

SHAWNEE STATE UNIVERSITY

SINGLE AUDIT

JULY 1, 1999 THROUGH JUNE 30, 2000

**FISCAL YEAR AUDITED UNDER GAGAS:
2000**

MICHAEL A. BALESTRA, CPA, INC.

CERTIFIED PUBLIC ACCOUNTANTS

528 SOUTH WEST STREET, P.O. BOX 687

PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

E-Mail: mbalepa@bright.net



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st
Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Trustees
Shawnee State University
Portsmouth, Ohio 45662

We have reviewed the Independent Auditor's Report of the Shawnee State University, Scioto County, prepared by Michael A. Balestra, CPA, Inc., for the audit period July 1, 1999 through June 30, 2000. 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.

JIM PETRO
Auditor of State

December 12, 2000

SHAWNEE STATE UNIVERSITY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	
Audited Financial Statements	
Balance Sheet	1-4
Statement of Revenues, Expenditures and Other Changes in Fund Equities	5-6
Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities	7-8
Notes to the General Purpose Financial Statements	9-20
Schedule of Federal Awards Expenditures	21
Notes to Schedule of Federal Awards Expenditures	22
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	23-24
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	25-26
Schedule of Findings & Questioned Costs OMB Circular A-133 Section .505	27-28
Supplemental Financial Information	
Schedule of Current Revenues - Educational and General	29
Schedule of Current Expenditures - Educational and General	30-31
Schedule of Revenues, Expenditures and Changes in Auxiliary Enterprises Fund Balance	32

MICHAEL A. BALESTRA, CPA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET, P. O. BOX 687
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131

FAX (740) 289-3639

E-MAIL: mbalcpa@bright.net

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying balance sheets of Shawnee State University, a component unit of the state of Ohio, as of and for the years ended June 30, 2000 and 1999, and the related statements of revenues, expenditures and other changes in fund equities, and current funds revenues, expenditures and other changes in fund equities for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Shawnee State University, as of June 30, 2000 and 1999, and the revenues, expenditures and other changes in its fund equities and its current funds revenues, expenditures and other changes in fund equities for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2000 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the University, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The Supplemental Financial Information listed in the table of contents are presented for additional analysis and are not a required part of the financial statements of the University. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

October 13, 2000

SHAWNEE STATE UNIVERSITY
BALANCE SHEET

	June 30	
	2000	1999
Assets		
Current Funds		
Unrestricted		
Educational & general		
Pooled cash & cash equivalents	\$13,760,997	\$12,336,373
Accounts receivable, less allowance	541,039	609,586
Inventory-general stores	53,365	48,673
Investments	3,770,382	3,603,954
Accrued Interest Receivable	49,168	39,005
Prepaid and deferred expenses	115,866	146,693
Total educational & general	\$18,290,817	\$16,784,284
Auxiliary enterprises		
Cash	\$1,306	\$1,159
Accounts receivable	199,902	219,477
Prepaid and deferred expenses	3,017	8,027
Due from Current Funds	454,412	436,825
Total auxiliary enterprises	\$658,637	\$665,488
Restricted Funds		
Cash	\$1,424	\$1,350
Accounts receivable	636,887	561,353
Unbilled receivable	1,015,706	1,717,285
Prepaid expense	13,757	4,600
Total restricted	\$1,667,774	\$2,284,588
Total current funds	\$20,617,228	\$19,734,360

See accompanying notes to the general purpose financial statements.

	June 30	
	2000	1999
Liabilities & Fund Equity		
Current Funds		
Unrestricted		
Educational & general		
Accounts payable/accrued liabilities	\$2,601,918	\$2,794,650
Deposits and deferred credits	333,463	330,297
Compensated absences	1,013,044	849,184
Due to Other Funds	1,394,387	985,715
Fund balance		
Allocated	5,283,331	5,565,395
Unallocated	7,664,674	6,259,043
	<u> </u>	<u> </u>
Total educational & general	<u>\$18,290,817</u>	<u>\$16,784,284</u>
Auxiliary enterprises		
Accounts Payable/Accrued Liabilities	\$113,567	\$61,604
Deposits	63,214	52,413
Fund Equities	481,856	551,471
	<u> </u>	<u> </u>
Total auxiliary enterprises	<u>\$658,637</u>	<u>\$665,488</u>
Restricted		
Accounts Payable/Accrued Liabilities	\$142,648	\$102,303
Due to current funds	287,741	1,272,853
Fund Equities	1,237,385	909,432
	<u> </u>	<u> </u>
Total restricted	<u>\$1,667,774</u>	<u>\$2,284,588</u>
Total current funds	<u><u>\$20,617,228</u></u>	<u><u>\$19,734,360</u></u>

SHAWNEE STATE UNIVERSITY
BALANCE SHEET

	June 30	
	2000	1999
Assets		
Loan Funds		
Cash	\$12,789	\$12,689
Notes receivable, less allowance	41,612	36,030
Due from current funds	9,410	17,192
Total loan funds	\$63,811	\$65,911
Plant funds		
Unexpended		
Deposits held by trustees	\$2,018	\$1,928
Interest Receivable	9	6
Due from current funds	1,188,278	1,754,658
Total unexpended	\$1,190,305	\$1,756,592
Retirement of indebtedness		
Deposits held by trustees	\$338,175	\$337,806
Interest receivable	2,988	2,649
Investments	176,292	181,421
Deferred Charges	114,765	125,361
Total retirement of indebtedness	\$632,220	\$647,237
Investment in plant		
Land	\$6,800,339	\$6,772,339
Land improvements	5,764,833	4,614,640
Buildings	60,103,558	59,294,189
Construction-in-progress	855,479	335,207
Movable equipment, furniture, and library books	17,330,751	16,348,873
Total investment in plant	\$90,854,960	\$87,365,248
Total plant funds	\$92,677,485	\$89,769,077
Agency funds		
Accounts receivable	\$1,213	\$1,204
Prepaid expenses	0	700
Due from current funds	30,028	49,893
Total agency fund	\$31,241	\$51,797

	June 30	
	2000	1999
Liabilities & Fund Equity		
Loan Funds		
Fund balances:		
Restricted	<u>\$63,811</u>	<u>\$65,911</u>
Total loan funds	<u><u>\$63,811</u></u>	<u><u>\$65,911</u></u>
Plant funds		
Unexpended		
Accounts payable	\$0	\$70,191
Bonds payable	0	20,598
Fund equities	<u>1,190,305</u>	<u>1,665,803</u>
Total Unexpended Plant Funds	<u>\$1,190,305</u>	<u>\$1,756,592</u>
Retirement of indebtedness		
Accrued interest payable	\$20,288	\$21,554
Bonds payable	125,593	267,227
Restricted fund balance	<u>486,339</u>	<u>358,456</u>
Total retirement of indebtedness	<u>\$632,220</u>	<u>\$647,237</u>
Investment in plant		
Bonds and notes payable	\$3,599,407	\$3,672,175
Net investment in plant	<u>87,255,553</u>	<u>83,693,073</u>
Total investment in plant	<u>\$90,854,960</u>	<u>\$87,365,248</u>
Total plant funds	<u><u>\$92,677,485.00</u></u>	<u><u>\$89,769,077.00</u></u>
Agency funds		
Accounts Payable/Accrued Liabilities	\$755	\$3,938
Deposits held for others	<u>30,486</u>	<u>47,859</u>
Total agency fund	<u><u>\$31,241</u></u>	<u><u>\$51,797</u></u>

See accompanying notes to the general purpose financial statements.

SHAWNEE STATE UNIVERSITY
Statement of Revenues, Expenditures and Other Changes in Fund Equities
Year ended June 30, 2000

	Current Funds			
	Unrestricted Educational & General	Auxiliary Enterprises	Total Unrestricted	Restricted Educational & General
Revenue & other additions				
Unrestricted current funds revenue	\$25,732,231	\$0	\$25,732,231	\$0
State appropriations - restricted	0	0	0	0
Federal grants & contracts	0	0	0	5,165,214
State grants & contracts	0	0	0	3,429,212
Local grants & contracts	0	0	0	270,615
Private contributions	0	0	0	1,147,450
Sales and services	0	3,187,938	3,187,938	0
Expended for Plant	0	0	0	0
Retirement of Indebtedness	0	0	0	0
Other sources	0	0	0	0
Total revenues & other additions	<u>25,732,231</u>	<u>3,187,938</u>	<u>28,920,169</u>	<u>10,012,491</u>
Expenditures & other deductions				
Educational & general expenditures	24,213,000	0	24,213,000	10,012,491
Auxiliary enterprise expenditures	0	2,916,091	2,916,091	0
Expended for plant	0	0	0	0
Retirement of indebtedness	0	0	0	0
Interest on indebtedness	0	0	0	0
Disposal of assets	0	0	0	0
Other deductions	0	0	0	0
Total expenditures & other deductions	<u>24,213,000</u>	<u>2,916,091</u>	<u>27,129,091</u>	<u>10,012,491</u>
Transfers among funds - additions/(deductions)				
Mandatory	0	(466,197)	(466,197)	0
Nonmandatory	(395,664)	124,735	(270,929)	10,929
Total transfers	<u>(395,664)</u>	<u>(341,462)</u>	<u>(737,126)</u>	<u>10,929</u>
Other transfers and additions:				
Excess receipts over expenditures				<u>317,024</u>
Net increase/(decrease) for the year	1,123,567	(69,615)	1,053,952	327,953
Fund balance at the beginning of the year	11,824,438	551,471	12,375,909	909,432
Fund balance at end of fiscal year	<u>\$12,948,005</u>	<u>\$481,856</u>	<u>\$13,429,861</u>	<u>\$1,237,385</u>

See accompanying notes to the general purpose financial statements.

Total Current Funds	Loan Funds	Plant Funds		
		Unexpended	Retirement of Indebtedness	Investment in Plant
\$25,732,231	\$0	\$0	\$0	\$0
0	0	2,040,978	0	0
5,165,214	0	0	0	0
3,429,212	0	0	0	0
270,615	0	0	0	0
1,147,450	0	0	0	0
3,187,938	0	0	0	0
0	0	0	0	3,503,138
0	0	20,598	141,634	0
0	0	54,440	23,027	72,768
38,932,660	0	2,116,016	164,661	3,575,906
34,225,491	0	0	0	0
2,916,091	0	0	0	0
0	0	2,851,514	0	0
0	0	0	245,596	0
0	0	0	257,379	0
0	0	0	0	13,426
0	2,100	0	0	0
37,141,582	2,100	2,851,514	502,975	13,426
(466,197)	0	0	466,197	0
(260,000)	0	260,000	0	0
(726,197)	0	260,000	466,197	0
317,024				
1,381,905	(2,100)	(475,498)	127,883	3,562,480
13,285,341	65,911	1,665,803	358,456	83,693,073
\$14,667,246	\$63,811	\$1,190,305	\$486,339	\$87,255,553

SHAWNEE STATE UNIVERSITY
Statement of Current Funds Revenue, Expenditures & Other Changes
Changes in Fund Equities
Year ended June 30, 2000

	<i>CURRENT FUNDS</i>		
	Unrestricted Educational & General	Unrestricted Auxiliary Enterprises	Total Unrestricted
<u>Revenues</u>			
Tuition, fees, & other student charges	\$9,792,488	\$1,635,258	\$11,427,746
State appropriations	14,715,035	0	14,715,035
Federal grants & contracts	0	0	0
State grants & contracts	50,000	30,750	80,750
Local grants & contracts	0	644	644
Private gifts, grants & contracts	0	68,500	68,500
Sales & services	62,259	501,267	563,526
Other sources	1,112,449	951,519	2,063,968
Total revenues	25,732,231	3,187,938	28,920,169
<u>Expenditures & mandatory transfers</u>			
Educational & general			
Instruction & departmental research	11,287,216	0	11,287,216
Public service	193,996	0	193,996
Academic support	1,999,612	0	1,999,612
Student services	2,126,710	0	2,126,710
Institutional support	4,800,315	0	4,800,315
Operation & maintenance of plant	3,012,709	0	3,012,709
Scholarships & fellowships	792,442	0	792,442
Total educational & general expenditures	24,213,000	0	24,213,000
Auxiliary enterprises	0	2,916,091	2,916,091
Mandatory transfer for principal and interest	0	466,197	466,197
Total expenditures & mandatory transfers	24,213,000	3,382,288	27,595,288
Nonmandatory transfers & additions/(deductions)			
Nonmandatory transfers for:			
Support to auxiliary enterprises	(124,735)	124,735	0
Support to plant funds	(260,000)	0	(260,000)
Support to restricted	(10,929)	0	(10,929)
Other additions (deductions):			
Excess of (less than) restricted receipts over transfers to revenues	0	0	0
Total nonmandatory transfers and other additions (deductions)	(395,664)	124,735	(270,929)
Net increase/(decrease) in fund balance	\$1,123,567	(\$69,615)	\$1,053,952

See accompanying notes to the general purpose financial statements.

<u>Restricted Educational & General</u>	<u>Total Current Funds 2000</u>	<u>Total Current Funds 1999</u>
\$0	\$11,427,746	\$11,237,431
0	14,715,035	13,655,480
5,165,214	5,165,214	4,829,344
3,429,212	3,509,962	3,239,301
270,615	271,259	303,002
1,147,450	1,215,950	931,782
0	563,526	355,677
0	2,063,968	1,836,289
<u>10,012,491</u>	<u>38,932,660</u>	<u>36,388,306</u>
48,648	11,335,864	10,558,831
3,448,983	3,642,979	2,932,862
32,154	2,031,766	1,922,128
255,738	2,382,448	2,353,759
178,549	4,978,864	4,042,252
18,368	3,031,077	2,969,702
6,030,051	6,822,493	6,831,981
<u>10,012,491</u>	<u>34,225,491</u>	<u>31,611,515</u>
0	2,916,091	2,071,088
0	466,197	464,715
<u>10,012,491</u>	<u>37,607,779</u>	<u>34,147,318</u>
0	0	0
0	(260,000)	(705,000)
10,929	0	0
<u>317,024</u>	<u>317,024</u>	<u>509,325</u>
<u>327,953</u>	<u>57,024</u>	<u>(195,675)</u>
<u>\$327,953</u>	<u>\$1,381,905</u>	<u>\$2,045,313</u>

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of Shawnee State University (the University) have been prepared on the accrual basis and are in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and those applicable to public colleges and universities as prescribed by the American Institute of Certified Public Accountants' College Guide Model.

In accordance with Governmental Accounting Standards Board Statement No. 14, *The Reporting Entity*, (GASB No. 14) the University's financial statements are included, as a discrete entity, on the State of Ohio's Consolidated Annual Financial Report.

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Accrual Accounting

The University prepares its financial statements on the accrual basis in accordance with generally accepted accounting principles for state-assisted colleges and universities. Consequently, certain revenues and related assets are recognized when the obligation is incurred rather than when received, and certain expenditures are recognized when the obligation is incurred rather than when paid. The accompanying statements of revenues, expenditures and other changes in fund equities and current funds revenues, expenditures and other changes in fund equities represent statements of financial activities of funds related to the current reporting period. They do not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Fund Accounting

The University's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, and fund equity, revenues and expenditures (expenses). Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been reported by fund group in the financial statements. The following fund types and groups are used by the University:

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Funds

This group accounts for funds which are available for current operating purposes. The Current Funds Group is further subdivided into three fund types:

Educational and General: Funds which are unrestricted and available for general operating purposes.

Auxiliary Enterprises: Funds which are available for the operation of the various enterprises operated primarily for students and staff.

Restricted: Funds which are available for current operating purposes, but only in compliance with restrictions specified by the donor or grantors.

Loan Funds

Funds that are available for loans to students. Loans granted are receivables of the Fund until they are repaid. At that time, the money becomes available for new loans.

Plant Funds

Funds which have been received for the purpose of acquiring, constructing or improving the physical property of the University. Plant funds are further subdivided as follows: Unexpended Plant Funds, Retirement of Indebtedness, and Investment in Plant.

Unexpended funds include resources set aside for acquisition of land, improvements, buildings, and equipment. Retirement of indebtedness funds include resources specifically accumulated for the payment of principle and interest on debt incurred in connection with the acquisition of properties primarily to the terms of bond indentures. Investment in plant funds represents the net of land, buildings and equipment and related liabilities.

Agency Funds

Funds held by the University as custodian or fiscal agent for others such as student organizations, individual students, or faculty members. Accordingly, the transactions in this fund do not affect the statement of revenues, expenditures and other changes in fund equities.

Accrued Liabilities

Accrued liabilities consist primarily of accrued compensation and benefits.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

**NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Deferred Credits

Deferred credits in the Current Unrestricted Fund are principally comprised of receipts relating to tuition and student fees in advance of the services to be provided. The University will recognize unrestricted revenue to the extent these services are provided over the coming fiscal year.

Income Taxes

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

Pooled Cash and Investments

The University maintains a cash and investment pool used by all funds except those held by a trustee. Each fund type's portion of this pool is displayed on the balance sheet as due to (from) other funds. All interfund borrowings are currently payable without interest. Cash consists of petty cash and demand deposits (see Note 2).

During fiscal year 2000, investments were limited to STAR Ohio, Star Treasury Fund, U.S. Treasury Notes and Fifth Third Bank's Liquid Asset Management Account.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Inventories

The University's inventories consist principally of supplies maintained in Central Stores and are valued at a moving average cost.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Plant

Fixed assets are carried at cost, if purchased, or fair market value at date of gift, if so acquired. Depreciation on plant and equipment is properly not recorded in pursuant to guidance in Governmental Accounting Standard No. 8. Expenditures for renewals or betterments are capitalized. Expenditures for maintenance and repairs are charged to expense.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest and equipment renewal and replacement; or (3) transfers of a nonmandatory nature for all other cases. When plant assets are sold or otherwise disposed of, the carrying value of such assets is removed from the accounts and the net investment in plant is reduced accordingly.

Interfund Borrowing

All of the fund groups share one bank account to simplify the cash disbursements process and to facilitate good cash management. When transactions of the other fund groups are paid from one fund group's bank account (for example, current funds), an interfund borrowing occurs. This borrowing should be viewed as temporary in nature because the current funds have more cash, cash equivalents and short-term investments than interfund payable, as clearly demonstrated by the positive balance in all of the funds.

NOTE 2 - POOLED CASH AND INVESTMENTS

Monies held by the University are pooled for the purpose of investment management. The University invests in those instruments identified by state statute. Specifically, authorized investment instruments consist of obligations of the U. S. Treasury, Agencies and Instrumentalities of the U. S. Government, bonds and other obligations of the State of Ohio and its political subdivisions, collateralized Certificates of Deposit, Repurchase Agreements in the securities enumerated above, and the State Treasury Asset Reserve of Ohio (STAR Ohio), which is managed by the State of Ohio.

All investments are accounted for in their respective funds and are stated at fair value as required by GASB #31. Investments acquired by gift are stated at fair value at date of gift if a fair value is available, and otherwise at an appraised or nominal value. All such gifts are separately reported in the financial statements of the Shawnee State University Development Foundation (See Note 11).

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 2 - POOLED CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (including Deposits held by Trustee) of the University as of June 30, 2000 are comprised of the following:

	<u>Fair Value</u>
Current and Loan Funds:	
Star Ohio	\$ 3,372,461
Star Treasury Fund	911,792
Liquid Asset Management Account	3,770,382
Total Investments	<u>8,054,635</u>
Other Cash and Cash Equivalents	<u>9,492,263</u>
 Sub-total:	 <u>\$17,546,898</u>
 Plant funds:	
U.S. Treasury Notes	176,292
Star Treasury Fund	<u>340,193</u>
 Sub-total:	 <u>516,485</u>
 Total Cash and Investments (all funds):	 <u><u>\$ 18,063,383</u></u>

Governmental Accounting Standards Board (GASB) Statement No. 3 requires that all investments be classified in one of the three following credit risk categories:

1. Insured or registered, for which securities are held by the entity or its agent in the entity's name;
2. Uninsured and unregistered, for which securities are held by the counter-party's trust department or agent in the entity's name;
3. Uninsured and unregistered, for which securities are held by the counter-party, or by its trust department or agent but not in the entity's name.

At June 30, 2000 and 1999, the carrying amount of the University's deposits, (which consists of cash, including cash on hand of \$4,139 and \$3,908, deposits held by trustee, and investments) were \$18,063,383 and \$16,476,680 and the bank balances were \$10,496,445 and \$8,880,489, respectively. The differences in carrying amount and bank balances result from outstanding checks and deposits in transit. Based on the criteria summarized above, the University's deposits and investments at June 30, 2000 and 1999 can be classified. The bank balances at June 30, 2000 and 1999 of \$200,000 and \$202,305, respectively, are covered by federal deposit insurance (Category 1).

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 2 - POOLED CASH AND INVESTMENTS (CONTINUED)

The remaining balances at June 30, 2000 and 1999 of \$10,296,445 and \$8,678,184, respectively, are uninsured but collateralized by U.S. treasuries held by the Federal Reserve bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the University (Category 2).

The investments with STAR Ohio as of June 30, 2000 and 1999 of \$3,372,461 and \$3,189,581, respectively, are not classified by risk category because they are not evidenced by securities that exist in physical or book entry form.

The investments with Fifth Third Bank's Liquid Asset Management Account as of June 30, 2000 and 1999 of \$3,770,382 and \$3,603,954, respectively, are classified as risk category 2 because they are held by the counter party's trust department or agent in the University's name.

The investments in U.S. Treasury Notes as of June 30, 2000 and 1999 of \$176,291 and \$181,420, respectively, are classified as risk category 1 because they are held by the University or its agent in the University's name.

The investments with Star Treasury Fund as of June 30, 2000 and 1999 of \$911,792 and \$871,503, respectively, are classified as risk category 2 because they are held by the counter party's trust department or agent in the University's name.

NOTE 3 - STATE SUPPORT

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

In addition to the student subsidies, the State of Ohio provides the funding for the construction of major plant facilities on the University's campus.

The funding for the construction of facilities is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Ohio Board of Regents turns over control to the University. The University recognizes additions and deductions in the Unexpended Plant Fund and capitalizes the costs of these facilities in the Investment in Plant Fund as construction is completed and funded by the Ohio Public Facilities Commission.

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

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 3 - STATE SUPPORT (CONTINUED)

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

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

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

The University's expenditures funded by state appropriations for the budget fiscal years ended June 30, 2000 and 1999 consist of the following:

	<u>2000</u>	<u>1999</u>
Total disbursements	\$12,363,641	\$10,580,440
Contractual commitments	32,375	564,109
Estimated cost of State-approved projects not yet committed	<u>2,507,118</u>	<u>4,197,145</u>
Total	<u>\$14,903,134</u>	<u>\$15,341,694</u>

NOTE 4 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the University maintains comprehensive insurance coverage with a private carrier for real property, building contents, and motor vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 4 - RISK MANAGEMENT (CONTINUED)

Coverages provided by this company are as follows:

Real and Personal Property (\$10,000 deductible)	\$89,421,000
Automobile Liability (\$250 deductible)	1,000,000 *
Uninsured Motorists (\$250 deductible)	1,000,000 *
Employee Benefits Liability (Aggregate)	1,000,000 *
General Liability	
Per occurrence	2,000,000 *

*\$20,000,000 excess over general liability, auto liability, and employers liability.

Effective October 1995, the University elected to become partially 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. The claims liability of \$542,013 reported in the Unrestricted Educational & General Fund at June 30, 2000 is based on an estimate provided by the third party administrator and the requirements of *GASB Statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues"*, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. No incremental claim adjustment expenses are included in the estimate.

Changes in claims activity for the past two fiscal years are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
1999	\$281,711	\$1,811,348	\$1,604,759	\$488,300
2000	\$488,300	\$1,859,102	\$1,805,389	\$542,013

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

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

NOTE 5 - GRANTS AND CONTRACTS

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with the direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 6 - RETIREMENT PLANS

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

The Ohio General Assembly legislation gives public employers in Ohio the option of establishing an early retirement incentive plan for members for STRS and PERS. As of June 30, 2000, the University has not authorized such a plan.

Public Employees Retirement System: All employees (except for teaching faculty) participate in the Public Employees Retirement System of Ohio ("PERS"), a cost-sharing multiple-employer Public Employee Retirement System ("PERS") operated by the State. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 42315-4562 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 1999 employer contribution rate for local government employers was 13.31% of covered payroll. The University's contributions to PERS for the years ending June 30, 1998, 1999 and 2000, were \$791,374, \$842,430 and \$876,575 respectively which are equal to the required contributions for each year.

State Teachers Retirement System: The University participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

Plan members are required to contribute 9.3 % of their annual covered salary and the University is required to contribute 14 %; 10.5 % was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 12 %. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 % for members and 14 % for employers. The University's contribution for pension obligations to STRS for the fiscal years ending June 30, 1998, 1999, and 2000 was \$1,018,164, \$1,058,993 and \$1,077,451 respectively, 100 % has been contributed for all three fiscal years.

NOTE 7 - SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the Public Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the Public Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, no one has elected Social Security. The Board's liability is 6.2 % of wages paid.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 8 - POSTEMPLOYMENT BENEFITS

Public Employees Retirement System: The Public Employees Retirement System of Ohio (the System) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the System is set aside for the funding of postretirement health care based on authority granted by state statute.

The 1999 employer contribution rate was 13.31 % of covered payroll; 4.2 % was the portion that was used to fund health care for 1999. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999 the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

State Teachers Retirement System: The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 % of covered payroll. Through June 30, 1999, the board allocated employer contributions equal to 8 % of covered payroll to the Health Care Reserve Fund. For the University, this amount equaled \$ 268,474 during fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

NOTE 9 - BONDS PAYABLE

On November 1, 1989, the University issued \$3,250,000 of \$5,000 General Receipts Bonds, Series A, dated November 1, 1989, maturing at various dates through 2009 at coupon rates ranging from 6.0% to 7.1%. The bonds were issued for the purpose of paying a portion of the costs of acquiring, constructing and equipping the University's New Student Center.

On August 1, 1996, the University issued \$1,960,000 of \$5,000 General Receipts Bonds, Series B, dated August 1, 1996, maturing at various dates, through June 1, 2014 at coupon rates ranging from 4.6% to 6.3%. The bonds were issued for the purpose of paying a portion of the costs of purchasing, repairing and remodeling the Celeron Square Apartments, funding a reserve, capitalized interest and paying issuing costs of the Series B Bonds. The apartments consist of four units with four townhouses per unit and house approximately 128 students.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 9 - BONDS PAYABLE (CONTINUED)

Total interest expense incurred on indebtedness for the year ended June 30, 2000 and 1999 is \$257,379 and \$270,928, respectively, and is reflected in the Retirement of Indebtedness Fund.

Principal amounts due within each of the next five years and thereafter on obligations outstanding at June 30, 2000 are as follows:

<u>Year Ended June 30,</u>	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
2001	175,000	80,000	255,000
2002	185,000	85,000	270,000
2003	200,000	90,000	290,000
2004	215,000	95,000	310,000
2005	230,000	100,000	330,000
Thereafter	<u>1,090,000</u>	<u>1,180,000</u>	<u>2,270,000</u>
Total	<u>\$2,095,000</u>	<u>\$1,630,000</u>	<u>\$3,725,000</u>

NOTE 10 - LEASES

The University's operating leases consist of real property and movable equipment. Total expenditures during 2000 and 1999 under operating leases amounted to approximately \$61,315 and \$53,329, respectively.

Future minimum payments on the noncancellable operating leases subsequent to June 30, 2000 are as follows:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2001	\$ 52,729
2002	29,702
2003	13,285
2004	2,392
Total future minimum payments	<u>\$ 98,108</u>

NOTE 11 - RELATED ORGANIZATIONS

The University is the exclusive beneficiary of the Shawnee State University Development Foundation, a separate not-for-profit entity organized for the purpose of promoting educational activities at the University. The Foundation is a legally separate entity from the University and maintains a self appointing board of trustees. The Foundation reimburses the University for substantially all operating expenses paid by the University on behalf of the Foundation. Accordingly, management has determined that the Foundation is not a component unit of the University as defined by Governmental Accounting Standards Board's Statement No. 14, *The Financial Reporting Entity*. Assets totaling \$11,947,153 and \$11,112,046 at June 30, 2000 and 1999, respectively, most of which have been restricted by donors for specific purposes are held by the Foundation and are not recorded in the accompanying financial statements. Amounts received by the University from the Foundation are included in private support in the accompanying financial statements.

SHAWNEE STATE UNIVERSITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 12 - CONTINGENCIES

Grants

The University received 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 agreements 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 will not have a material adverse effect on the overall financial position of the University at June 30, 2000.

Litigation

The University is a party to a number of legal actions. Management is of the opinion that the liability, if any, for these legal actions will not have a material effect on the University's financial statements.

Shawnee State University
Scioto County
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2000

Federal Grantor/Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
United States Department of Education			
<i>Direct from the Federal Agency</i>			
<i>Student Financial Aid Cluster:</i>			
Supplemental Educational Opportunity Grant	NA	84.007	\$137,505
Federal Work Study	NA	84.033	152,342
Pell Grant Program	NA	84.063	<u>2,905,166</u>
Total Student Financial Aid Cluster			3,195,013
<i>TRIO Cluster:</i>			
Student Support Services	NA	84.042A	199,397
Talent Search	NA	84.044A	219,324
Upward Bound	NA	84.047A	226,117
Upward Bound Math Science	NA	84.047M	118,773
Educational Opportunity Centers	NA	84.066A	<u>281,209</u>
Total TRIO Cluster			1,044,820
Disabled Veterans Scholarship	NA	84.064	41,978
Gearup	NA	84.334A	264,626
CLC DOE	NA	84.335F	<u>21,067</u>
Subtotal			4,567,504
<i>Passed through the Ohio Department of Education</i>			
Adult Basic Education	AB-S1-00	84.002	76,122
Perkins Basic Planning	20-C2-00	84.048	56,341
Tech Prep Program	3E-00-00	84.243	60,524
Tech Prep Showcase	N	84.244	2,000
Tech Prep IT	N	84.245	<u>1,212</u>
Subtotal			196,199
<i>Passed through the Scioto County JVS</i>			
21st Century Learning Center	N	84.287A	<u>93,030</u>
Total United States Department of Education			<u>4,856,733</u>
United States Department of Agriculture			
<i>Direct from the Federal Agency</i>			
BASICS - Food Stamp Pass Through	NA	10.551	458
United States Department of Health & Human Services			
<i>Passed through the Ohio Board of Regents</i>			
Jobs Student Retention Program	N	93.021	63,335
<i>Passed through the Scioto County Department of Human Services</i>			
Jobs Student Retention Program	N	93.021	248,528
<i>Passed through the Ohio Department of Education</i>			
Jobs Reimbursement Program (ABLE/Jobs)	N	93.561	<u>40,478</u>
Total United States Department of Health & Human Services			<u>352,341</u>
United States Department of Labor			
<i>Passed through the Ohio School to Work</i>			
School to Work	WK-BE-99	17.249	315,517
Appalachian Regional Commission			
<i>Passed through the Ohio Department of Development</i>			
Appalachian ITV	N	23.012	11,523
Children's Learning Center	N	23.XXX	<u>119,523</u>
Total Appalachian Regional Commission			<u>131,046</u>
Federal Emergency Management Association			
<i>Direct from the Federal Agency</i>			
Disaster Relief	NA	83.544	<u>18,368</u>
Total Federal Financial Assistance			<u>\$5,674,463</u>

NA - Not applicable, Direct Grant

N - Pass through entity numbers could not be located by the University

See accompanying notes to the Schedule of Federal Awards Expenditures.

SHAWNEE STATE UNIVERSITY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

FOR THE YEAR ENDED JUNE 30, 2000

NOTE 1 - FEDERAL FAMILY EDUCATION LOAN PROGRAM

The following information represents the value of new loans made during the fiscal year ending June 30, 2000 to students of Shawnee State University that the University processed under the Federal Family Education Loan Program (FFEL) (which includes Federal Stafford Loans, Federal Parents' Loans for Undergraduate Students and Federal Supplement Loans for Students):

	<u>CFDA Number</u>	<u>2000 Amount</u>
Federal Family Education Loan Program	84.032	\$5,523,895

NOTE 2 - PASS-THROUGH PROGRAMS:

Amounts shown as pass-through funds are the full amount of the awards except for the JOBS Student Retention Program. In this case, only the 60% of federal program expenditures are presented. The federal portion of the other pass-thru programs cannot be determined by the University.

NOTE 3 - RECONCILIATION OF THE SCHEDULE OF FEDERAL AWARDS TO THE STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES:

The following schedule is a reconciliation of total expenditures per the Schedule of Federal Awards to the items shown as "Federal Grants and Contracts" on the Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities, which is included as part of the University's basic financial statements:

	<u>2000</u>
Expenditures per Schedule of Federal Awards Expenditures	\$5,674,463
Less: Federal Pass-Through Grants included in Other state and local grants on the Statement Of Current Funds Revenues, Expenditures and Other Changes in Fund Equities	<u>509,249</u>
Federal grants and contracts as shown on the Statement of Revenues, Expenditures and Other Changes in Fund Equities	<u><u>\$5,165,214</u></u>

Current restricted funds, derived from appropriations, gifts or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts or grants are recognized as revenue in the University's external financial statements as expended. Therefore, expenditures per the Schedule of Federal Awards Expenditures agree with revenues per the Statements of Current Fund Revenues, Expenditures and Other Changes in Fund Equities, except as noted.

MICHAEL A. BALESTRA, CPA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET, P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131
FAX (740) 289-3639

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

We have audited the general purpose financial statements of Shawnee State University as of and for the year ended June 30, 2000, and have issued our report thereon dated October 13, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Shawnee State University's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shawnee State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

This report is intended for the information of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Michael A. Balestra, CPA, Inc.
Michael A. Balestra, CPA, Inc.

October 13, 2000

MICHAEL A. BALESTRA, CPA, INC.
CERTIFIED PUBLIC ACCOUNTANTS
528 SOUTH WEST STREET, P.O. BOX 687
PIKETON, OHIO 45661

TELEPHONE (740) 289-4131
FAX (740) 289-3639

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

Compliance

We have audited the compliance of Shawnee State University with the types of compliance requirements described in the *U.S. Office Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. Shawnee State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Shawnee State University's management. Our responsibility is to express an opinion on Shawnee State University's compliance based on our audit.

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

In our opinion, Shawnee State University complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of Shawnee State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered Shawnee State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Members of the Board
Shawnee State University

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

Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulation, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, members of the Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Michael A. Balestra, CPA, Inc.

Michael A. Balestra, CPA, Inc.

October 13, 2000

SHAWNEE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Student Financial Assistance Cluster: PELL Grant CFDA #84.063; SEOG Program CFDA #84.007; Work Study Program CFDA #84.033; Family Education Loan Program CFDA #84.032; and the TRIO Cluster: Upward Bound CFDA #84.047A; Upward Bound Math Science CFDA #84.047M; and Jobs Student Retention CFDA #93.021
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee ?	Yes

SHAWNEE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

FOR THE YEAR ENDED JUNE 30, 2000

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding Number	None
----------------	------

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

SHAWNEE STATE UNIVERSITY
Schedule of Current Revenue - Educational & General
Central Campus
Year Ended June 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Tuition, Fees & Other Student Charges			
Instructional	\$8,406,963	\$0	\$8,406,963
Technology Fees	324,608	0	324,608
Scholarship Fees	0	0	0
Nonresident Surcharge	369,707	0	369,707
Lab	387,951	0	387,951
Application & Matriculation	16,093	0	16,093
Fines and Penalties	93,324	0	93,324
Graduation Fees	23,787	0	23,787
Transcripts	8,408	0	8,408
Noncredit Instruction	92,933	0	92,933
Other	68,714	0	68,714
Total Tuition, Fees and Other Student Fees	<u>9,792,488</u>	<u>0</u>	<u>9,792,488</u>
State Appropriations			
Instructional Subsidy	10,655,839	0	10,655,839
Other, through Regents	4,059,196	0	4,059,196
Total State Appropriations	<u>14,715,035</u>	<u>0</u>	<u>14,715,035</u>
Federal Grants & Contracts	0	5,165,214	5,165,214
State Grants & Contracts	50,000	3,429,212	3,479,212
Local Grants & Contracts	0	270,615	270,615
Private Gifts, Grants & Contracts	0	1,147,450	1,147,450
Sales & Services of Educational Activities	62,259	0	62,259
Other Sources			
Temporary Investment Income	741,717	0	741,717
Indirect Cost Recoveries	174,879	0	174,879
Other	195,853	0	195,853
Total Other Sources	<u>1,112,449</u>	<u>0</u>	<u>1,112,449</u>
Total Current Revenues - Unrestricted and Restricted	<u>\$25,732,231</u>	<u>\$10,012,491</u>	<u>\$35,744,722</u>

SHAWNEE STATE UNIVERSITY
Schedule of Current Expenditures - Educational & General
Central Campus
Year Ended June 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Instruction & Departmental Research			
College of Education	\$918,267	\$5,708	\$923,975
General Studies	38,166	1,271	39,437
College of Arts and Sciences	4,937,841	21,242	4,959,083
College of Engineering Technologies	1,088,397	0	1,088,397
College of Business	1,650,322	1,284	1,651,606
College of Health Sciences	2,302,280	6,831	2,309,111
Continuing Education Credit Instruction	18,727	11,524	30,251
Technology Initiatives	38,008	788	38,796
College of Arts and Sciences Labs	143,075	0	143,075
College of Professional Studies Labs	152,133	0	152,133
Total Instruction and Departmental Research	<u>11,287,216</u>	<u>48,648</u>	<u>11,335,864</u>
Public service			
Noncredit instruction	156,959	85,680	242,639
Other	37,037	3,363,303	3,400,340
Total Public Service	<u>193,996</u>	<u>3,448,983</u>	<u>3,642,979</u>
Academic Support			
Libraries, General	973,950	0	973,950
Audio Visuals	144,594	32,154	176,748
Technology Initiatives	174,376	0	174,376
Academic Administration	339,116	0	339,116
Academic Computing	300,328	0	300,328
Planetarium	67,248	0	67,248
Total Academic Support	<u>1,999,612</u>	<u>32,154</u>	<u>2,031,766</u>
Student Affairs			
V.P. Student Affairs	152,817	199,397	352,214
Financial Aid	403,186	0	403,186
Admissions	510,319	0	510,319
Registrar	345,182	0	345,182
Counseling	76,364	0	76,364
Career Services	115,113	0	115,113
GED Test Centers	7,515	0	7,515
Success Center	361,667	56,341	418,008
Special Projects	19,958	0	19,958
Student Activities	86,195	0	86,195
Technology Initiatives	48,394	0	48,394
Total Student Affairs	<u>2,126,710</u>	<u>255,738</u>	<u>2,382,448</u>

(Continued)

SHAWNEE STATE UNIVERSITY
Schedule of Current Expenditures - Educational & General
Central Campus
Year Ended June 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Institutional support			
Governing Board	30,488	0	30,488
President's office	357,301	0	357,301
V.P. Business Affairs	149,599	0	149,599
Controller's Office	588,678	0	588,678
Development	35,005	0	35,005
Security	103,700	0	103,700
General Expenses	683,336	0	683,336
University Information Services	748,790	0	748,790
Print Shop	116,457	0	116,457
Voice Communications	80,633	0	80,633
Legal Affairs	115,342	0	115,342
Administrative Assembly	2,958	0	2,958
University Senate	31	0	31
Provost	432,754	178,549	611,303
Personnel	362,776	0	362,776
Purchasing	148,650	0	148,650
Graduation	14,199	0	14,199
North Central	10,157	0	10,157
Administrative Tuition Reimbursement	41,463	0	41,463
Marketing	184,801	0	184,801
Graduate Studies	45,870	0	45,870
Mail Services	61,809	0	61,809
International Programs	36,030	0	36,030
Outcome Assessment	69,468	0	69,468
Institutional Research	67,641	0	67,641
Technology Initiatives	312,379	0	312,379
Total Institutional Support	<u>4,800,315</u>	<u>178,549</u>	<u>4,978,864</u>
Operation and Maintenance of Plant			
Facilities Planning & Administration	366,067	0	366,067
Custodial	669,112	0	669,112
Maintenance	736,950	18,368	755,318
Utilities	937,226	0	937,226
Motor Vehicles	9,838	0	9,838
Center for the Arts	293,516	0	293,516
Total Operation and Maintenance of Plant	<u>3,012,709</u>	<u>18,368</u>	<u>3,031,077</u>
Scholarships			
Grant-in-Aid	792,442	6,030,051	6,822,493
Total Scholarships	<u>792,442</u>	<u>6,030,051</u>	<u>6,822,493</u>
Total Current Expenditures - Educational and General	<u>\$24,213,000</u>	<u>\$10,012,491</u>	<u>\$34,225,491</u>

SHAWNEE STATE UNIVERSITY
Statement of Changes in Auxiliary Enterprises
Unrestricted Fund Balances
Year Ended June 30, 2000

	<u>General Fees</u>	<u>Bookstore</u>	<u>Intercollegiate Athletics</u>	<u>Fine Arts Center</u>	<u>Sports Center</u>	<u>Student Union</u>	<u>Housing</u>	<u>Childrens Learning Center</u>	<u>Total</u>
Revenue	\$1,378,544	\$121,108	\$53,388	\$433,343	\$65,722	\$137,750	\$907,677	\$90,406	\$3,187,938
Expenditures	0	51,437	805,577	573,501	138,460	350,981	849,944	146,191	2,916,091
Transfers among funds									
Nonmandatory									
Support from/to current unrestricted funds	(106,195)	541	2,918	157,471	0	0	0	70,000	124,735
Support from/to auxiliary funds	(952,244)	(70,212)	764,695	0	89,409	168,352	0	0	0
Mandatory Transfer	(305,549)	0	0	0	0	0	(160,648)	0	(466,197)
Total transfers	(1,363,988)	(69,671)	767,613	157,471	89,409	168,352	(160,648)	70,000	(341,462)
Net increase(decrease) for the year	14,556	0	15,424	17,313	16,671	(44,879)	(102,915)	14,215	(69,615)
Fund equities (deficit) at beginning of year	0	0	212,847	(9,730)	0	97,012	251,342	0	551,471
Fund equities (deficit) at end of fiscal year 2000	<u>\$14,556</u>	<u>\$0</u>	<u>\$228,271</u>	<u>\$7,583</u>	<u>\$16,671</u>	<u>\$52,133</u>	<u>\$148,427</u>	<u>\$14,215</u>	<u>\$481,856</u>



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

SHAWNEE STATE UNIVERSITY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 21, 2000**