,655,224	$ 1,623,157
Contributions in relation to the actuarially determined contractually required contribution	$ 1,574,598	$ 1,655,224	$ 1,623,157
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 11,247,129	$ 11,823,029	$ 11,593,979
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%

OPERS Schedule of University Contributions

	2017	2016	2015
Statutorily required contribution	$ 1,279,405	$ 1,495,704	$ 1,534,786
Contributions in relation to the actuarially determined contractually required contribution	$ 1,279,405	$ 1,495,704	$ 1,534,786
Contribution deficiency (excess)	$ -	$ -	$ -
Covered employee payroll	$ 9,138,607	$ 10,683,600	$ 10,962,757
Contributions as a percentage of covered employee payroll	14.00%	14.00%	14.00%

Changes of benefit terms

There were no changes in benefit terms affecting the STRS and OPERS plans for the plan years ended June 30, 2016 and December 31, 2016, respectively.

Changes of assumptions

STRS: There were no changes in assumptions affecting STRS for the plan year ended June 30, 2016.

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

Supplementary Information

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

Independent Auditor's Report

To Management and the Board of Trustees
Shawnee State University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Shawnee State University (the "University"), a component unit of the State of Ohio, and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

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

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

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

To Management and the Board of Trustees
Shawnee State University

Compliance and Other Matters

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

Purpose of this Report

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

Plante & Moran, PLLC

October 11, 2017

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

Independent Auditor's Report

To the Board of Trustees
Shawnee State University

Report on Compliance for Each Major Federal Program

We have audited Shawnee State University's (the "University") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Shawnee State University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shawnee State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Trustees
Shawnee State University

Opinion on Each Major Federal Program

In our opinion, Shawnee State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Findings 2017-001 and 2017-002, that we consider to be significant deficiencies.

Shawnee State University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Shawnee State University's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

To the Board of Trustees
Shawnee State University

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

Plante & Moran, PLLC

October 11, 2017

Shawnee State University

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	CFDA No.	Federal/Pass-through Grant Number	Total Amount Provided to Subrecipients	Expenditures
U. S. Department of Education:				
Direct from Federal Agency - Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	N/A	$ -	$ 113,928
Federal College Work Study	84.033	N/A	-	117,679
Federal Pell Grant Program	84.063	N/A	-	7,510,056
Federal Direct Loan Program	84.268	N/A	-	20,171,887
Teacher Education Assistance for College & Higher Education (TEACH)	84.379	N/A	-	67,155
Total Student Financial Assistance Cluster				27,980,705
TRIO Cluster:				
Upward Bound	84.047A	N/A	-	273,157
Upward Bound Math Science	84.047M	N/A	-	273,553
Educational Opportunity Centers	84.066A	N/A	-	347,758
Total TRIO Cluster				894,468
Pass through the University of Dayton Special Education Cluster (IDEA):				
Broadening Horizons	84.027	RSC16061	-	206,128
Simultaneous Renewal	84.027	RSC16090	-	33,635
Teachers for All Students	84.027	RSC16060	-	112,211
LISD Collaborative	84.027	RSC16112	-	71,006
Total Special Education Cluster (IDEA)				422,980
Direct from Federal Agency - Higher Education Institutional Aid	84.031A	N/A	-	122,720
Pass through the Ohio Department of Education:				
Twenty-First Century Community Learning Centers	84.287	063321-T1S1	-	524,474
Secondary Career - Technical Alighment Initiative	84.048	N/A	-	1,750
All Together	84.323A	N/A	-	11,005
ITQ Summer Institute	84.367	N/A	-	57,250
Science By Inquiry	84.367	N/A	-	35,930
Subtotal Pass-through Programs				630,409
U. S. Department of Agriculture - Pass through Ohio Department of Education - Child and Adult Care Food Program	10.558	16-CU, 21-CU, 21-FU	-	13,434
National Aeronautics and Space Administration - Pass through Space Telescope Science Institute - Space Telescope Project	43.012	N/A	-	1,451
Total federal expenditures			**$ -**	**$ 30,066,167**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Shawnee State University (the "University") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Shawnee State University, it is not intended to and does not present the financial position, changes in net position, or cash flows of Shawnee State University.

Note 2 - Summary of Significant Accounting Policies

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

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

Note 3 - Federal Work-study and Federal SEOG Waiver

For the year ended June 30, 2017, the University received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-study and Federal Supplemental Educational Opportunity Grant programs.

Note 4 - Federal Direct Loan Program

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.063, 84.268, 84.379	Student Financial Assistance Cluster

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2017-001	**CFDA Number, Federal Agency, and Program Name** - CFDA No. 84.268, Department of Education, Federal Direct Student Loans

Federal Award Identification Nnumber and Year - N/A

Pass-through Entity - None

Finding Type - Significant deficiency

Repeat Finding - No

Criteria - In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended less (1) The student's estimated financial assistance for that period, and (2) In the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period. (34 CFR 685.203(j)).

Condition - The University awarded financial aid in excess of need for certain students because the cost of attendance was not accurate.

Questioned Costs - Questioned costs for the one student identified in the sample were $2,467. The questioned costs for the additional two students identified by the University were $4,690 for a total of $7,157 of questioned costs.

Identification of How Questioned Costs were Computed - The questioned costs were determined by totaling the aid awarded in excess of need for the three affected students.

Context - Of the 25 students tested for eligibility, one student was awarded financial aid in excess of need. The University reviewed all potentially affected students and found an additional two students who were awarded financial aid in excess of need.

Cause and Effect - The graduate student cost of attendance for the University was decreased after the initial calculation of financial aid for students was completed. The University had to manually adjust the cost of attendance for all graduate students. The University did not have a control in place in order to ensure that all updates to awards were made and did not update for three students, which led to financial aid awarded in excess of need.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2017-001 (continued)	**Recommendation** - The University should implement a thorough review process for any manual cost-of-attendance adjustments to ensure that any updates are applied to all affected students. **Views of Responsible Officials and Planned Corrective Actions** - The Financial Aid Office has completed a review of all graduate students to determine if their cost of attendance was incorrect. Three students out of 94 were identified to have an incorrect cost of attendance. We made the necessary corrections to the three students. Moving forward, we will require one staff member to change the cost of attendance and another staff member review all changes.

Reference Number	Finding
2017-002	**CFDA Number, Federal Agency, and Program Name** - CFDA Nos. 84.063 and 84.268, Department of Education, Federal Pell Grant Program and Federal Direct Student Loans **Federal Award Identification Number and Year** - N/A **Pass-through Entity** - None **Finding Type** - Significant deficiency **Repeat Finding** - No **Criteria** - Federal Pell Grant Program: An institution shall submit, in accordance with deadline dates established by the Secretary, through publication in the Federal Register, other reports and information the Secretary requires and shall comply with the procedures the Secretary finds necessary to ensure that the reports are correct (34 CFR Section 690.83(b)(2)). Federal Direct Student Loans: Changes in student status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR Section 685.309(b)). **Condition** - The University did not report student status changes within the required timeframe for certain students that graduated. **Questioned Costs** - None

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2017-002 (continued)	**Identification of How Questioned Costs were Computed** - N/A

Context - Of the 25 students tested for student status changes, two students were not properly reported as graduations.

Cause and Effect - Certain students received grade changes that allowed them to graduate after being reported as withdrawn by the University. The University did not have a control in place to ensure that the change in status (from withdrawn to graduated) was reported to NSLDS.

Recommendation - The University should implement controls and processes to ensure that all student status changes are properly reported.

Views of Responsible Officials and Planned Corrective Actions - Each semester, the Registrar's Office will review the graduates to determine those students who did not attend in the semester they graduated. Those students will be manually updated to a graduated status in the National Student Clearinghouse. This information will then be transferred to NSLDS by the clearinghouse.

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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
NOVEMBER 14, 2017