

SHAWNEE STATE UNIVERSITY

SINGLE AUDIT

JULY 1, 2000 THROUGH JUNE 30, 2001

FISCAL YEAR AUDITED UNDER GAGAS: 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Board of Trustees
Shawnee State University
940 2nd St.
Portsmouth, OH 45662

We have reviewed the independent auditor's report of the Shawnee State University, Scioto County, prepared by Balestra & Company, for the audit period July 1, 2000 through June 30, 2001. 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 27, 2001

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SHAWNEE STATE UNIVERSITY

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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 (the University), a component unit of the State of Ohio, as of and for the year ended June 30, 2001, 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shawnee State University, as of June 30, 2001, 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 accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, during the year ended June 30, 2001, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* and Governmental Accounting Standards Board Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33).

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2001 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.

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 is presented for additional analysis and is 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.

Balestra & Company

September 27, 2001

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SHAWNEE STATE UNIVERSITY
BALANCE SHEET

	June 30	
	2001	2000
Assets		
Current Funds		
Unrestricted		
Educational & General		
Pooled cash & cash equivalents	\$13,688,855	\$13,760,997
Accounts receivable, less allowance	700,814	541,039
Inventory-general stores	58,979	53,365
Investments	4,044,461	3,770,382
Accrued interest receivable	43,806	49,168
Prepaid and deferred expenses	124,958	115,866
Total Educational & General	\$18,661,873	\$18,290,817
Auxiliary Enterprises		
Cash	\$1,079	\$1,306
Accounts receivable	92,190	199,902
Prepaid and deferred expenses	17,235	3,017
Due from current funds	402,800	454,412
Total Auxiliary Enterprises	\$513,304	\$658,637
Restricted Funds		
Cash	\$2,090	\$1,424
Receivables - billed and unbilled	1,212,208	1,652,593
Prepaid expense	33,124	13,757
Total Restricted	\$1,247,422	\$1,667,774
Total Current Funds	\$20,422,599	\$20,617,228

See accompanying notes to the financial statements.

	June 30	
	2001	2000
Liabilities & Fund Equity		
Current Funds		
Unrestricted		
Educational & General		
Accounts payable/accrued liabilities	\$3,307,465	\$2,601,918
Deposits and deferred credits	298,027	333,463
Compensated absences	1,232,165	1,013,044
Due to current funds	1,603,117	1,394,387
Fund balance		
Allocated	5,323,729	5,283,331
Unallocated	6,897,370	7,664,674
	<u>\$18,661,873</u>	<u>\$18,290,817</u>
Total Educational & General		
Auxiliary Enterprises		
Accounts payable/accrued liabilities	\$43,230	\$113,567
Deposits	1,507	63,214
Fund equities	468,567	481,856
	<u>\$513,304</u>	<u>\$658,637</u>
Total Auxiliary Enterprises		
Restricted		
Accounts payable/accrued liabilities	\$111,504	\$142,648
Due to current funds	352,026	287,741
Fund equities	783,892	1,237,385
	<u>\$1,247,422</u>	<u>\$1,667,774</u>
Total Restricted		
Total Current Funds	<u>\$20,422,599</u>	<u>\$20,617,228</u>

SHAWNEE STATE UNIVERSITY
BALANCE SHEET
(continued)

	June 30	
	2001	2000
Assets		
Loan Funds		
Cash	\$12,739	\$12,789
Notes receivable, less allowance	50,603	41,612
Due from current funds	49,394	9,410
Total Loan Funds	\$112,736	\$63,811
Plant Funds		
Unexpended		
Deposits held by trustees	\$2,294	\$2,018
Interest receivable	7	9
Due from current funds	1,473,669	1,188,278
Total Unexpended	\$1,475,970	\$1,190,305
Retirement of Indebtedness		
Deposits held by trustees	\$331,496	\$338,175
Interest receivable	2,496	2,988
Investments	183,078	176,292
Deferred charges	104,170	114,765
Total Retirement of Indebtedness	\$621,240	\$632,220
Investment in Plant		
Land	\$6,973,062	\$6,800,339
Land improvements	6,758,691	5,764,833
Buildings	60,556,066	60,103,558
Construction-in-progress	72,451	855,479
Movable equipment, furniture, and library books	18,111,108	17,330,751
Total Investment in Plant	\$92,471,378	\$90,854,960
Total Plant Funds	\$94,568,588	\$92,677,485
Agency Funds		
Accounts receivable	\$0	\$1,213
Due from current funds	29,280	30,028
Total Agency Fund	\$29,280	\$31,241

See accompanying notes to the financial statements.

	June 30	
	2001	2000
Liabilities & Fund Equity		
Loan Funds		
Fund balances:		
Restricted	<u>\$112,736</u>	<u>\$63,811</u>
Total Loan Funds	<u><u>\$112,736</u></u>	<u><u>\$63,811</u></u>
Plant Funds		
Unexpended		
Accounts payable	\$66,334	\$0
Fund equities	<u>1,409,636</u>	<u>1,190,305</u>
Total Unexpended	<u><u>\$1,475,970</u></u>	<u><u>\$1,190,305</u></u>
Retirement of Indebtedness		
Accrued interest payable	\$18,906	\$20,288
Bonds payable	63,602	125,593
Restricted fund balance	<u>538,732</u>	<u>486,339</u>
Total Retirement of Indebtedness	<u><u>\$621,240</u></u>	<u><u>\$632,220</u></u>
Investment in Plant		
Bonds payable	\$3,406,398	\$3,599,407
Net investment in plant	<u>89,064,980</u>	<u>87,255,553</u>
Total Investment in Plant	<u><u>\$92,471,378</u></u>	<u><u>\$90,854,960</u></u>
Total Plant Funds	<u><u>\$94,568,588</u></u>	<u><u>\$92,677,485</u></u>
Agency Funds		
Accounts payable/accrued liabilities	\$1,441	\$755
Deposits held for others	<u>27,839</u>	<u>30,486</u>
Total Agency Fund	<u><u>\$29,280</u></u>	<u><u>\$31,241</u></u>

SHAWNEE STATE UNIVERSITY
Statement of Revenues, Expenditures and Other Changes in Fund Equities
Year Ended June 30, 2001

	Current Funds			
	Unrestricted Educational & General	Unrestricted Auxiliary Enterprises	Total Unrestricted	Restricted Educational & General
Revenue & other additions				
Unrestricted current funds revenue	\$26,079,945	\$0	\$26,079,945	\$0
State appropriations - restricted	0	0	0	0
Federal grants & contracts	0	0	0	6,154,959
State grants & contracts	0	0	0	3,572,266
Local grants & contracts	0	0	0	283,379
Private contributions	0	0	0	1,421,399
Sales and services	0	3,244,171	3,244,171	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>26,079,945</u>	<u>3,244,171</u>	<u>29,324,116</u>	<u>11,432,003</u>
Expenditures & other deductions				
Educational & general expenditures	25,723,608	0	25,723,608	11,432,003
Auxiliary enterprise expenditures	0	3,358,503	3,358,503	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>25,723,608</u>	<u>3,358,503</u>	<u>29,082,111</u>	<u>11,432,003</u>
Transfers among funds - additions/(deductions)				
Mandatory	0	(462,177)	(462,177)	0
Nonmandatory	(1,083,243)	563,220	(520,023)	23
Total transfers	<u>(1,083,243)</u>	<u>101,043</u>	<u>(982,200)</u>	<u>23</u>
Other transfers and additions:				
Excess receipts over expenditures	0	0	0	(453,516)
Net increase/(decrease) for the year	(726,906)	(13,289)	(740,195)	(453,493)
Fund balance at the beginning of the year	<u>12,948,005</u>	<u>481,856</u>	<u>13,429,861</u>	<u>1,237,385</u>
Fund balance at end of fiscal year	<u>\$12,221,099</u>	<u>\$468,567</u>	<u>\$12,689,666</u>	<u>\$783,892</u>

See accompanying notes to the financial statements.

Total Current Funds	Loan Funds	Plant Funds		
		Unexpended	Retirement of Indebtedness	Investment in Plant
\$26,079,945	\$0	\$0	\$0	\$0
0	0	396,287	0	0
6,154,959	0	0	0	0
3,572,266	0	0	0	0
283,379	0	0	0	0
1,421,399	50,000	0	0	0
3,244,171	0	0	0	0
0	0	0	0	1,648,425
0	0	0	61,991	0
0	0	103	35,899	193,009
<u>40,756,119</u>	<u>50,000</u>	<u>396,390</u>	<u>97,890</u>	<u>1,841,434</u>
37,155,611	0	0	0	0
3,358,503	0	0	0	0
0	0	697,059	0	0
0	0	0	265,596	0
0	0	0	242,078	0
0	0	0	0	32,007
0	1,075	0	0	0
<u>40,514,114</u>	<u>1,075</u>	<u>697,059</u>	<u>507,674</u>	<u>32,007</u>
(462,177)	0	0	462,177	0
(520,000)	0	520,000	0	0
<u>(982,177)</u>	<u>0</u>	<u>520,000</u>	<u>462,177</u>	<u>0</u>
(453,516)	0	0	0	0
(1,193,688)	48,925	219,331	52,393	1,809,427
<u>14,667,246</u>	<u>63,811</u>	<u>1,190,305</u>	<u>486,339</u>	<u>87,255,553</u>
<u>\$13,473,558</u>	<u>\$112,736</u>	<u>\$1,409,636</u>	<u>\$538,732</u>	<u>\$89,064,980</u>

SHAWNEE STATE UNIVERSITY
Statement of Current Funds Revenues, Expenditures and Other
Changes in Fund Equities
Year Ended June 30, 2001

	Unrestricted Educational & General	Unrestricted Auxiliary Enterprises	Total Unrestricted
Revenues			
Tuition, fees, & other student charges	\$9,080,804	\$1,705,292	\$10,786,096
State appropriations	15,473,610	0	15,473,610
Federal grants & contracts	0	0	0
State grants & contracts	18,392	26,660	45,052
Local grants & contracts	0	50,500	50,500
Private gifts, grants & contracts	0	80,186	80,186
Sales & services	359,164	618,245	977,409
Other sources	1,147,975	763,288	1,911,263
Total revenues	<u>26,079,945</u>	<u>3,244,171</u>	<u>29,324,116</u>
Expenditures & mandatory transfers			
Educational & general			
Instruction & departmental research	11,712,687	0	11,712,687
Public service	206,071	0	206,071
Academic support	2,428,391	0	2,428,391
Student services	2,336,185	0	2,336,185
Institutional support	5,363,042	0	5,363,042
Operation & maintenance of plant	3,085,761	0	3,085,761
Scholarships & fellowships	591,471	0	591,471
Total educational & general expenditures	<u>25,723,608</u>	<u>0</u>	<u>25,723,608</u>
Auxiliary enterprises	0	3,358,503	3,358,503
Mandatory transfer for principal and interest	<u>0</u>	<u>462,177</u>	<u>462,177</u>
Total expenditures & mandatory transfers	<u>25,723,608</u>	<u>3,820,680</u>	<u>29,544,288</u>
Nonmandatory transfers & additions/(deductions)			
Nonmandatory transfers for:			
Support to auxiliary enterprises	(563,220)	563,220	0
Support to plant funds	(520,000)	0	(520,000)
Support to restricted	(23)	0	(23)
Other additions (deductions):			
Excess of (less than) restricted receipts over transfers to revenues	<u>0</u>	<u>0</u>	<u>0</u>
Total nonmandatory transfers and other additions (deductions)	<u>(1,083,243)</u>	<u>563,220</u>	<u>(520,023)</u>
Net increase/(decrease) in fund balance	<u>(\$726,906)</u>	<u>(\$13,289)</u>	<u>(\$740,195)</u>

See accompanying notes to the financial statements.

<u>Restricted Educational & General</u>	<u>Total Current Funds 2001</u>	<u>Total Current Funds 2000</u>
\$0	\$10,786,096	\$11,427,746
0	15,473,610	14,715,035
6,154,959	6,154,959	5,165,214
3,572,266	3,617,318	3,509,962
283,379	333,879	271,259
1,421,399	1,501,585	1,215,950
0	977,409	563,526
0	1,911,263	2,063,968
<u>11,432,003</u>	<u>40,756,119</u>	<u>38,932,660</u>
330,325	12,043,012	11,335,864
4,220,263	4,426,334	3,642,979
0	2,428,391	2,031,766
457,051	2,793,236	2,382,448
83,902	5,446,944	4,978,864
0	3,085,761	3,031,077
6,340,462	6,931,933	6,822,493
<u>11,432,003</u>	<u>37,155,611</u>	<u>34,225,491</u>
0	3,358,503	2,916,091
0	462,177	466,197
<u>11,432,003</u>	<u>40,976,291</u>	<u>37,607,779</u>
0	0	0
0	(520,000)	(260,000)
23	0	0
<u>(453,516)</u>	<u>(453,516)</u>	<u>317,024</u>
<u>(453,493)</u>	<u>(973,516)</u>	<u>57,024</u>
<u>(\$453,493)</u>	<u>(\$1,193,688)</u>	<u>\$1,381,905</u>

SHAWNEE STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

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

Organization

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

Basis of Presentation

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

Accrual Accounting

The University prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America 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.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

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

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:

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, 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.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

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

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.

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 3).

During fiscal year 2001, 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.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

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

Pooled Cash and Investments (Continued)

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2001.

Inventories

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

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.

SHAWNEE STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

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

Accounting Pronouncements

Effective July 1, 2001, Shawnee State University will adopt GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis- for Public Colleges and Universities*. In general, GASB 35 establishes a new financial reporting model for public colleges and universities. The provisions of this statement will be reflected in Shawnee State University's financial statements for the fiscal year ending June 30, 2002. The University's financial statements will be substantially restructured and will include management discussion and analysis. It is anticipated that the major impact of the new reporting requirements will be the recording of depreciation on plant assets (with the exclusion of land).

Other

The financial information for the year ended June 30, 2000, has been presented for comparative purposes only and is not intended to be a complete presentation in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 2000, the University adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, and GASB Statement No. 36, *Recipient Reporting for Certain Shared Non-exchange Revenues* (an amendment of GASB Statement No. 33). In general, GASB Statement No. 33 and 36 establish accounting and financial reporting standards for non-exchange transactions involving financial or capital resources. The provisions of these statements did not have a significant impact on the University's financial statements.

NOTE 3- 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 Statement No. 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 12).

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 3- POOLED CASH AND INVESTMENTS (CONTINUED)

Cash and Investments (including Deposits held by Trustee) of the University as of June 30, 2001 are comprised of the following:

	<u>Fair Value</u>
Current and Loan Funds:	
Star Ohio	\$ 3,573,115
Star Treasury Fund	959,345
Liquid Asset Management Account	<u>4,044,461</u>
 Total Investments	 8,576,921
Other Cash and Cash Equivalents	<u>9,172,303</u>
 Sub-total:	 <u>\$17,749,224</u>
 Plant funds:	
U.S. Treasury Notes	\$ 183,078
Star Treasury Fund	<u>333,790</u>
 Sub-total:	 <u>\$ 516,868</u>
 Total Cash and Investments (all funds):	 <u>\$ 18,266,092</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.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 3- POOLED CASH AND INVESTMENTS (CONTINUED)

At June 30, 2001 and 2000, the carrying amount of the University's deposits, (which consists of cash, including cash on hand of \$4,551 and \$4,139, deposits held by trustee, and investments) were \$18,266,092 and \$18,063,383 and the bank balances were \$9,616,821 and \$10,496,445, 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, 2001 and 2000 can be classified. The bank balances at June 30, 2001 and 2000 of \$200,000 and \$200,000, respectively, are covered by federal deposit insurance (Category 1). The remaining balances at June 30, 2001 and 2000 of \$9,416,821 and \$10,296,445, 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, 2001 and 2000 of \$3,573,115 and \$3,372,461, 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, 2001 and 2000 of \$4,044,461 and \$3,770,382, 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, 2001 and 2000 of \$183,078 and \$176,291, 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, 2001 and 2000 of \$1,293,135 and \$1,251,985, 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 4- STATE SUPPORT

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

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

The funding for the construction of facilities is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission, which in turn causes the construction and subsequent lease of the facility by the Ohio Board of Regents. Upon completion of a facility, the Ohio Board of Regents turns over control to the University. The University 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.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 4- STATE SUPPORT (CONTINUED)

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

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

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, 2001 and 2000 consist of the following:

	<u>2001</u>	<u>2000</u>
Total disbursements	\$11,401,908	\$12,363,641
Contractual commitments	304,260	32,375
Estimated cost of State-approved projects not yet committed	<u>4,739,794</u>	<u>2,507,118</u>
Total	<u>\$16,445,962</u>	<u>\$14,903,134</u>

NOTE 5- RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the University maintained comprehensive insurance coverage with 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 FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 5- RISK MANAGEMENT (CONTINUED)

Coverages provided by this company are as follows:

Real and Personal Property (\$10,000 deductible)	\$93,012,000
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 \$796,759 reported in the Unrestricted Educational & General Fund at June 30, 2001 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 three 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
2001	\$542,013	\$2,974,534	\$2,719,788	\$796,759

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.

SHAWNEE STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 6- 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 four years.

NOTE 7- 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, 2001, 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 43215-4642 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 2001 employer contribution rate for local government employers was 7.79% for July 2000 through December 2000 and 13.31% for January 2001 through June 2001. The University's contributions to PERS for the years ending June 30, 1999, 2000, and 2001, were \$842,430, \$876,575, and \$737,600 "respectively," which are equal to the required contributions for each year.

SHAWNEE STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 7- RETIREMENT PLANS (CONTINUED)

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%; 8.24% was the portion used to fund pension obligations. 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, 1999, 2000, and 2001 was \$1,058,993, \$1,077,451, and \$1,099,914 "respectively." 100% has been contributed for all three fiscal years.

Alternative Retirement Plan (ARP): All newly hired full time administrative employees and faculty are eligible to choose an Alternative Retirement Plan (ARP) rather than the State Teachers Retirement System (STRS) or Public Employees Retirement System (PERS). Once an employee decides to enroll in an ARP or the state retirement plan, the decision is irrevocable during their employment with the University. Employees have 90 days from the date of hire to decide into which retirement system they wish to enroll. If no decision is made, they will be assigned the appropriate state retirement plan based upon the position for which they were hired. Vesting of all contributions made by the University occurs after one (1) year of service. The five companies approved to offer an ARP for the University employees are Aetna, Equitable, Great American Life, Lincoln National Life, Nationwide Life, TIAA-Cref, and VALIC.

A member in an STRS eligible position contributes 9.3% of their earned income to their retirement account. The University contributes 14%; 8.24% of this amount is paid into the member's retirement account, the remaining 5.76% is required by state legislation to be paid to STRS to cover un-funded liability. The member receives no compensation or benefits from STRS for the 5.76% contributed.

A member in a PERS eligible position, contributes 8.5% of their earned income and the University contributes 13.31%. The entire 13.31% is paid to the member's retirement account.

The employee and employer contribution are governed by state legislation and can be changed in accordance with legislative mandates.

As of June 29, 2001, there are approximately 45 active participants in an ARP. The University's contribution for employees enrolled in ARP accounts for fiscal year 2001 was \$203,505.

SHAWNEE STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 8- 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, the Public Employees Retirement System/State Teachers Retirement System or an approved Alternative Retirement Plan (ARP). As of June 30, 2001, no one has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 9- POSTEMPLOYMENT BENEFITS

Public Employees Retirement System: The Public Employees Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirants with 10 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 Post Employment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised code provides statutory authority requiring public employers to fund health care through their contributions to PERS. The 2000 employer contribution rate for state employers was 10.65% of covered payroll; 4.3% was the portion that was used to fund health care for the year.

The University's fiscal year 2001 employer contributions to PERS total \$737,600. Of this amount, \$297,810 was used to fund health care for the year for employees. This represents 4.3% of the covered current year payroll.

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.

As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The number of benefit recipients eligible for OPEB at December 31, 1999 was 401,339. The actuarially accrued liability and unfunded actuarial accrued liability based on the actuarial cost method used were \$12,473.6 million and \$1,668.1 million, respectively.

The retirement board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based on the December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

We have elected to return to an actuarially pre-funded disclosure because it is a better presentation of PERS's actual funding methodology.

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 9- POSTEMPLOYMENT BENEFITS (CONTINUED)

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, 200, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. For the University, this amount equaled \$339,108 during fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 billion at June 30, 2000. For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

NOTE 10- 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.

Total interest expense incurred on indebtedness for the year ended June 30, 2001 and 2000 is \$242,078 and \$257,379, 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, 2001 are as follows:

<u>Year Ended June 30,</u>	<u>Series A</u>	<u>Series B</u>	<u>Total</u>
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
2006	245,000	100,000	345,000
Thereafter	<u>845,000</u>	<u>1,080,000</u>	<u>1,925,000</u>
Total	<u>\$1,920,000</u>	<u>\$1,550,000</u>	<u>\$3,470,000</u>

SHAWNEE STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2001

NOTE 11- LEASES

The University's operating leases consist of real property and movable equipment. Total expenditures during 2001 and 2000 under operating leases amounted to approximately \$60,969 and \$61,315, respectively.

Future minimum payments on the noncancellable operating leases subsequent to June 30, 2001 are as follows:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2002	32,106
2003	15,494
2004	6,813
2005	<u>4,505</u>
Total future minimum payments	\$58,918

NOTE 12- 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 Statement No. 14, *The Financial Reporting Entity*. Assets totaling \$11,151,599 and \$11,947,153 at June 30, 2001 and 2000, 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.

NOTE 13- 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 would not have a material adverse effect on the overall financial position of the University at June 30, 2001.

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 statement.

Shawnee State University
Scioto County
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2001

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	\$185,120
Federal Work Study	NA	84.033	182,277
Pell Grant Program	NA	84.063	<u>3,224,803</u>
Total Student Financial Aid Cluster			3,592,200
<i>TRIO Cluster:</i>			
Student Support Services	NA	84.042A	203,969
Talent Search	NA	84.044A	230,274
Upward Bound	NA	84.047A	263,996
Upward Bound Math Science	NA	84.047M	230,091
Educational Opportunity Centers	NA	84.066A	<u>237,138</u>
Total TRIO Cluster			1,165,468
Disabled Veterans Scholarship	NA	84.064	46,069
Gearup	NA	84.334A	466,738
CLC DOE	NA	84.335F	<u>26,594</u>
Subtotal			5,297,069
<i>Passed through the Ohio Department of Education</i>			
Adult Basic Education	AB-S1-00	84.002	90,435
Title III	N	84.031A	182,382
Perkins Basic Planning	20-C2-00	84.048	70,700
Tech Prep Program	3E-00-00	84.243	89,454
Tech Prep IT	N	84.245	<u>79,085</u>
Subtotal			512,056
<i>Passed through the Scioto County JVS</i>			
21st Century Learning Center	N	84.287A	<u>188,361</u>
Total United States Department of Education			<u>5,997,486</u>
United States Department of Agriculture			
<i>Passed through the Ohio Department of Education</i>			
BASICS - Food Stamp Pass Through	N	10.551	150
United States Department of Health & Human Services			
<i>Passed through the Ohio Board of Regents</i>			
Jobs Student Retention Program	N	93.021	24,748
<i>Passed through the Scioto County Department of Human Services</i>			
Jobs Student Retention Program	N	93.021	106,281
<i>Passed through the Ohio Department of Education</i>			
Jobs Reimbursement Program (ABLE/Jobs)	N	93.561	<u>38,132</u>
Total United States Department of Health & Human Services			<u>169,161</u>
United States Department of Labor			
<i>Passed through the Ohio School to Work</i>			
School to Work	WK-BE-99	17.249	365,693
Appalachian Regional Commission			
<i>Passed through the Ohio Department of Development</i>			
Children's Learning Center	N	23.XXX	76,718
National Foundation on the Arts and the Humanities			
<i>Direct from the Federal Agency</i>			
Promotion of the Humanities: Extending the Reach Grant to Underserved Areas	NA	45.166	<u>10,000</u>
Total Federal Financial Assistance			<u>\$6,619,208</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, 2001

NOTE 1- FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For fiscal year 2001, the University received a waiver from the Department of Education for the Institutional Share Requirement under the Federal Work-Study and Federal SEOG programs.

NOTE 2- FEDERAL FAMILY EDUCATION LOAN PROGRAM

The following information represents the value of new loans made during the fiscal year ending June 30, 2001 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>2001 Amount</u>
Federal Family Education Loan Program	84.032	\$5,338,794

NOTE 3- PASS-THROUGH PROGRAMS:

Amounts shown as pass-through funds are the full amount of the federal 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-through programs cannot be determined by the University.

NOTE 4- 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>2001</u>
Expenditures per Schedule of Federal Awards Expenditures	\$6,619,208
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>464,249</u>
Federal grants and contracts as shown on the Statement of Current Funds Revenues, Expenditures and Other Changes in Fund Equities	<u>\$6,154,959</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.

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BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

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

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

We have audited the financial statements of Shawnee State University (the University) as of and for the year ended June 30, 2001, in which we indicated the University had changed its method of accounting for non-exchange transactions, and have issued our report thereon dated September 27, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Shawnee State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 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 one or more 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 weaknesses.

This report is intended solely for the information and use 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 these specified parties.

Balestra & Company

September 27, 2001

BALESTRA & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Ohio Society of Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON 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 of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2001. Shawnee State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shawnee State University's management. Our responsibility is to express an opinion on Shawnee State University's compliance based on our audit.

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

In our opinion, Shawnee State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

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 the internal control over compliance in accordance with OMB Circular A-133.

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, regulations, 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 solely for the information and use 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 these specified parties.

Balestra & Company

September 27, 2001

SHAWNEE STATE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE YEAR ENDED JUNE 30, 2001

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 Aid Cluster: SEOG Program CFDA #84.007; Federal Work Study Program CFDA # 84.033; PELL Grant Program CFDA # 84.063; Family Education Loan Program CFDA #84.032 and GearUp Program CFDA # 84.334A
(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, 2001

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

Finding Number	None
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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 Revenues - Educational & General
Central Campus
Year Ended June 30, 2001

	Unrestricted	Restricted	Total
Tuition, Fees & Other Student Charges			
Instructional	\$7,703,650	\$0	\$7,703,650
Technology Fees	311,674	0	311,674
Nonresident Surcharge	332,528	0	332,528
Lab	361,947	0	361,947
Application & Matriculation	5,130	0	5,130
Fines and Penalties	80,928	0	80,928
Graduation Fees	22,375	0	22,375
Transcripts	8,574	0	8,574
Noncredit Instruction	165,376	0	165,376
Other	88,622	0	88,622
Total Tuition, Fees and Other Student Charges	9,080,804	0	9,080,804
State Appropriations			
Instructional Subsidy	10,971,683	0	10,971,683
Other, through Regents	4,501,927	0	4,501,927
Total State Appropriations	15,473,610	0	15,473,610
Federal Grants & Contracts	0	6,154,959	6,154,959
State Grants & Contracts	18,392	3,572,266	3,590,658
Local Grants & Contracts	0	283,379	283,379
Private Gifts, Grants & Contracts	0	1,421,399	1,421,399
Sales & Services of Educational Activities	359,164	0	359,164
Other Sources			
Temporary Investment Income	870,887	0	870,887
Indirect Cost Recoveries	199,778	0	199,778
Other	77,310	0	77,310
Total Other Sources	1,147,975	0	1,147,975
 Total Current Revenues - Unrestricted and Restricted	 \$26,079,945	 \$11,432,003	 \$37,511,948

SHAWNEE STATE UNIVERSITY
Schedule of Current Expenditures - Educational & General
Central Campus
Year Ended June 30, 2001

	Unrestricted	Restricted	Total
Instruction & Departmental Research			
College of Education	\$1,099,409	\$187,419	\$1,286,828
General Studies	62,267	50,391	112,658
College of Arts and Sciences	5,240,338	79,193	5,319,531
College of Engineering Technologies	1,061,726	12,038	1,073,764
College of Business	1,640,779	1,284	1,642,063
College of Health Sciences	2,282,574	0	2,282,574
Continuing Education Credit Instruction	12,979	0	12,979
Technology Initiatives	38,690	0	38,690
College of Arts and Sciences Labs	105,688	0	105,688
College of Professional Studies Labs	168,237	0	168,237
Total Instruction and Departmental Research	11,712,687	330,325	12,043,012
Public service			
Noncredit instruction	143,798	1,870,899	2,014,697
Other	62,273	2,349,364	2,411,637
Total Public Service	206,071	4,220,263	4,426,334
Academic Support			
Libraries, General	1,089,234	0	1,089,234
Audio Visuals	154,882	0	154,882
Technology Initiatives	367,255	0	367,255
Academic Administration	409,839	0	409,839
Academic Computing	366,794	0	366,794
Planetarium	40,387	0	40,387
Total Academic Support	2,428,391	0	2,428,391
Student Affairs			
V.P. Student Affairs	241,764	203,969	445,733
Financial Aid	426,222	0	426,222
Admissions	558,959	0	558,959
Registrar	393,908	0	393,908
Counseling	85,958	0	85,958
Career Services	131,578	0	131,578
GED Test Centers	8,059	0	8,059
Success Center	385,323	253,082	638,405
Special Projects	4,247	0	4,247
Student Activities	95,707	0	95,707
ACT Testing	185	0	185
Special Events	4,275	0	4,275
Total Student Affairs	\$2,336,185	\$457,051	\$2,793,236

(Continued)

SHAWNEE STATE UNIVERSITY
Schedule of Current Expenditures - Educational & General
Central Campus
Year Ended June 30, 2001

	Unrestricted	Restricted	Total
Institutional support			
Governing Board	\$36,005	\$0	\$36,005
President's Office	396,047	0	396,047
V.P. Business Affairs	171,100	0	171,100
Controller's Office	638,611	0	638,611
Development	53,353	0	53,353
Security	119,479	0	119,479
General Expenses	537,864	0	537,864
University Information Services	885,195	0	885,195
Print Shop	314,150	0	314,150
Voice Communications	89,130	0	89,130
Administrative Assembly	1,404	0	1,404
Legal Affairs	130,373	0	130,373
Provost	669,944	83,902	753,846
Personnel	424,605	0	424,605
Purchasing	153,457	0	153,457
Graduation	24,271	0	24,271
North Central	10,198	0	10,198
Administrative Tuition Reimbursement	47,038	0	47,038
University Advancement	349,443	0	349,443
Graduate Studies	72,927	0	72,927
Mail Services	63,199	0	63,199
International Programs	37,743	0	37,743
Outcome Assessment	80,220	0	80,220
Institutional Research	55,350	0	55,350
Technology Initiatives	1,936	0	1,936
Total Institutional Support	<u>5,363,042</u>	<u>83,902</u>	<u>5,446,944</u>
Operation and Maintenance of Plant			
Facilities Planning & Administration	263,007	0	263,007
Custodial	730,539	0	730,539
Maintenance	718,069	0	718,069
Utilities	941,327	0	941,327
Motor Vehicles	9,581	0	9,581
Center for the Arts	423,238	0	423,238
Total Operation and Maintenance of Plant	<u>3,085,761</u>	<u>0</u>	<u>3,085,761</u>
Scholarships and Fellowships			
Grant-in-Aid	591,471	6,340,462	6,931,933
Total Scholarships and Fellowships	<u>591,471</u>	<u>6,340,462</u>	<u>6,931,933</u>
Total Current Expenditures - Educational and General	<u>\$25,723,608</u>	<u>\$11,432,003</u>	<u>\$37,155,611</u>

SHAWNEE STATE UNIVERSITY
Statement of Changes in Auxiliary Enterprises
Unrestricted Fund Balances
Year Ended June 30, 2001

	General Fees	Bookstore	Intercollegiate Athletics	Fine Arts Center	Sports Center	Student Union	Housing	Childrens Learning Center	Total
Revenue	\$1,353,059	\$121,302	\$36,103	\$472,494	\$50,050	\$74,594	\$975,760	\$160,809	\$3,244,171
Expenditures	0	7,743	861,873	707,668	109,880	315,785	1,139,228	216,326	3,358,503
Transfers among funds									
Nonmandatory									
Support from/to current unrestricted funds	(95,707)	0	25,095	158,197	0	49,047	370,000	56,588	563,220
Support from/to auxiliary funds	(933,607)	(121,302)	813,777	0	72,780	168,352	0	0	0
Mandatory Transfer	(306,523)	0	0	0	0	0	(155,654)	0	(462,177)
Total transfers	(1,335,837)	(121,302)	838,872	158,197	72,780	217,399	214,346	56,588	101,043
Net increase(decrease) for the year	17,222	(7,743)	13,103	(76,978)	12,950	(23,791)	50,878	1,071	(13,289)
Fund balance (deficit) at beginning of year	14,556	0	228,270	7,585	16,670	52,133	148,427	14,216	481,856
Fund balance (deficit) at end of fiscal year 2001	\$31,778	(\$7,743)	\$241,372	(\$69,393)	\$29,621	\$28,342	\$199,305	\$15,287	\$468,567



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JANUARY 10, 2002**