

SHAWNEE STATE UNIVERSITY

Portsmouth, Ohio

FINANCIAL STATEMENTS

June 30, 2007 and 2006



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Auditors* of the Shawnee State University, Scioto County, prepared by Crowe Chizek and Company LLC, for the audit period July 1, 2006 through June 30, 2007. 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.

Mary Taylor

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Auditor of State

November 13, 2007

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SHAWNEE STATE UNIVERSITY
Portsmouth, Ohio

FINANCIAL STATEMENTS
June 30, 2007 and 2006

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REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Board of Trustees
Shawnee State University
Portsmouth, Ohio

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Shawnee State University (the University), a component unit of the State of Ohio, as of June 30, 2007 and 2006, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

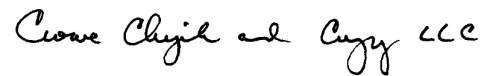
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of the business-type activities and discretely presented component unit of the University, as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2007 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Management's Discussion and Analysis on pages 3 - 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Crowe Chizek and Company LLC

Columbus, Ohio
October 10, 2007

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

This section of Shawnee State University's annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2007. This discussion, prepared by University management, provides an overview of the University's financial activities and should be evaluated in conjunction with the accompanying financial statements and footnotes.

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

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

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total net assets increased \$1,417,542 which represents a 1.6% increase from 2006.
- Total assets increased \$19,292,162 which represents a 20.5% increase from 2006. Current assets increased \$17,419,244.
- Total liabilities increased by \$17,874,620 as a result of the University issuing \$18 million of bonds. Current liabilities increased \$1,673,351 and long-term liabilities increased \$16,201,269.
- Total revenue increased by \$2,451,732 from 2006 to 2007 compared with a \$2,137,087 increase from 2005 to 2006. In-state tuition increased 5.9% in September 2006 resulting in an increase of \$861,899 in tuition and fee income (net of scholarships).
- Total expenses increased \$3,497,351 from 2006 to 2007 as compared with \$2,141,378 from 2005 to 2006.
- Non-operating revenue increased \$1,674,148. Non-operating expenses increased \$3,313.

Using this Financial Report

This annual report consists of two parts: (1) Management's Discussion and Analysis and the basic financial statements for Shawnee State University, and (2) the basic financial statements for the Shawnee State University Development Foundation. The basic financial statements for

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

Shawnee State University include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. The basic financial statements for the Shawnee State University Development Foundation include a statement of financial position and a statement of activities.

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

The Statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets present information about the University and its activities in a way that helps answer the question, "How did Shawnee State University do financially during 2007?" The Statement of Net Assets includes all short-term and long-term assets and liabilities, both financial and capital. The accrual basis of accounting is used for the recording of revenue and expenses. This basis of accounting records revenue when earned and expenses when incurred, regardless of when the cash is actually received or paid.

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

STATEMENT OF NET ASSETS

The Statement of Net Assets, which reports all assets and liabilities of the University, reflects the financial position of the University at the end of the fiscal year. Total assets minus total liabilities equal net assets. The University's assets, liabilities, and net assets as of June 30, 2007, 2006, and 2005 are presented below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets:			
Current Assets	\$ 26,737,012	\$ 9,317,768	\$ 9,509,486
Capital Assets, Net	69,082,757	69,250,433	67,360,970
Non-Current Assets	<u>17,579,105</u>	<u>15,538,511</u>	<u>14,808,618</u>
Total Assets	<u>113,398,874</u>	<u>94,106,712</u>	<u>91,679,074</u>
Liabilities:			
Current Liabilities	6,578,189	4,904,838	4,571,269
Long-Term Liabilities	<u>19,211,164</u>	<u>3,009,895</u>	<u>3,378,987</u>
Total Liabilities	<u>25,789,353</u>	<u>7,914,733</u>	<u>7,950,256</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	67,532,757	67,325,434	65,090,970
Restricted, Expendable Unrestricted	<u>18,508,320</u>	<u>17,360,512</u>	<u>17,081,192</u>
Total Net Assets	<u>\$ 87,609,521</u>	<u>\$ 86,191,979</u>	<u>\$ 83,728,818</u>

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

Total assets of the University increased \$19,292,162 in 2007. Current assets increased \$17,419,244 and net assets increased \$1,417,542. Total liabilities increased by \$17,874,620 as compared to a decrease in 2006 of \$35,523 and a decrease of \$537,860 in 2005. Current liabilities increased by \$1,673,351 and long-term liabilities increased by \$16,201,269. Both of these increases are predominantly the result of the University issuing \$18 million of bonds in June of 2007.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations for the University. The change in net assets during the fiscal year is a measurement of the change in the overall financial condition of the University. The University's revenues, expenses, and changes in net assets for fiscal years ended June 30, 2007, June 30, 2006 and June 30, 2005 are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues			
Tuition, Fees, and Other			
Student Charges	\$ 16,842,131	\$ 15,980,232	\$ 13,767,974
Grants and Contracts	14,845,348	13,525,776	14,004,335
Sales and Services	1,630,949	1,527,346	1,657,778
Other Income	292,260	271,926	393,897
Non-Operating Revenues			
Investment Income	2,140,159	994,734	970,503
State Appropriations	14,815,074	14,286,351	14,047,276
Capital Appropriations	441,604	1,969,428	1,576,943
Total Revenues	<u>51,007,525</u>	<u>48,555,793</u>	<u>46,418,706</u>
Operating Expenses			
Instruction and Research	16,645,606	15,419,838	14,732,873
Public Service	3,287,080	3,397,962	3,493,389
Academic Support	2,869,678	2,525,491	2,529,780
Student Services	3,725,907	3,462,607	3,597,307
Institutional Support	6,656,689	5,901,913	5,070,815
Operation and Maintenance of Plant	4,390,389	4,185,808	3,722,003
Scholarships	5,421,102	4,737,873	4,584,640
Depreciation	2,268,091	2,117,352	1,954,540
Auxiliary Enterprises	4,162,155	4,183,815	4,064,817
Non-Operating Expenses			
Interest on Capital Asset Related Debt	122,677	145,965	167,993
Loss on Disposal of Fixed Assets	30,013	3,412	22,501
Amortization of Debt Issuance Cost	10,596	10,596	10,596
Total Expenses	<u>49,589,983</u>	<u>46,092,632</u>	<u>43,951,254</u>
Increase in Net Assets	<u>\$ 1,417,542</u>	<u>\$ 2,463,161</u>	<u>\$ 2,467,452</u>

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

Shawnee State University is dedicated to its mission of providing higher education that fosters competence in oral and written communication, scientific and quantitative reason, and critical analysis/logical thinking. To enrich the lives of the community, the University provides opportunities for continuing personal and professional development, intellectual discovery, and appreciation for the creative and performing arts. The University charges students tuition and fees in accordance with approved University policy, as constrained by State laws. Rates charged for in-state tuition and fees increased 5.9% from 2006.

During 2007, the University generated revenues from tuition and fees in excess of \$16.8 million and had total expenses of approximately \$49.6 million. Investing practices in 2007 produced investment income of \$2,140,159 as compared to \$994,734 during 2006 and \$970,503 during 2005. The interest expense of \$122,677 for 2007 is attributable to outstanding general revenue bonds.

The 13.6% increase in Academic Support expense from \$2,525,491 in 2006 to \$2,869,678 in 2007 is attributable to non-capitalized equipment and furniture purchases for the newly renovated Allied Health building, technology upgrades, and increased compensation and health care costs.

The 12.8% increase in Institutional Support expenditures from 2006 to 2007 is predominantly the result of transition costs from self-insured health care to fully insured health care mid year.

Scholarships increased \$683,229 as a result of an increase in federal scholarship funding including the TANE, ACG, and SMART awards which were new in 2007.

State appropriations represented 29% of the University's total revenue in 2007, 29.4% in 2006, and 30.3% in 2005. This percentage illustrates that tuition and fee revenue alone is not sufficient to cover relevant operational expenses. In 2006 the operating loss after applying state appropriations of \$14,286,351 amounted to \$341,028. In 2007 the operating loss after applying state appropriations of \$14,815,074 amounted to \$1,000,935. These figures further illustrate that the financial condition of the University is dependent upon a predictable and relatively stable level of state appropriation funding.

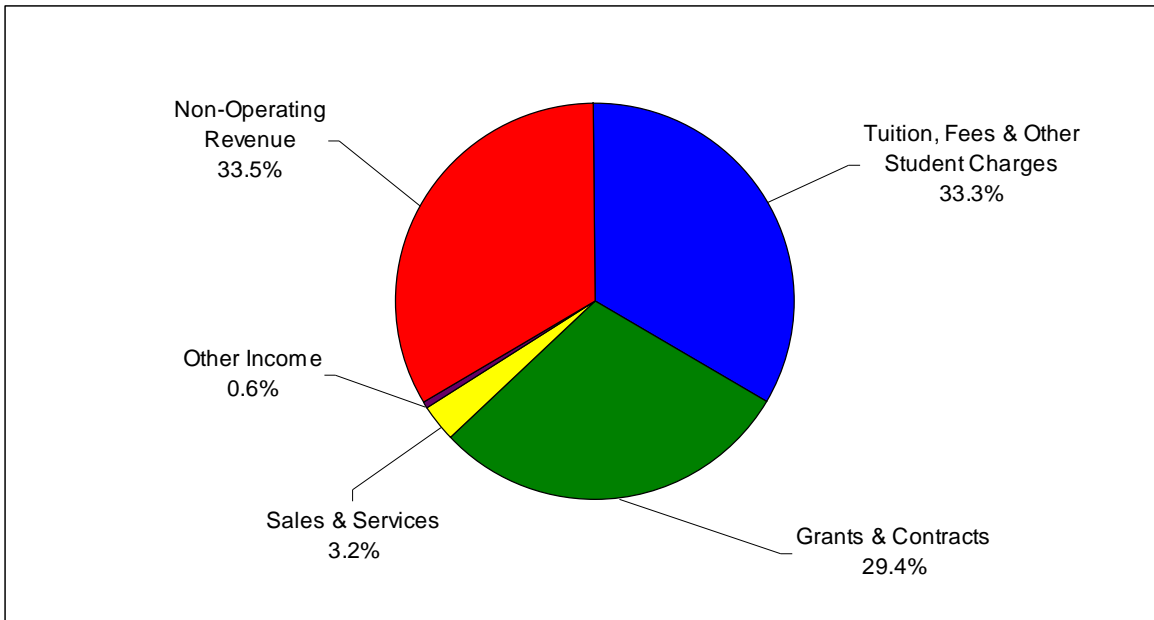
Capital appropriations decreased \$1,527,824 from 2006 to 2007. During 2006 state funds were allocated for renovations of the Kricker Building. No substantial state-funded renovations occurred in 2007.

The following graphs summarize Shawnee State University's revenue and expense activity for the fiscal year ending June 30, 2007.

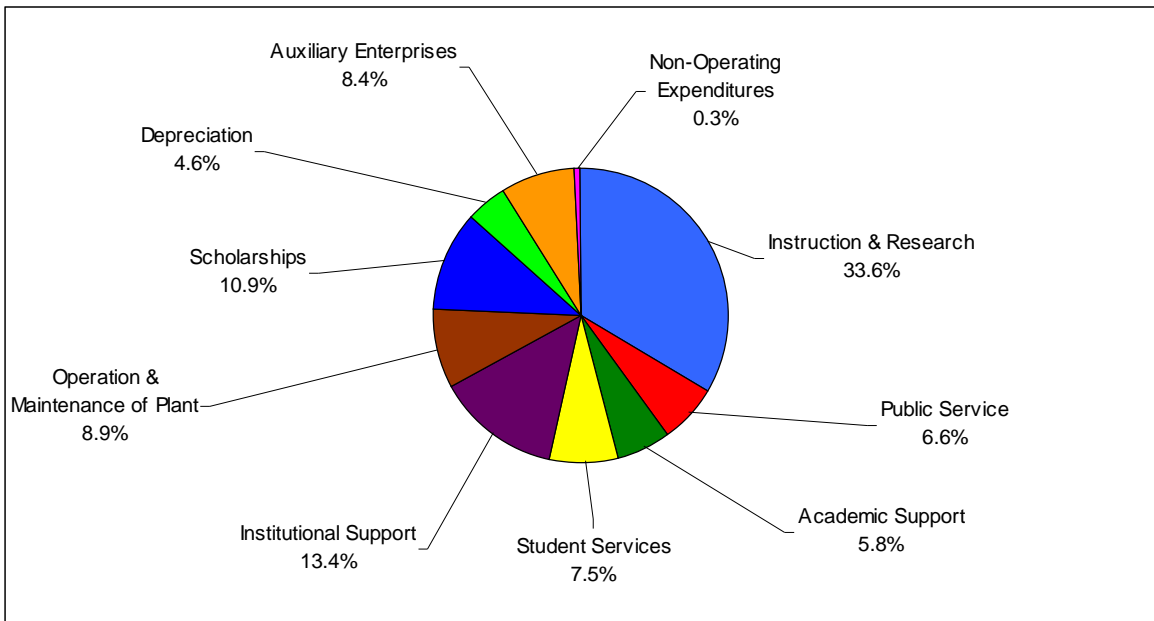
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SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

Graph 1
Revenue Activity



Graph 2
Expense Activity



(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's financial condition by reporting the cash sources (receipts) and the cash uses (payments) during the fiscal year ending June 30, 2007. A comparison of cash sources and uses during fiscal years 2007, 2006 and 2005 are presented below:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<u>Cash provided (used) by:</u>			
Operating activities	\$ (13,820,807)	\$ (12,488,439)	\$ (11,532,490)
Non-capital financing activities	14,943,287	14,232,459	14,028,534
Capital and related financing activities	16,295,622	(2,533,688)	(1,715,616)
Investing activities	<u>346,246</u>	<u>251,540</u>	<u>174,452</u>
Net increase (decrease) in cash & cash equivalents	17,764,348	(538,128)	954,880
Cash and cash equivalents - beginning of the year	<u>6,098,018</u>	<u>6,636,146</u>	<u>5,681,266</u>
end of the year	<u>\$ 23,862,366</u>	<u>\$ 6,098,018</u>	<u>\$ 6,636,146</u>

Cash and cash equivalents increased by \$17,764,348 from 2006 to 2007, compared to a decrease of \$538,128 from 2005 to 2006. The increase was primarily due to the issuance of \$18 million in bonds during 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the University had \$69,082,757 in net capital assets. This reflects an overall decrease of \$167,676 in net capital assets from 2006.

Capital Assets, Net of Depreciation
At June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Land	\$ 7,583,753	\$ 7,542,152	\$ 7,538,852
Land Improvements	6,928,632	6,928,632	6,928,632
Buildings and Improvements	45,035,263	45,836,530	44,861,782
Equipment	2,820,846	2,875,207	2,394,289
Library Books	4,390,260	4,289,783	4,187,874
Construction in Progress	<u>2,324,003</u>	<u>1,778,129</u>	<u>1,449,541</u>
Totals	<u>\$ 69,082,757</u>	<u>\$ 69,250,433</u>	<u>\$ 67,360,970</u>

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

Debt Administration

At June 30, 2007, the University had three outstanding General Revenue Bonds Payable totaling \$19,550,000; \$1,785,000 of which is due within one year. This reflects a \$17,625,000 overall increase from 2006 in the General Revenue Bonds Payable liability.

Outstanding Debt at Year End

	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Revenue Bonds Payable:			
6.0% to 7.1% 1989 – Series A	\$ 580,000	\$ 845,000	\$ 1,090,000
4.6% to 6.3% 1996 – Series B	970,000	1,080,000	1,180,000
4.0% to 5.0% - Series 2007	<u>18,000,000</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 19,550,000</u>	<u>\$ 1,925,000</u>	<u>\$ 2,270,000</u>

All of the bonds were issued to make capital improvements; the Series A Bonds mature in 2009, the Series B Bonds mature in 2014; and the Series 2007 Bonds mature in 2034. The Series 2007 Bonds are being issued for the purpose of paying the costs to renovate and construct a new addition to the University Center and for the refunding of the outstanding Series A and Series B Bonds.

CURRENT FINANCIAL ISSUES AND CONCERNS

The University has a strong financial foundation to continue accomplishing its mission and goals. Shawnee State's Senate Bill 6 ratios, which measure the overall financial health of public institutions, are one of the strongest among its peers. Nevertheless the University continues to face financial challenges.

In FY 2007 the State biennial budget froze tuition for FY 08 and FY 09. In FY 06 and FY 07, the University increased in-state tuition approximately six percent. For FY 08, a six percent tuition increase, coupled with a State Investment in Instruction increase of \$218,000, would produce revenue of approximately \$1.3 million. In lieu of the tuition increase, and in addition to the \$218,000 SII increase, the state will provide \$557,000 in tuition cap support and an increase of \$500,000 in Shawnee State University's special supplement resulting in total revenue of \$1.275 million. The volatility of the supplement should be noted. Our special supplement from the State of Ohio declined five percent from \$1,918,830 in 2005 to \$1,822,889 in 2006. Although a special budget line in the second year of the biennium restored the five percent loss on a one-time basis, we continue to be unable to plan for flat or increased funding of our mission-specific supplement. An additional requirement was imposed on public institutions to realize a one percent savings through efficiencies in FY 08 and a three percent savings through efficiencies in FY 09. While not stipulated, it is currently understood that Shawnee State will retain any efficiency savings it realizes.

(Continued)

SHAWNEE STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended June 30, 2007

On the surface the alternative funding method comes close to the revenue that would have been budgeted with a six percent tuition increase. It is important to consider, however, that the University anticipates a short-term decline in FTE enrollment in FY 08 as a result of its conversion from quarters to semesters, a pattern typical of institutions experiencing such transitions which is generally reversed in about two years. The positive long-term impact of this change should be increased retention of students.

The exact nature of funding beyond FY 09 is unclear as the Chancellor of the University System of Ohio is developing a comprehensive 10-year strategic plan which is likely to result in a change in current funding formulae. The fluctuations in enrollment and state support, coupled with the impact of inflation, particularly in energy and health care costs, require the securing of incremental funding sources and implementation of strong management controls to contain costs.

SHAWNEE STATE UNIVERSITY
STATEMENTS OF NET ASSETS
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 4,812,222	\$ 5,460,431
Deposits held by trustees	13,000	81,446
Short-term investments	<u>19,037,144</u>	<u>556,141</u>
Total cash and cash equivalents	23,862,366	6,098,018
Receivables		
Accounts (net of allowance for doubtful accounts of \$803,544 in 2007 and \$792,000 in 2006, respectively)	2,463,935	2,672,340
Notes	58,686	55,411
Amounts due from primary government	57,404	308,798
Interest receivable	64,578	5,947
Inventory	46,082	45,287
Deferred charges	10,596	10,596
Prepaid items	<u>173,365</u>	<u>121,371</u>
Total current assets	26,737,012	9,317,768
Noncurrent assets		
Investments	17,302,666	15,497,916
Deferred charges	276,439	40,595
Capital assets, net	<u>69,082,757</u>	<u>69,250,433</u>
Total noncurrent assets	<u>86,661,862</u>	<u>84,788,944</u>
 Total assets	 <u>\$ 113,398,874</u>	 <u>\$ 94,106,712</u>

SHAWNEE STATE UNIVERSITY
STATEMENTS OF NET ASSETS (Continued)
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 653,873	\$ 695,570
Accrued wages and benefits	2,444,146	2,353,496
Compensated absences payable	160,684	162,210
Bonds payable	1,785,000	375,000
Accrued interest payable	77,751	10,400
Deferred revenue	1,184,725	524,365
Deposits held by and due to others	262,010	133,797
Claims payable	<u>10,000</u>	<u>650,000</u>
Total current liabilities	6,578,189	4,904,838
Noncurrent liabilities		
Compensated absences payable	1,446,164	1,459,895
Bonds payable	<u>17,765,000</u>	<u>1,550,000</u>
Total noncurrent liabilities	19,211,164	3,009,895
Total liabilities	<u>25,789,353</u>	<u>7,914,733</u>
Net assets		
Invested in capital assets, net of related debt	67,532,757	67,325,434
Restricted		
Expendable		
Loans	113,063	113,102
Expendable - other	879,396	794,216
Debt service	575,985	598,715
Unrestricted	<u>18,508,320</u>	<u>17,360,512</u>
Total net assets	<u>87,609,521</u>	<u>86,191,979</u>
Total liabilities and net assets	<u><u>\$ 113,398,874</u></u>	<u><u>\$ 94,106,712</u></u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 1,279,214	\$ 715,311
Investments	12,705,421	10,739,153
Other assets	160,207	130,798
Pledges receivable, net	1,030,124	224,788
Beneficial interest in trusts held by others	<u>1,503,195</u>	<u>1,273,087</u>
 Total assets	 <u>\$ 16,678,161</u>	 <u>\$ 13,083,137</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,079	\$ 10,663
Deposits held and due to others	71,408	68,644
Annuity payment liability	<u>466,464</u>	<u>200,789</u>
Total liabilities	<u>538,951</u>	<u>280,096</u>
Net assets		
Unrestricted	504,201	452,366
Temporarily restricted	9,186,885	6,546,901
Permanently restricted	<u>6,448,124</u>	<u>5,803,774</u>
Total net assets	<u>16,139,210</u>	<u>12,803,041</u>
 Total liabilities and net assets	 <u>\$ 16,678,161</u>	 <u>\$ 13,083,137</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Operating revenues		
Student tuition and fees (net of scholarship allowances of \$7,014,875 in 2007 and \$6,473,905 in 2006)	\$ 16,842,131	\$ 15,980,232
Federal grants and contracts	8,746,868	8,159,239
State grants and contracts	3,338,331	3,389,526
Local grants and contracts	1,138,588	955,863
Private gifts, grants and contracts	1,621,561	1,021,148
Sales and services	1,630,949	1,527,346
Miscellaneous	<u>292,260</u>	<u>271,926</u>
Total operating revenues	<u>33,610,688</u>	<u>31,305,280</u>
EXPENSES		
Operating expenses		
Education and general		
Instructions and departmental research	16,645,606	15,419,838
Public service	3,287,080	3,397,962
Academic support	2,869,678	2,525,491
Student services	3,725,907	3,462,607
Institutional support	6,656,689	5,901,913
Operation and maintenance of plant	4,390,389	4,185,808
Scholarships and fellowships	5,421,102	4,737,873
Depreciation expense	2,268,091	2,117,352
Auxiliary enterprises	<u>4,162,155</u>	<u>4,183,815</u>
Total operating expenses	<u>49,426,697</u>	<u>45,932,659</u>
Operating loss	<u>(15,816,009)</u>	<u>(14,627,379)</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	14,815,074	14,286,351
Investment income	2,140,159	994,734
Interest on capital asset related debt	(122,677)	(145,965)
Loss on disposal of capital assets	(30,013)	(3,412)
Amortization of debt issuance cost	<u>(10,596)</u>	<u>(10,596)</u>
Net nonoperating revenues	<u>16,791,947</u>	<u>15,121,112</u>
Increase (decrease) in net assets before capital appropriations	975,938	493,733
Capital appropriations	<u>441,604</u>	<u>1,969,428</u>
INCREASE IN NET ASSETS	1,417,542	2,463,161
NET ASSETS		
Net assets, beginning of year	<u>86,191,979</u>	<u>83,728,818</u>
Net assets, end of year	<u>\$ 87,609,521</u>	<u>\$ 86,191,979</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENT OF ACTIVITIES
Year ended June 30, 2007 with comparative 2006 totals

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total 2007</u>	<u>Total 2006</u>
Revenues, gains and other support					
Contributions	\$ 10,749	\$ 2,194,026	\$ 644,350	\$ 2,849,125	\$ 1,309,237
Investment income, net of fees	95,153	1,850,713	--	1,945,866	915,075
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>1,404,755</u>	<u>(1,404,755)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total revenues and other support	1,510,657	2,639,984	644,350	4,794,991	2,224,312
Expenses					
Scholarships and other student aid	198,815	--	--	198,815	146,910
Institutional support	1,001,653	--	--	1,001,653	650,006
Guest speakers and lecturers	18,637	--	--	18,637	22,860
Management and general expenses	<u>239,717</u>	<u>--</u>	<u>--</u>	<u>239,717</u>	<u>145,963</u>
Total expenses and losses	<u>1,458,822</u>	<u>--</u>	<u>--</u>	<u>1,458,822</u>	<u>965,739</u>
Change in net assets	51,835	2,639,984	644,350	3,336,169	1,258,573
Net assets at beginning of year	<u>452,366</u>	<u>6,546,901</u>	<u>5,803,774</u>	<u>12,803,041</u>	<u>11,544,468</u>
Net assets at end of year	<u>\$ 504,201</u>	<u>\$ 9,186,885</u>	<u>\$ 6,448,124</u>	<u>\$ 16,139,210</u>	<u>\$12,803,041</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY DEVELOPMENT FOUNDATION
STATEMENTS OF ACTIVITIES
Year ended June 30, 2006

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenues, gains, and other support				
Contributions	\$ 20,715	\$ 936,185	\$ 352,337	\$ 1,309,237
Investment income, net	50,998	864,077		915,075
Net assets released from restrictions	<u>796,668</u>	<u>(796,668)</u>	<u> </u>	<u> </u>
Total revenues, gains, and other support	<u>868,381</u>	<u>1,003,594</u>	<u>352,337</u>	<u>2,224,312</u>
Expenses and losses				
Scholarships and other student aid	146,910			146,910
Institutional support	650,006			650,006
Guest speakers and lecturers	22,860			22,860
Management and general expenses	<u>145,963</u>	<u> </u>	<u> </u>	<u>145,963</u>
Total expenses and losses	<u>965,739</u>	<u> </u>	<u> </u>	<u>965,739</u>
Change in net assets	(97,358)	1,003,594	352,337	1,258,573
Net assets, beginning of year	<u>549,724</u>	<u>5,543,307</u>	<u>5,451,437</u>	<u>11,544,468</u>
Net assets, end of year	<u>\$ 452,366</u>	<u>\$ 6,546,901</u>	<u>\$ 5,803,774</u>	<u>\$12,803,041</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Cash received from tuition, fees, and other student charges	\$ 16,980,490	\$ 15,772,762
Cash received from gifts, grants and contracts	15,075,532	13,475,919
Cash received from sales and services	1,648,609	1,520,882
Cash received from miscellaneous services	292,260	271,926
Cash payments to suppliers for goods and services	(11,258,237)	(10,834,330)
Cash payments to employees for services	(21,617,931)	(19,864,554)
Cash payments for employee benefits	(9,520,428)	(8,093,171)
Cash payments for scholarships and fellowships	<u>(5,421,102)</u>	<u>(4,737,873)</u>
Net cash from operating activities	(13,820,807)	(12,488,439)
Cash flows from noncapital financing activities		
State appropriations	14,815,074	14,286,351
Net cash from agency transactions	<u>128,213</u>	<u>(53,892)</u>
Net cash from noncapital financing activities	14,943,287	14,232,459
Cash flows from capital financing activities		
Capital appropriations	689,548	1,850,356
Net proceeds from capital debt	18,484,240	--
Payments for capital acquisitions	(2,378,371)	(3,891,155)
Principal payments	(375,000)	(345,000)
Interest payments	<u>(124,795)</u>	<u>(147,889)</u>
Net cash from capital financing activities	16,295,622	(2,533,688)
Cash flows from investing activities		
Interest on investments	1,224,716	1,018,062
Proceeds for sales and maturities of investments	5,207,058	3,042,668
Purchase of securities	<u>(6,085,528)</u>	<u>(3,809,190)</u>
Net cash from investing activities	<u>346,246</u>	<u>251,540</u>
Net change in cash	17,764,348	(538,128)
Cash and cash equivalents, beginning of year	<u>6,098,018</u>	<u>6,636,146</u>
Cash and cash equivalents, end of year	<u>\$ 23,862,366</u>	<u>\$ 6,098,018</u>

(Continued)

SHAWNEE STATE UNIVERSITY
 STATEMENTS OF CASH FLOWS (Continued)
 Years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (15,816,009)	\$ (14,627,379)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation expense	2,268,091	2,117,352
Changes in assets and liabilities		
Accounts receivable	459,799	(306,125)
Notes receivable	(3,275)	(12,907)
Prepaid items	(51,994)	(28,057)
Inventory	(795)	3,384
Accounts payable	(41,697)	(14,631)
Accrued wages and benefits	90,650	318,120
Compensated absences payable	(15,257)	6,564
Deferred revenue	(70,320)	55,240
Claims payable	<u>(640,000)</u>	<u>--</u>
Net cash used by operating activities	<u>\$ (13,820,807)</u>	<u>\$ (12,488,439)</u>

See accompanying notes to financial statements.

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 - REPORTING ENTITY

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.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Shawnee State University also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after the applicable date. The more significant of the Shawnee State University accounting policies are described below.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- **Restricted:**
 - Nonexpendable* - Net assets subject to externally imposed stipulations that they be maintained permanently by the University.

- Expendable* - Net assets whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These net assets principally represent amounts for specified capital construction projects.

- **Unrestricted:** Net assets whose use by the University is not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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

Basis of Accounting

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

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

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Deferred revenue is predominantly made up of two categories of income. The first consists of receipts relating to tuition and student fees in advance of the services to be provided. The University will recognize revenue to the extent these services are provided over the coming fiscal year. The second is the net original issue premium of General Receipt Bonds issued in 2007. This revenue is computed using an effective interest rate method over the life of the bonds.

Income Taxes

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

Deposits and Investments

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

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 investment management agreements with the Common Fund and Mellon, as permitted by State statute. The agreements allow (within statute limits) investment in both debt and equity instruments.

The University has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price at which the investment could be sold on June 30, 2007.

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

Short term investments represent investments with maturities of between 90 days and one year and in 2007 include unspent bond proceeds of \$18,484,240 that will be spent in 2008.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

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

Capital Assets

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

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

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

Shawnee State University's policy is to capitalize net interest on construction projects until completion of the project. The amount of the capitalized interest is the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investments of the debt proceeds over the same period. Capitalized interest is amortized on a straight-line basis over the estimated useful life of the asset. Capitalized interest for 2007 was \$69,469.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities. For Shawnee State University, these revenues are tuition, fees, federal, state, local and private grants, sales and services and miscellaneous reimbursements. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of Shawnee State University.

Prepaid Items

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

Deferred Charges

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

Budgetary Process

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

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Deposits

Custodial credit risk: At June 30, 2007, the carrying amount of the University's deposits, (which consist of cash, excluding cash on hand of \$3,055, deposits held by trustee, and investments) was \$4,809,166 and the bank balance was \$5,955,382. The difference in the carrying amount and bank balance results from outstanding checks and deposits in transit. Of the bank balance, \$100,000 is covered by federal deposit insurance. The remaining balance at June 30, 2007 of \$5,855,382 is uninsured but collateralized by U.S. Treasuries held by the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as assigned to the University.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

As of June 30, 2007, the University had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
U.S. Treasury & Agencies	\$1,559,924	\$1,559,924		
Bond Mutual Funds	4,739,572			4,739,572
Money Market Funds	18,600,221	18,600,221		
STAR Ohio Funds	<u>4,201,469</u>	<u>4,201,469</u>	-	-
	29,101,186	<u>\$24,361,614</u>	-	<u>\$4,739,572</u>
Equities and Equity Funds	<u>7,238,624</u>			
	<u>\$ 36,339,810</u>			

As of June 30, 2006, the University had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u><1</u>	<u>1-5</u>	<u>6-10</u>
Bond Mutual Funds	\$ 4,113,958			\$ 4,113,958
Money Market Funds	1,626,737	\$ 1,626,737		
STAR Ohio Funds	<u>3,990,068</u>	<u>3,990,068</u>	-	-
	9,730,763	<u>\$ 5,616,805</u>	-	<u>\$ 4,113,958</u>
Equities and Equity Funds	<u>6,323,294</u>			
	<u>\$ 16,054,057</u>			

Investments at June 30, 2007 are shown in the statement of net assets as current in the amount of \$19,037,144 and as non-current in the amount of \$17,302,666 for total investments of \$36,339,810.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

As of June 30, 2007 the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AAA</u>	<u>AA</u>	<u>BBB</u>
Bond Funds	\$ 4,739,572	\$ -	\$ 2,389,782	\$ 2,349,790
Money Market Funds	18,600,221	18,573,580	26,641	-
STAR Ohio Funds	<u>4,201,469</u>	<u>4,201,469</u>	-	-
	<u>\$ 27,541,262</u>	<u>\$22,775,049</u>	<u>\$ 2,416,423</u>	<u>\$ 2,349,790</u>

As of June 30, 2006 the University had the following investments and quality ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>		
		<u>AAA</u>	<u>AA</u>	<u>BBB</u>
Bond Funds	\$ 4,113,958	-	\$ 2,083,527	\$ 2,030,431
Money Market Funds	1,626,737	-	1,626,737	-
STAR Ohio Funds	<u>3,990,068</u>	<u>3,990,068</u>	-	-
	<u>\$ 9,730,763</u>	<u>\$ 3,990,068</u>	<u>\$ 3,710,264</u>	<u>\$ 2,030,431</u>

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's Investment Policy limits investment in any single issue other than U.S. government securities to 5% of the total investment portfolio.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 4 - STATE SUPPORT

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

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

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

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

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

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

NOTE 5 - RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the University maintained comprehensive insurance coverage with a private carrier for real property, building contents, and motor vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

(Continued)

SHAWNEE STATE UNIVERSITY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2007 and 2006

NOTE 5 - RISK MANAGEMENT (Continued)

Coverages provided by this company are as follows:

Real and personal property (\$100,000 deductible)	\$ 150,407,919
Automobile liability (\$100,000 deductible)	1,000,000*
Uninsured motorists (\$100,000 deductible)	1,000,000*
Employee benefits liability (Aggregate)	1,000,000*
General liability per occurrence (\$100,000 deductible)	1,000,000*

* \$50,000,000 excess over general liability and auto liability and \$30,000 excess over employers liability.

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

Previously, the University was partially self-insured for certain employee health benefit programs. Funding for these programs was based on actuarial projections provided by the plan administrators. Aggregate stop loss insurance was maintained for benefit payments that exceeded the maximum limits outlined in the policy. The claims liability of \$650,000 reported in the enterprise fund at June 30, 2006 was 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 under the prior plan for fiscal years 2005 and 2006 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2005	\$ 950,000	\$ 3,605,510	\$ 3,905,510	\$ 650,000
2006	650,000	4,415,780	4,415,780	650,000

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.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 6 - GRANTS AND CONTRACTS

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

NOTE 7 - RETIREMENT PLANS

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

The Ohio General Assembly legislation gives public employers in Ohio the option of establishing an early retirement incentive plan for members of STRS Ohio and OPERS. As of June 30, 2005, the University authorized such plans.

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate was 9% from July 1, 2006 through December 31, 2006 and 9.5% from January 1, 2007 through June 30, 2007, for employees other than law enforcement. The employer contribution rate for local government employers was 13.54% from July 1, 2006 through December 31, 2006, and 13.77% from January 1, 2007 through June 30, 2007. The University's contributions to OPERS for the years ending June 30, 2005, 2006, and 2007, were \$1,108,544, \$1,155,856, and \$1,111,217 respectively, which are equal to the required contributions for each year.

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 7 - RETIREMENT PLANS (Continued)

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

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by STRS Ohio, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Plan members are required to contribute 10% of their annual covered salary and the University is required to contribute 14%. The University's contribution for pension obligations to STRS Ohio for the fiscal years ending June 30, 2005, 2006, and 2007 was \$1,272,712, \$1,307,596, and \$1,154,834 respectively. All required contributions have been made for the three fiscal years.

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

The eight companies approved to offer an ARP for the University employees are ING Life Insurance and Annuity Company, AXA Equitable Life Insurance Company, Great American Life Insurance Company, Lincoln National Life Insurance Company, Nationwide Life Insurance Company, TIAA-CREF, The St. Paul Travelers Company, and AIG VALIC. The obligation for the payment of benefits has been transferred from the University to the elected insurance company.

Effective July 1, 2004, an employee in a STRS Ohio eligible position contributes 10% of their earned income to their ARP account. The University contributes 14%. For the period July 1, 2006 through June 30, 2007, 10.5% of this amount was paid into the member's ARP account. The remaining 3.5% was paid to STRS Ohio, as required by state legislation, to cover unfunded

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

liabilities. The employee receives no benefits from STRS Ohio for the 3.5% contributed by the employer.

NOTE 7 - RETIREMENT PLANS (Continued)

An employee in an OPERS eligible position contributes 9% from July 1, 2006 through December 31, 2006, and 9.5% from January 1, 2007 through June 30, 2007, of their earned income and the University contributes 13.54% from July 1, 2006 through December 31, 2006, and 13.77% from January 1, 2007 through June 30, 2007. The employee and employer contribution are governed by state legislation and can be changed in accordance with legislative mandates.

As of June 30, 2007, there are approximately 53 active participants in an ARP. The University's contribution for employees enrolled in ARP accounts for fiscal year 2007, 2006, and 2005 was \$416,435, \$310,835, and \$267,317 respectively.

NOTE 8 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System: The Public Employees Retirement System of Ohio (OPERS) provides access to post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Access to health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised code provides statutory authority requiring public employers to fund health care through their contributions to OPERS. The employer contribution rate for state employers was 13.54% from July 1, 2006 through December 31, 2006, and 13.77% from January 1, 2007 through June 30, 2007 of covered payroll; 4.5% was the portion that was used to fund health care for the year.

The University's fiscal year 2007, 2006, and 2005 employer contributions to OPERS totaled \$1,111,217, \$1,155,856, and \$1,108,544 respectively. Of these amounts, \$366,227, \$344,414, and \$333,146 were used to fund health care for the year for employees in fiscal years 2007, 2006, and 2005 respectively. This represents 4.5%, 4%, and 4% of the payroll for fiscal years 2007, 2006, and 2005.

The following assumptions and calculations were based on the System's latest Actuarial Review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The investment assumption rate for 2005 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 8%. Health care costs were assumed to increase between 6.5%

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

and 11% from 2003 through 2011. Years 2012 and after are assumed to increase at a level of 4.0%.

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

OPEBs are advanced funded on an actuarially determined basis. The number of active contributing participants was 381,464. \$12.8 billion represents the actuarial value of the Retirement System's net assets available for OPEB at December 31, 2006. The actuarially accrued liability and unfunded actuarial accrued liability, based on the actuarial cost method used, were \$65.2 billion and \$20.2 billion, respectively.

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year 2006 and after, the Board has allocated 1.0% of contributions toward health care. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006. For the University, this amount equaled \$82,488, \$93,400, and \$90,908 during fiscal years 2007, 2006, and 2005 respectively.

For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$490 million. There were 119,000 eligible benefit recipients.

NOTE 9 - COMPENSATED ABSENCES

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

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

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the University's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 2007</u>	Amounts Due in One <u>Year</u>
1989 General Receipts Bonds, Series A	\$ 845,000	\$ --	\$ 265,000	\$ 580,000	\$ 580,000
1996 General Receipts Bonds, Series B	1,080,000	--	110,000	970,000	970,000
2007 General Receipts Bonds, Series 2007		18,000,000		18,000,000	235,000
Compensated Absences	<u>1,622,104</u>	<u>141,644</u>	<u>156,900</u>	<u>1,606,848</u>	<u>160,684</u>
Total Long Term Liabilities	<u>\$ 3,547,104</u>	<u>\$18,141,644</u>	<u>\$ 531,900</u>	<u>\$ 21,156,848</u>	<u>\$1,945,684</u>

The changes in the University's long-term obligations during fiscal year 2006 were as follows:

	Principal Outstanding <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>June 30, 2006</u>	Amounts Due in One <u>Year</u>
1989 General Receipts Bonds, Series A	\$ 1,090,000	\$ --	\$ 245,000	\$ 845,000	\$ 265,000
1996 General Receipts Bonds, Series B	1,180,000	--	100,000	1,080,000	110,000
Compensated Absences	<u>1,615,541</u>	<u>234,686</u>	<u>228,123</u>	<u>1,622,104</u>	<u>162,210</u>
Total Long Term Liabilities	<u>\$ 3,885,541</u>	<u>\$ 234,686</u>	<u>\$ 573,123</u>	<u>\$ 3,547,104</u>	<u>\$ 537,210</u>

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.

(Continued)

SHAWNEE STATE UNIVERSITY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2007 and 2006

NOTE 10 - LONG-TERM OBLIGATIONS (Continued)

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 houses approximately 128 students.

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

Total interest expense incurred on indebtedness for the year ended June 30, 2007 and 2006 is \$122,677 and \$145,965.

Series A and Series B outstanding principal and interest amounts at June 30, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Projected Refund Date</u>
Series A	\$ 580,000	\$ 20,590	\$ 600,590	12/1/2007
Series B	970,000	5,497	975,497	7/5/2007

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

<u>Year Ended June 30,</u>	<u>Series B</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 235,000	\$ 833,633	\$ 1,068,633
2009	250,000	833,600	1,083,600
2010	500,000	823,600	1,323,600
2011	510,000	803,600	1,313,600
2012	535,000	783,200	1,318,200
Thereafter	<u>15,970,000</u>	<u>10,364,200</u>	<u>26,334,200</u>
Total	<u>\$ 18,000,000</u>	<u>\$ 14,441,833</u>	<u>\$ 32,441,833</u>

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 11 - LEASES

The University's operating leases consist of real property and movable equipment. Total expenditures during 2007 and 2006 under operating leases amounted to approximately \$8,250 and \$10,214.

The operating leases expire in fiscal year 2008. Minimum lease payments in fiscal year 2008 are \$6,700.

NOTE 12 - CAPITAL ASSETS

Capital Asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance <u>07/01/06</u>	Reclass and <u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/07</u>
Capital assets, not being depreciated				
Land	\$ 7,542,152	\$ 41,601	\$ --	\$ 7,583,753
Land improvements	6,928,632	--	--	6,928,632
Library books	4,289,783	103,725	(3,248)	4,390,260
Construction in progress	<u>1,778,129</u>	<u>851,222</u>	<u>(305,348)</u>	<u>2,324,003</u>
Total capital assets, not being depreciated	<u>20,538,696</u>	<u>996,548</u>	<u>(308,596)</u>	<u>21,226,648</u>
Capital assets being depreciated				
Buildings and improvements	67,376,127	652,980	--	68,029,107
Equipment	<u>7,784,820</u>	<u>786,248</u>	<u>(168,580)</u>	<u>8,402,488</u>
Total capital assets, being depreciated	<u>75,160,947</u>	<u>1,439,228</u>	<u>(168,580)</u>	<u>76,431,595</u>
Less accumulated depreciation				
Buildings and improvements	(21,539,597)	(1,454,247)	--	(22,993,844)
Equipment	<u>(4,909,613)</u>	<u>(813,844)</u>	<u>141,815</u>	<u>(5,581,642)</u>
Total accumulated depreciation	<u>(26,449,210)</u>	<u>(2,268,091)</u>	<u>141,815</u>	<u>(28,575,486)</u>
Total capital assets, being depreciated, net	<u>48,711,737</u>	<u>(828,863)</u>	<u>(26,765)</u>	<u>47,856,109</u>
Capital assets, net	<u>\$ 69,250,433</u>	<u>\$ 167,685</u>	<u>\$ (335,361)</u>	<u>\$ 69,082,757</u>

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 12 - CAPITAL ASSETS (Continued)

Capital Asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>07/01/05</u>	<u>Reclass</u> <u>and</u> <u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/06</u>
Capital assets, not being depreciated				
Land	\$ 7,538,852	\$ 3,300	\$ --	\$ 7,542,152
Land improvements	6,928,632	--	--	6,928,632
Library books	4,187,874	101,909	--	4,289,783
Construction in progress	<u>1,449,541</u>	<u>1,731,549</u>	<u>(1,402,961)</u>	<u>1,778,129</u>
Total capital assets, not being depreciated	<u>20,104,899</u>	<u>1,836,758</u>	<u>(1,402,961)</u>	<u>20,538,696</u>
Capital assets being depreciated				
Buildings and improvements	65,002,979	2,373,148	--	67,376,127
Equipment	<u>6,600,664</u>	<u>1,203,282</u>	<u>(19,126)</u>	<u>7,784,820</u>
Total capital assets, being depreciated	<u>71,603,643</u>	<u>3,576,430</u>	<u>(19,126)</u>	<u>75,160,947</u>
Less accumulated depreciation				
Buildings and improvements	(20,141,197)	(1,398,400)	--	(21,539,597)
Equipment	<u>(4,206,375)</u>	<u>(718,952)</u>	<u>15,714</u>	<u>(4,909,613)</u>
Total accumulated depreciation	<u>(24,347,572)</u>	<u>(2,117,352)</u>	<u>15,714</u>	<u>(26,449,210)</u>
Total capital assets, being depreciated, net	<u>47,256,071</u>	<u>1,459,078</u>	<u>(3,412)</u>	<u>48,711,737</u>
Capital assets, net	<u>\$ 67,360,970</u>	<u>\$ 3,295,836</u>	<u>\$ (1,406,373)</u>	<u>\$ 69,250,433</u>

NOTE 13 - CONTINGENCIES

The University receives financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the unrestricted or restricted educational and general funds or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material adverse effect on the overall financial position of the University at June 30, 2007.

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

(Continued)

SHAWNEE STATE UNIVERSITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 14 - COMPONENT UNIT DISCLOSURE

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

Temporarily restricted net assets represent funds, which are restricted for a specific purpose determined by the donor. Permanently restricted net assets represent contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the earnings of the fund be expended as the donor has specified. Temporarily and permanently restricted net assets at June 30, 2007 and 2006 are restricted primarily for scholarships, University programs, and capital improvements.

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

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

The fair value of investments at June 30, 2007 and 2006, by classification is as follows:

	<u>2007</u>	<u>2006</u>
U.S. Treasury and Agency Obligations	\$ 2,313,780	\$ 1,671,330
Bond Mutual Funds	413,892	453,434
Stock Mutual Funds	2,751,102	2,523,327
Common Stocks	6,726,904	5,845,929
Corporate Bond Issues	<u>499,743</u>	<u>245,133</u>
	<u>\$ 12,705,421</u>	<u>\$ 10,739,153</u>

During the year ended June 30, 2007 and 2006 the Foundation made distributions of \$1,219,105 and \$819,776 to or on behalf of the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Shawnee State University Development Foundation, Inc. at 940 Second Street, Portsmouth, Ohio, 45662.

SUPPLEMENTARY INFORMATION

SHAWNEE STATE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass through Entity identifying <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 163,387
Federal College Work Study	84.033		219,028
Academic Competitiveness Grant	84.375		227,390
SMART Grant	84.376		126,450
Federal Pell Grant Program	84.063		5,233,981
Federal Family Education Loan Program	84.032		<u>13,626,584</u>
Total Student Financial Aid Cluster			<u>19,596,820</u>
TRIO Cluster:			
Student Support Services	84.042		288,199
Talent Search	84.044		294,141
Upward Bound	84.047A		274,101
Upward Bound Math Science	84.047M		180,992
Educational Opportunity Centers	84.066		<u>388,562</u>
Total TRIO Cluster			<u>1,425,995</u>
Disabled Veterans Scholarship	84.064		<u>46,963</u>
			<u>21,069,778</u>
<i>Passed through Ohio Department of Education</i>			
Adult Education: State Grant Program	84.002	AB-S1	89,013
Vocational Education: Basics Grants to States (Perkins)	84.048	20-C2	70,942
Twenty-first Century - Community Learning Centers	84.287C	Unknown	773,786
Tech Prep Education	84.243	3E-OO	<u>109,750</u>
Total passed through Ohio Department of Education			<u>1,043,491</u>
Total United States Department of Education			<u>\$ 22,113,269</u>

(Continued)

SHAWNEE STATE UNIVERSITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 June 30, 2007

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	Pass through Entity identifying <u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>Pass-through the Ohio Dept of Education</i>			
Child and Adult Care Food Program	10.551	16-CU, 21-CU, 21- FU	\$ 569
 <u>National Endowment of the Arts</u>			
<i>Pass-through from Arts Midwest</i>			
Moscow Festival Ballet	45.025		3,096
 <u>Institute of Museum and Library Services</u>			
<i>Pass-through Kent State University</i>			
Institute for Library and Information Literacy Education Grants-in-Aid	45.312		818
 <u>U.S. Department of Health and Human Services</u>			
<i>Pass-through Ohio Board of Regents</i>			
Temporary Assistance to Needy Families	93.558		<u>54,480</u>
Total Federal Expenditures			<u>\$ 22,172,232</u>

SHAWNEE STATE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2007

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2- FEDERAL WORK-STUDY AND FEDERAL SEOG WAIVER

For fiscal year 2007, 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 3- FEDERAL FAMILY EDUCATION LOAN PROGRAM

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

NOTE 4 - TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Temporary Assistance to Needy Families, CFDA No. 93.558, represents TEAP funds administered by the Ohio Board of Regents. The program includes commingled federal and state funds and the amount presented on the Schedule of Expenditures of Federal Awards includes both federal and state portions.

SHAWNEE STATE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2007

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Reportable condition(s) identified not considered to be material weaknesses?	_____ Yes	_____ X	N/A
Noncompliance material to financial statements noted?	_____ Yes	_____ X	No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	_____ X	No
Reportable condition(s) identified not considered to be material weakness(es)?	_____ Yes	_____ X	N/A
Type of auditors' report issued on compliance for major programs	<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (Section .510(a))?	_____ Yes	_____ X	No

(Continued)

SHAWNEE STATE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 June 30, 2007

<u>Name of Major Programs Identified</u>	<u>CFDA Number(s)</u>
Student Financial Aid Cluster:	
Federal Pell Grant Program	84.063
Federal Work-Study Program	84.033
Federal Supplemental Educational Opportunity Grant	84.007
Federal Family Education Loan Program Academic Competitiveness Grant	84.032
SMART Grant	84.375
Twenty-First Century Community Learning Centers	84.376
Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	<u> X </u> Yes <u> </u> No

PART II: FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable

PART III: MAJOR FEDERAL AWARD AUDIT FINDINGS AND QUESTIONED COSTS SECTION

No matters are reportable

PART IV: SUMMARY OF PRIOR YEAR FINDINGS

No matters are reportable



Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Shawnee State University
Portsmouth, Ohio

We have audited the financial statements of the business-type activities and discretely presented component unit of Shawnee State University as of and for the year ended June 30, 2007, which collectively comprise Shawnee State University's basic financial statements and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all

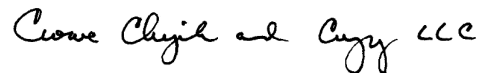
deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Shawnee State University in a separate letter dated October 10, 2007.

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



Crowe Chizek and Company LLC

Columbus, Ohio
October 10, 2007



Crowe Chizek and Company LLC
Member Horwath International

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

Board of Trustees
Shawnee State University
Portsmouth, Ohio

Compliance

We have audited the compliance of Shawnee State University with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Shawnee State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shawnee State University's management. Our responsibility is to express an opinion on Shawnee State University's compliance based on our audit.

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

In our opinion, Shawnee State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

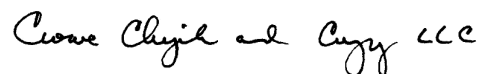
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

We noted matters involving compliance and internal control over compliance that we have reported to management of Shawnee State University in a separate letter dated October 10, 2007.

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



Crowe Chizek and Company LLC

Columbus, Ohio
October 10, 2007



Mary Taylor, CPA
Auditor of State

SHAWNEE STATE UNIVERSITY

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 29, 2007**