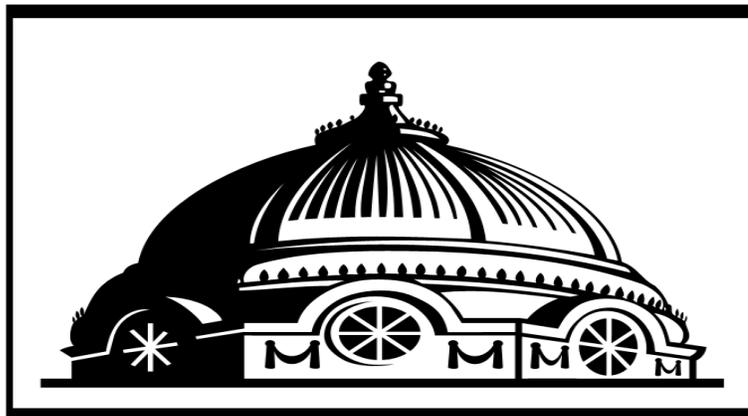

**SOUTHEAST MISSOURI
STATE UNIVERSITY
SYSTEMS FACILITIES
FINANCIAL STATEMENTS
JUNE 30, 2010**



Southeast
Missouri State University

TM

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Independent Auditors' Report

Board of Regents
Southeast Missouri State University
System Facilities
Cape Girardeau, Missouri

We have audited the accompanying basic financial statements of Southeast Missouri State University System Facilities (the System Facilities) of Southeast Missouri State University (the University), a component unit of the State of Missouri, as of June 30, 2010 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the System Facilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System Facilities' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements of the System Facilities are intended to present the financial position, and the changes in financial position and cash flows of only that portion of Southeast Missouri State University that is attributable to the System Facilities. They do not purport to, and do not, present fairly the financial position of Southeast Missouri State University as of June 30, 2010, and its changes in its financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the System Facilities as of June 30, 2010, and its changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management's discussion and analysis as listed in the table of contents 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.

Our audit was conducted for the purpose of forming an opinion on the System Facilities' basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

RubinBrown LLP

November 13, 2010

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Southeast Missouri State University System Facilities' (the System Facilities) basic financial statements provides an overview of the System Facilities' financial performance during the year ended June 30, 2010. The Management's Discussion and Analysis is designed to focus on current activities and resulting changes, and should be read in conjunction with the System Facilities' basic financial statements.

Using This Report

This report consists of a series of basic financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. The Statement of Net Assets includes the assets, liabilities, and net assets of the System Facilities as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. It is prepared under the accrual basis of accounting, whereby assets are recognized when the service is provided and the liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating, nonoperating or other. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the basic financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The Statement of Cash Flows presents the System Facilities' inflows and outflows of cash. The primary purpose of the Statement of Cash Flows is to provide information about the System Facilities' cash receipts and payments summarized by operating, capital and related financing and noncapital financing and investing activities.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Financial Analysis of The System Facilities

The following table reflects the Net Assets for the System Facilities as of June 30:

	<u>2010</u>	<u>2009</u>
Current Assets	\$ 23,596,607	\$ 27,384,941
Noncurrent Assets		
Capital assets, net of depreciation	120,572,886	111,396,180
Other	1,998,262	7,538,327
Total assets	<u>146,167,755</u>	<u>146,319,448</u>
Current Liabilities	7,166,711	9,103,485
Noncurrent Liabilities	91,238,065	93,506,547
Total liabilities	<u>98,404,776</u>	<u>102,610,032</u>
Net Assets		
Invested in capital assets, net of related debt	26,051,167	22,660,688
Restricted	11,855,263	10,540,668
Unrestricted	9,856,549	10,508,060
Total net assets	<u>\$ 47,762,979</u>	<u>\$ 43,709,416</u>

Current assets consist primarily of cash and cash equivalents and short-term investments. Current assets totaled \$23.60 million at June 30, 2010, a decrease of approximately \$3.78 million from the \$27.38 million total current assets at June 30, 2009. The decrease is related to construction and capital improvement funds related to the System Facilities Revenue Bond Series 2008 that had been invested but were expended on the construction of new student housing and related housing capital improvements during the fiscal year ended June 30, 2010. Total assets decreased approximately \$150,000 from \$146.32 million at June 30, 2009 to \$146.17 million at June 30, 2010.

Current liabilities consist primarily of accounts payable and accrued interest payable. Current liabilities totaled \$7.17 million at June 30, 2010, a decrease of approximately \$1.93 million from the \$9.10 million total current liabilities at June 30, 2009. Current liabilities also include the current portion of bonds and notes payable.

Noncurrent liabilities consist of long-term debt, which totaled \$91.24 million at June 30, 2010 and \$93.51 million at June 30, 2009.

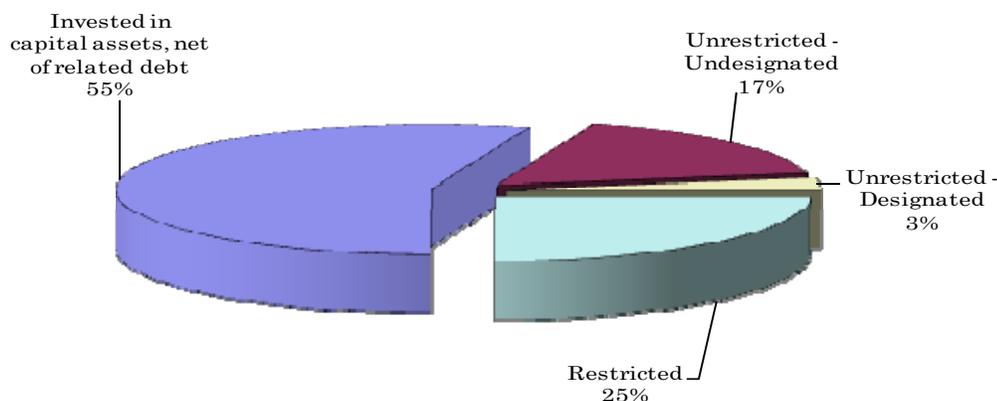
**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Net assets represent the residual interest in the System Facilities' assets after liabilities are deducted. Certain reclassifications in the net asset presentation for 2009 were made to conform to the 2010 presentation.

Net Assets	2010	2009
Invested in capital assets, net of related debt	\$ 26,051,167	\$ 22,660,688
Restricted - Expendable for capital projects	5,146,722	3,850,377
Restricted - Expendable for debt service	6,708,541	6,690,291
Unrestricted:		
Designated	1,475,275	1,412,489
Undesignated	8,381,274	9,095,571
Total Unrestricted	9,856,549	10,508,060
Total net assets	\$ 47,762,979	\$ 43,709,416

Following is a breakdown of net assets at June 30, 2010:



Net assets invested in capital assets, net of related debt represent the System Facilities' capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net assets invested in capital assets increased approximately \$3.39 million from \$22.66 million at June 30, 2009 to \$26.05 million at June 30, 2010. The increase is primarily due to the construction of new student housing and housing renovations.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Although unrestricted net assets are not subject to externally imposed stipulations, approximately \$1.48 million and \$1.41 million was internally designated for investment in inventories as of June 30, 2010 and 2009, respectively. Unrestricted-undesignated net assets of the System Facilities were approximately \$8.38 million at June 30, 2010, a decrease of approximately \$710,000 from \$9.09 million at June 30, 2009.

The following schedule reflects the condensed revenues and expenses of the System Facilities for fiscal years 2010 and 2009:

**Condensed Statements Of Revenues
Expenses And Changes In Net Assets
Years Ended June 30, 2010 And 2009**

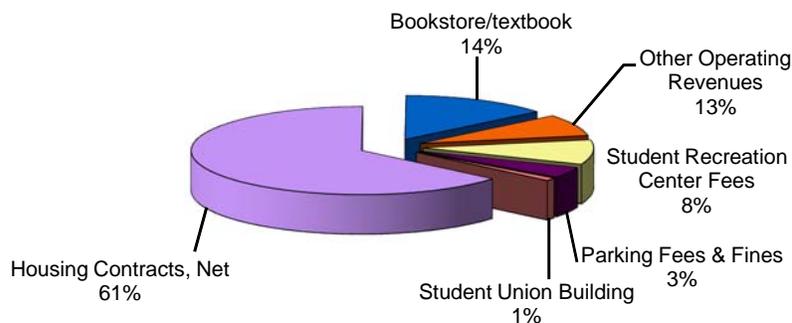
	2010	2009
Operating Revenue		
Housing contracts, net of scholarship allowance	\$ 16,740,711	\$ 15,123,490
Bookstore/textbook sales and rentals	3,897,699	3,356,638
Student recreation center fees	2,061,691	1,955,020
Parking fees and fines	877,169	943,139
Student union building fees	237,000	237,000
Other operating revenues	2,803,195	1,951,938
Total operating revenue	26,617,465	23,567,225
Operating Expenses		
Personal service	4,865,852	4,784,678
Contract food service	4,948,100	4,531,695
Utilities and maintenance	1,385,636	1,273,441
Book purchases	2,727,667	2,564,185
Depreciation	2,119,325	2,036,114
Other operating expenses	3,072,175	4,198,070
Total operating expenses	19,118,755	19,388,183
Operating income	7,498,710	4,179,042
Nonoperating Revenue (Expenses)		
Investment income	614,602	3,035,983
Interest on capital asset related debt	(4,059,749)	(2,577,225)
Net nonoperating revenue (expenses)	(3,445,147)	458,758
Increase in net assets	4,053,563	4,637,800
Net assets beginning of year	43,709,416	39,071,616
Net assets end of year	\$ 47,762,979	\$ 43,709,416

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Management's Discussion And Analysis (*Continued*)

Total revenues for fiscal years 2010 and 2009 were \$27.23 million and \$26.61 million. The most significant sources of revenue for the System Facilities are housing contracts, student fees, and bookstore/textbook sales and rentals. Other operating revenue, which increased approximately \$850,000 from \$1.95 million in fiscal year 2009 to \$2.80 million in fiscal year 2010, includes revenue from capital project reimbursements, camps, conferences and coin operating campus sales.

Following is a graphic illustration of operating revenue by source for fiscal year 2010:

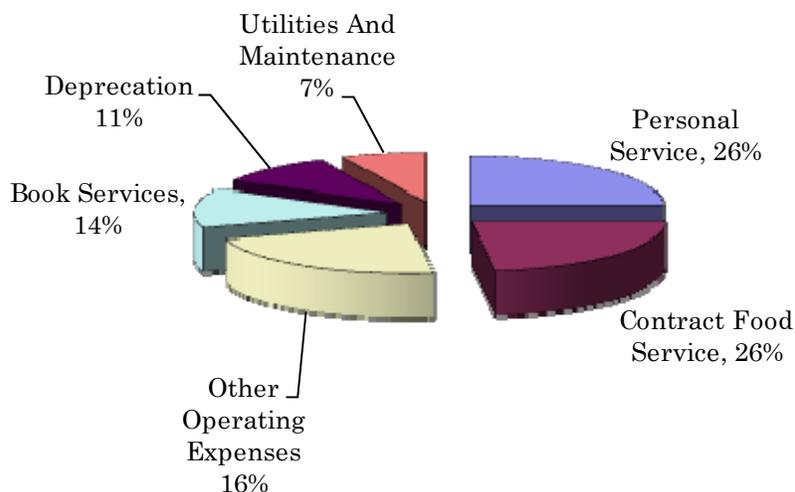


Operating expenses of the System Facilities totaled \$19.12 million for the fiscal year ending June 30, 2010 and \$19.39 million for the fiscal year ending June 30, 2009. Personal service costs and contract food service costs accounted for 52% of the total operating expenses in fiscal year 2010 and 48% of the total operating expenses in fiscal year 2009.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Following is a graphic illustration of operating expenses by source for the period ending June 30, 2010:



Capital Assets

At June 30, 2010 and 2009, the System Facilities' investment in capital assets totaled \$120.57 million and \$111.40 million, respectively, as follows:

	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$ 103,609,525	\$ 99,482,092
Infrastructure	8,006,384	7,833,420
Construction in progress	32,039,410	25,043,775
Less: Accumulated depreciation	(23,082,433)	(20,963,107)
	<u>\$ 120,572,886</u>	<u>\$ 111,396,180</u>

At June 30, 2010, the University estimated that costs to complete construction projects in progress at \$4.39 million, which includes student housing construction and renovations of approximately \$3.67 million. These projects are being funded by bond proceeds.

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Management's Discussion And Analysis (*Continued*)

At June 30, 2009, the University estimated the costs to complete construction projects in progress at \$7.91 million, which includes new student housing construction in the estimated amount of \$3.41 million. This project is being funded by bond proceeds.

Additional information in Capital Assets can be found in Note 4 of the financial statements.

Bonds And Notes Payable

The System Facilities had outstanding bonds of approximately \$93.55 million and \$96.25 million at June 30, 2010 and 2009 respectively. During fiscal year 2010 and 2009, the University issued no new bonds. The University made all regularly scheduled debt service payments.

On July 1, 2009, the System Facilities entered into an agreement with Chartwells, the University's contracted food service provider, for the construction of dining facilities in the new residence hall and expansion of the University Center to provide additional dining space. Total outstanding notes payable were \$555,817 at June 30, 2010. The University made all regularly scheduled debt service payments.

Additional information in Bonds and Notes Payable can be found in Notes 7 and 8 of the financial statements.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

STATEMENT OF NET ASSETS

June 30, 2010

Assets

Current Assets

Cash and cash equivalents	\$ 13,965,892
Restricted short-term investments	7,837,536
Accrued interest receivable	12,708
Due from component unit - Foundation	201
Accounts receivable	167,492
Inventories	1,475,275
Bond issuance costs, net	137,503
Total Current Assets	<u>23,596,607</u>

Noncurrent Assets

Bond issuance costs	1,998,262
Capital assets, net - Depreciable	88,533,476
Capital assets - Non-depreciable	32,039,410
Total Noncurrent Assets	<u>122,571,148</u>

Total Assets

146,167,755

Liabilities

Current Liabilities

Accounts payable	2,264,047
Accrued interest payable	1,045,451
Accrued compensation	280,149
Unearned income	706,711
Notes payable	30,353
Bonds payable	2,840,000
Total Current Liabilities	<u>7,166,711</u>

Noncurrent Liabilities

Notes payable	525,464
Bonds payable	90,712,601
Total Noncurrent Liabilities	<u>91,238,065</u>

Total Liabilities

98,404,776

Net Assets

Invested in capital assets, net of related debt	26,051,167
Restricted for:	
Expendable for capital projects	5,146,722
Expendable for debt service	6,708,541
Unrestricted	9,856,549
Total Net Assets	<u>\$ 47,762,979</u>

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For The Year Ended June 30, 2010

Operating Revenues	
Housing contracts (net of scholarship allowance of \$1,063,846)	\$ 16,740,711
Student recreation center fees	2,061,691
Student union building fees	237,000
Student parking fees	551,403
Other fees	1,049,529
Textbook rental	1,468,669
Bookstore/textbook sales	2,429,030
Coin operating sales	122,084
Fines/parking tickets	325,766
Camps	24,264
Rental income	231,784
Other operating revenues	1,375,534
Total Operating Revenues	<u>26,617,465</u>
Operating Expenses	
Personal service	4,865,852
Contract food service	4,948,100
Utilities and maintenance	1,385,636
Book purchases	2,727,667
Coin operating expenses	91,714
Depreciation	2,119,325
Other operating expenses	2,980,461
Total Operating Expenses	<u>19,118,755</u>
Operating Income	<u>7,498,710</u>
Nonoperating Revenues (Expenses)	
Investment income	614,602
Interest on capital asset-related debt	(4,059,749)
Total Nonoperating Revenues (Expenses), Net	<u>(3,445,147)</u>
Increase In Net Assets	4,053,563
Net Assets - Beginning Of Year	<u>43,709,416</u>
Net Assets - End Of Year	<u><u>\$ 47,762,979</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2010**

Cash Flows From Operating Activities	
Student fees	\$ 19,740,833
Other receipts	7,064,697
Payments to vendors and suppliers	(14,363,634)
Payments to employees	(4,884,232)
Net Cash Provided By Operating Activities	<u>7,557,664</u>
Cash Flows From Capital And Related Financing Activities	
Proceeds from capital debt	577,870
Purchases of capital assets and payments to contractors	(11,296,031)
Principal paid on capital debt	(2,767,053)
Interest paid on capital debt	(3,900,064)
Net Cash Used In Capital And Related Financing Activities	<u>(17,385,278)</u>
Cash Flows From Investing Activities	
Proceeds from sales and maturities of investments	21,063,753
Interest on investments	633,175
Purchases of investments	(4,772,940)
Net Cash Provided By Investing Activities	<u>16,923,988</u>
Net Increase In Cash And Cash Equivalents	7,096,374
Cash And Cash Equivalents - Beginning Of Year	<u>6,869,518</u>
Cash And Cash Equivalents - End Of Year	<u><u>\$ 13,965,892</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**STATEMENT OF CASH FLOWS (Continued)
For The Year Ended June 30, 2010**

Reconciliation Of Operating Income To	
Net Cash Provided By Operating Activities	
Operating income	\$ 7,498,710
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,119,325
Changes in assets and liabilities:	
Receivables, net	38,037
Inventories	(62,786)
Accounts payable and accrued liabilities	(2,167,270)
Deferred revenue	150,028
Accrued compensated absences and post-employment benefits	<u>(18,380)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 7,557,664</u></u>

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2010

1. Organization

The basic financial statements include the accounts of Southeast Missouri State University (the University) established by the terms of the bond resolution for the System Facilities Revenue Bonds Series 2001 dated August 30, 2001; the System Facilities Revenue Bonds Series 2002 dated April 1, 2002, the System Facilities Revenue Bond Series 2006A dated May 10, 2006, and the System Facilities Revenue Bond Series 2008 dated April 22, 2008. The basic financial statements reflect only the assets, liabilities, net assets, and revenues and expenses of the System Facilities.

The System Facilities is composed of the Housing System, the Student Union facility (University Center), the Student Recreation Center, the Aquatic Center, and the Outdoor Recreation Fields. The resolution of the System Facilities Revenue Bonds Series 2002 added the Parking and Transit system to the System Facilities. The Housing System is composed of all residence halls and related dining facilities, including Dearmont Quadrangle, Myers Hall, Cheney Hall, Group Housing, the Towers High Rise Housing, Vandiver Hall, Henderson Hall and the Broadway/Henderson Housing (New Hall). The University Center includes the operations of the University Bookstore and textbook rental operation. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding Series 2001, Series 2002, Series 2006A and Series 2008 bonds and payment of interest thereon semi-annually on April 1 and October 1.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

2. Basis Of Accounting And Presentation And Summary Of Significant Accounting Policies:

Basis Of Accounting And Presentation

The basic financial statements of the System Facilities have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities and is presented in accordance with the reporting model as prescribed in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - Management's Discussion and Analysis for Public Colleges and Universities*. The System Facilities follows the "business-type" activities requirements of GASB Statement No. 34.

In accordance with GASB Statement No. 20, the System Facilities is required to follow all applicable GASB pronouncements. In addition, the System Facilities applies all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The System Facilities has elected not to apply FASB pronouncements issued after November 30, 1989.

Summary Of Significant Accounting Policies

Cash And Cash Equivalents

These assets represent all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents and restricted cash and cash equivalents are combined on the statement of cash flows and represent cash and repurchase agreements.

Investments

Investments in publicly traded securities are stated at fair value as established by major securities markets. All investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under the terms of the bond resolution, available funds in any of the accounts established pursuant to the terms of the bond resolutions may be invested in any lawful investment as described in the bond resolutions.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Inventories

Inventories generally consist of textbooks and merchandise available for resale in the University Center's bookstore. Bookstore resale inventories are recorded at the lower of cost (using the first-in, first-out method) or market (net realizable value). Textbooks available for rental are recorded at cost and amortized over their estimated useful lives.

Capital Assets

Physical properties are recorded at cost or, when donated, at fair market value at date of gift. All financially significant building and infrastructure additions and improvements are capitalized if the life of the capital asset is extended. Additionally, all purchases of equipment, furnishings and other personal property with a useful life greater than one year and costing one thousand dollars or greater are capitalized. Depreciation is computed using the straight-line method, with a full-year expense in the year after acquisition and none in the year of disposal. Capital assets are depreciated over the estimated useful lives as follows:

<u>Capital Assets</u>	<u>Years</u>
Building and improvements	10 to 50
Infrastructure	10 to 50

When capital assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.

Compensated Absences

System Facilities employees earn vacation benefits based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation pay based upon the nature of separation (death, retirement or termination). Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at termination, retirement or death. Unused hours exceeding these limitations are forfeited.

SOUTHEAST MISSOURI STATE UNIVERSITY

SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Net Assets

GASB Statement No. 34 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 three net asset 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 the System Facilities maintain them permanently.

Expendable - Net assets whose use by the System Facilities is subject to externally imposed stipulations that will be fulfilled by actions of the System Facilities pursuant to those stipulations or that expire by the passage of time.

- Unrestricted: Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. A portion of unrestricted net assets are designated for investment in inventories.

Eliminations

In preparing the basic financial statements, the System Facilities eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the Statement of Net Assets. Similarly, revenues and expenses related to internal service activities are also eliminated from the Statement of Revenues, Expenses, and Changes in Net Assets. Consequently, housing contract fees are presented net of scholarships applied to student accounts.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

Operating And Nonoperating Revenues

The System Facilities' policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Operating revenues include various auxiliary services, such as housing and various general fees. Nearly all of the System Facilities' expenses are from exchange transactions. Certain revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34. Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions such as investment income.

Unearned Income

Unearned income consists primarily of summer school general fees not earned during the current year.

Bond Issuance Costs

These costs are amortized over the life of the bond liability based on a method that approximates the effective interest rate method. For the year ended June 30, 2010 total charges to net assets balances related to the amortization of such costs was \$140,136.

Bond Premiums

Premiums on bonds payable are amortized over the life of the bond based on a method that approximates the effective interest rate method. For the year ended June 30, 2010 amortization related to bond premiums was \$12,968.

Amortization

The deferred amount on refunding is amortized as interest on capital related debt using the bonds outstanding method.

Use Of Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

3. Deposits And Investments

Deposits

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. Agencies or instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2010, none of the System Facilities' bank balances held by the current depository, a United States financial institution having a branch in the state of Missouri, was exposed to custodial credit risk. All of these deposits were fully collateralized as of June 30, 2010.

Foreign Currency Risk. The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. At June 30, 2010, the System Facilities had no exposure to foreign currency risk as the University had no deposits held by international banks.

Investments

The University may invest in United States Treasury Securities, United States Agency Securities, repurchase agreements, collateralized public deposits (certificates of deposits) and banker's acceptances.

At June 30, 2010, the System Facilities had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (In Years)	
			< 1 Year	1-5
U.S. Agency Obligations	AAA	\$ 6,137,536	\$ 6,137,536	\$ —

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of ensuring the safety of principal invested, the University's investment policy is to diversify investments so as to minimize the potential loss on individual securities. The maturities are structured to meet cash flow needs of the System Facilities, thereby avoiding the need to sell securities in the open market prior to maturity. Callable securities are restricted to securities callable at par only.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University's policy to limit its investment in banker's acceptance to domestic commercial banks possessing the highest rating issued by Moody's Investor Services or Standard & Poor's Corporation. Commercial paper is limited to domestic corporations that have received the highest rating issued by Moody's Investor Services or Standard & Poor's Corporation, and corporations having total assets in excess of five hundred million dollars. The System Facilities had no funds invested in commercial paper or banker's acceptance at June 30, 2010.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the System Facilities will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Collateralization equal to at least 100% of the market value (including accrued interest) is required for certificates of deposit and repurchase agreement. The University maintains a depository contract and pledge agreement with its safekeeping bank that complies with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The System Facilities had no investments exposed to custodial credit risk at June 30, 2010.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government investment in a single issuer. According to the University's investment policy, investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. The types of investments that can be held in the System Facilities' portfolio include U.S. Treasury and Agency securities, repurchase agreements, collateralized public deposits, commercial paper and banker's acceptances. No more than 5% of the total market value of the portfolio may be invested in banker's acceptances issued by any one commercial bank and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Foreign Currency Risk. This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. At June 30, 2010, the System Facilities had no exposure to foreign currency risk, as there were no foreign investments in the System Facilities' portfolio.

Summary Of Fair Values

The fair value of deposits and investments are as follows:

Fair Values	
Repurchase agreements and cash in bank	\$ 13,965,892
Certificates of Deposits	1,700,000
U.S. Agency Obligations	<u>6,137,536</u>
	<u>\$ 21,803,428</u>

Included in the following statement of net assets captions:

Cash and cash equivalents	\$ 13,965,892
Restricted short-term investments	<u>7,837,536</u>
	<u>\$ 21,803,428</u>

Investment Income

Investment income for the year ended June 30, 2010 consisted of:

Interest and dividend income	\$ 489,683
Net increase in fair value of investments	<u>124,919</u>
	<u>\$ 614,602</u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance - June 30, 2009	Additions	Retirements	Balance - June 30, 2010
Capital assets, not being depreciated:				
Land	\$ 476,467	\$ —	\$ —	\$ 476,467
Construction in progress	25,043,775	9,596,226	(3,077,058)	31,562,943
Total capital assets not being depreciated	25,520,242	9,596,226	(3,077,058)	32,039,410
Capital assets, being depreciated:				
Buildings and Improvements	99,005,625	4,603,900	—	103,609,525
Infrastructure	7,833,420	172,963	—	8,006,383
Total capital assets being depreciated	106,839,045	4,776,863	—	111,615,908
Less accumulated depreciation for:				
Buildings and Improvements	(20,528,141)	(1,962,125)	—	(22,490,266)
Infrastructure	(434,966)	(157,200)	—	(592,166)
Total accumulated depreciation	(20,963,107)	(2,119,325)	—	(23,082,432)
Total capital assets being depreciated, net	85,875,938	2,657,538	—	88,533,476
Capital assets, net	\$ 111,396,180	\$ 12,253,764	\$ (3,077,058)	\$ 120,572,886

The estimated cost to complete construction in progress at June 30, 2010 is \$4.39 million which includes new student housing construction and renovations in the estimated amount of \$3.67 million. This project is being funded by bond proceeds.

5. Accounts Receivable

The composition of accounts receivable at June 30, 2010 is summarized as follows:

JCI Settlement	\$ 24,425
Food service commissions	90,471
Bookstore and textbook sales	52,596
	<u>167,492</u>
	<u>\$ 167,492</u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

6. Accounts Payable

The composition of accounts payable at June 30, 2010 is summarized as follows:

Construction in progress	\$ 1,793,527
Retainage - capital projects	413,301
Residence life operations	39,873
Other auxiliary operations	<u>17,346</u>
Total	<u><u>\$ 2,264,047</u></u>

7. Bonds Payable

	Amount Outstanding June 30, 2009	Principal Additions	Principal Payments	Amount Outstanding June 30, 2010
System Facilities Revenues Bonds Series 2001	\$ 26,495,000	\$ —	\$ 1,060,000	\$ 25,435,000
System Facilities Revenues Bonds Series 2002	5,760,000	—	145,000	5,615,000
System Facilities Revenues Bonds Series 2006A	8,575,000	—	180,000	8,395,000
System Facilities Revenues Bonds Series 2008	<u>55,785,000</u>	—	<u>1,360,000</u>	<u>54,425,000</u>
	96,615,000	—	2,745,000	93,870,000
Current maturities (due within one year)				(2,840,000)
Deferred amounts on refunding				(451,054)
Premium on bonds payable				<u>133,655</u>
				<u><u>\$ 90,712,601</u></u>

Series 2008 Bonds

On April 22, 2008, the Board of Regents approved the issuance of \$56,650,000 of System Facilities Revenue Bond Series 2008 for the acquiring, constructing, expanding, renovating, improving, furnishing and equipping a student housing facility and related improvements, providing funds to refund the \$8,655,000 original principal amount of System Facilities Revenue Bonds Series 1998A and \$10,605,000 original principal amount of System Facilities Revenue Bonds Series 1998B and funding capitalized interest on the Series 2008 Bonds. The Series 2008 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2008 bonds maturing April 1, 2016 and thereafter shall be subject to redemption on or after April 2015 at a redemption price of 100% of the principal amount. The Series 2008 bonds bear interest at rates varying from 2.65% to 4.75% and mature serially through fiscal year 2038.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Series 2006A Bonds

On April 24, 2006, the Board of Regents issued \$8,915,000 of System Facilities Revenue Bond Series 2006A for the construction and furnishing of an Aquatic Center, swimming pool and related improvements. The Series 2006A shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2006A bonds maturing April 1, 2015 and thereafter shall be subject to redemption on or after April 1, 2014 at a redemption price of 100% of the principal amount. The Series 2006A bonds bear interest at rates varying from 4% to 4.6% and mature serially through fiscal year 2036.

Series 2002 Bonds

On April 1, 2002, the University issued System Facilities Revenue Bonds Series 2002 in the aggregate principal amount of \$6,645,000 for parking system improvements. The Series 2002 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2002 bonds maturing April 1, 2010 and thereafter shall be subject to redemption on or after April 1, 2009 at a redemption price of 100% of the principal amount. The Series 2002 bonds bear interest at rates varying from 4.15% to 5.15% and mature serially through fiscal year 2032.

Series 2001 Bonds

On June 28, 2001, the University's Board of Regents approved the construction of a 293-bed residence hall, and the sale of System Facilities Revenue Bonds to fund the project. On August 1, 2001, the Board of Regents approved the advance refunding of \$12,855,000 of Housing System Refunding and Improvement Revenue Bonds Series 1993. System Facilities Refunding and Improvement Revenue Bonds Series 2001 were issued on August 30, 2001, in the aggregate principal amount of \$30,975,000. Net proceeds in the amount of \$13,799,880 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the \$12,855,000 of Series 1993 bonds advance refunded. As a result, this portion of the Series 1993 Housing bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying financial statements. Effective June 30, 2007, there were no defeased Series 1993 Housing Bonds outstanding.

During 2002, the advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$647,301. This difference, reported as a reduction from revenue bonds payable, is being charged to operations through 2021 using the bonds outstanding method.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

The Series 2001 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2001 bonds maturing April 1, 2012 and thereafter shall be subject to redemption on or after April 1, 2011 at a redemption price of 100% of the principal amount. The Series 2001 bonds, collateralized by a pledge of the gross income and revenues derived from the ownership or operation of the System Facilities bear interest at rates varying from 4.375% to 5.625% and mature serially through fiscal year 2031.

Interest expense was \$4,059,749 for 2010, net of capitalized interest of \$328,741. Scheduled fiscal year maturities of System Facilities bonds payable and related interest expense are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 2,840,000	\$ 4,181,808
2012	2,955,000	4,068,630
2013	3,060,000	3,961,929
2014	3,185,000	3,848,920
2015	3,310,000	3,726,360
2016-2020	18,735,000	16,458,317
2021-2025	17,935,000	12,285,212
2026-2030	19,770,000	7,975,689
2031-2035	14,880,000	3,575,583
2036-2038	7,200,000	668,013
	<u>\$ 93,870,000</u>	<u>\$ 60,750,461</u>

The Series 2001 Bonds, Series 2002 Bonds, Series 2006A Bonds and Series 2008 Bonds are collateralized by the net income and revenues derived from the operation and/or ownership of the System Facilities. Under the provisions of the bond resolutions, the University covenants to operate and maintain the System Facilities and to establish and collect rates, fees and charges for the use and services furnished by or through the System Facilities to fund operations, pay principal and interest and establish the required reserves.

The bond resolution for the Series 2001 Bonds, Series 2002 Bonds, Series 2006A Bonds and Series 2008 Bonds requires that all System Facilities revenues will be deposited as received into the System Facilities. Amounts are then to be transferred to and expended as follows:

First, accumulated in an amount sufficient to pay the current expenses, as defined in the bond resolution, of the System Facilities.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

Second, transferred to the Bond Account, on or before each March 25 and September 25, in an amount sufficient to meet the principal and interest due on the next interest payment date.

Third, transferred to the Debt Service Reserve Account in amounts as may be necessary to maintain a debt service reserve in the amount of the Debt Service Reserve Requirement.

Fourth, to maintain a separate System Repair and Replacement Account to deposit sums as may be required to maintain a balance at the Repair and Replacement requirement.

Fifth, after the foregoing deposits, the System Facilities may use the balance of excess funds in the System Revenue Account for specific purposes defined in the bond resolution including transfer to unrestricted University funds.

8. Notes Payable

Notes payable at June 30, 2010 are summarized as follows:

	Balance - June 30, 2009	Principal Additions	Principal Payments	Balance - June 30, 2010
Chartwell's-Olive's and Skylight Terrace Expansion	\$ —	\$ 577,870	\$ (22,053)	\$ 555,817
Less: Current maturities (due within one year)				<u>30,353</u>
				<u><u>\$ 525,464</u></u>

On July 1, 2009, the University entered into an agreement with Chartwells, the University's contracted food service provider, for the construction of dining facilities in the new residence hall and expansion of the University Center to provide additional dining space. The University will make monthly payments of \$4,167 over 15 years, totaling \$750,000 through fiscal year 2025.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Scheduled fiscal year maturities on notes payable and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 30,353	\$ 19,647
2012	31,471	18,529
2013	32,631	17,369
2014	33,834	16,166
2015	35,081	14,919
2016-2020	195,781	54,219
2021-2025	196,666	15,835
	<u>\$ 555,817</u>	<u>\$ 156,684</u>

9. Retirement Plan

Substantially all full-time System Facilities employees are participants in the statewide Missouri State Employees' Retirement System (MOSERS), a single-employer defined benefit public employees' retirement system.

Participation in MOSERS is available to employees of all state departments, agencies, and public institutions of higher education. As such, the System Facilities considers its participation in MOSERS as substantially equivalent to that of a cost-sharing, multiple employer public employee's retirement system. The operations and management of MOSERS are generally prescribed in the Missouri Revised Statutes and supervised by MOSERS Board of Trustees.

MOSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to MOSERS, 907 Wildwood, P.O. Box 209, Jefferson City, Missouri 65102.

MOSERS provides retirement, death and disability benefits to its members. Benefits for general State employees are fully vested after five years of credited service. Employees may retire at or after age 55 and receive a reduced benefit. Employees may also retire with full benefits when the sum of the employee's years of service plus the employee's age equals 80 or more.

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

State statutes require the State of Missouri to fund all contributions to MOSERS. These actuarially determined contributions are computed as a level percentage of covered payroll. The percentage for fiscal year 2010 and 2009 was set at 12.75% and 12.53% respectively. Contributions to MOSERS were \$346,628, \$338,846 and \$327,145 for the fiscal years ended June 30, 2010, 2009 and 2008, respectively, which were equal to the required contributions each year. The MOSERS funded status ratio was 80.4% and 85.9% as of June 30, 2009 and 2008, respectively.

10. Postemployment Healthcare

The University provides a one time opportunity for retirees to continue medical insurance coverage. Retirees who elect to continue medical insurance are required to pay monthly premiums on the basis of an implicit rate subsidy calculation. Monthly premiums for participating retirees under 65 years of age are subsidized by the University at the rate of 1% for every year of active service to the University. The adjusted monthly retiree premium cost will not go below 80% of the premium amount. Financial statements for the plan are not available.

The University pays for their portion of the medical insurance premiums on a pay-as-you-go basis. No trust fund has been created for the payment of the University's portion of the medical insurance premiums; therefore, as of June 30, 2010 the University's obligations are unfunded.

For more information, see the separately issued financial statements of Southeast Missouri State University as of June 30, 2010.

11. Contingencies And Risk Management

The System Facilities is subject to various legal proceedings and claims which arise in the ordinary course of its operations. In the opinion of the University management, the amount of ultimate liability with respect to these actions will not materially affect the overall financial position of the System Facilities.

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that such reimbursements, if any, will not have a material effect on the System Facilities' financial position.

System Facilities employees are covered under Worker's Compensation by the State of Missouri. Claims are submitted to the State and paid by the State in behalf of the University. Total claims paid for all Southeast Missouri State University employees for fiscal year 2009-2010 were approximately \$264,210.

The majority of System Facilities employees are also covered by unemployment insurance administered by the State of Missouri Division of Employment Security.

The System Facilities is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters and employee health and accident benefits. The University purchases commercial insurance and also receives coverage through the State of Missouri for these risks of loss. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

12. Net Assets

Restricted - In accordance with GASB Statement No. 34, net assets are restricted when constraints placed are either externally imposed, or are imposed by law or legislation. Restricted net assets - expendable for capital projects and debt service were \$5,146,722 and \$6,708,541 at June 30, 2010, respectively.

Unrestricted - Unrestricted net assets, as defined in GASB Statement No. 34, are not subject to externally imposed stipulations; however, they are subject to internal designations. For example, unrestricted net assets may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties. A portion of unrestricted net assets are internally designated for investment in inventories. Designated unrestricted net assets were \$1,475,275 at June 30, 2010. Undesignated unrestricted net assets were \$8,381,274 at June 30, 2010.

Supplemental Schedule

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**SCHEDULE OF INSURANCE COVERAGE
June 30, 2010**

Coverage And Insurer	Policy Expiration Date	Amount Of Coverage
Fire and extended coverage (building, contents and loss of income) Marsh USA	07/01/11	\$ 501,025,000

Subsequent to June 30, 2010, the University contracted with Marsh USA to provide insurance through July 1, 2011 with \$501,025,000 in coverage provided. The University also has statutory liability protection through the State of Missouri's Legal Expense Fund.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**SCHEDULE OF ENROLLMENT AND FEES
June 30, 2010**

	Fall Semester 2009	Spring Semester 2010	Summer Semester 2010
Enrollment - Full-Time Equivalent (FTE) Students on campus	8,367	7,874	1,217
Student Union Fee (per FTE student)	\$ 15.00	\$ 15.00	\$ 7.50
Student Recreation Center Fee			
Per credit hour	\$ 5.25	\$ 5.25	\$ 5.25
Per FTE student*	\$ 78.75	\$ 78.75	\$ 31.50
Aquatic Center Fee			
Per credit hour	\$ 3.95	\$ 3.95	\$ 3.95
Per FTE student*	\$ 59.25	\$ 59.25	\$ 23.70

*Average fee based on fifteen credit hours of enrollment during the Fall and Spring semesters and six credit hours during the summer session.

Room And Board Rates (Annual):**

	<u>Fall Semester 2009/Spring Semester 2010</u>
Vandiver Hall	\$ 7,339 - \$ 8,044
Towers Complex - West/North	\$ 6,858 - \$ 7,563
Towers Complex - East/South	\$ 5,513 - \$ 6,218
Group Housing	\$ 6,295 - \$ 7,000
Myers Hall	\$ 6,381 - \$ 7,086
Cheney Hall	\$ 5,757 - \$ 6,462
Dearmont Quadrangle	\$ 5,289 - \$ 6,242
New Hall	\$ 7,339 - \$ 8,044
Henderson Hall	\$ 6,858 - \$ 7,563

**Based on double-occupancy. Ranges attributable primarily to meal plan options available to students

Additional Charges Associated With Residential Living (Annual):

	<u>Service Fee</u>
ResNet - Technology Fee	\$ 50
RHA Fee	30
Cable TV	60

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**SCHEDULE OF HOUSING OCCUPANCY
June 30, 2010**

Housing System Facility	(1) Housing Capacity	(2) Average Occupancy (#)	(3) Simple Average Occupancy (%)	(4) Effective Average Occupancy (%)
Towers Complex	1,295	1,178	91.0%	93.7%
Group Housing	464	366	78.9%	79.7%
Myers Hall	199	163	81.9%	88.9%
Cheney Hall	127	112	88.2%	90.6%
Dearmont Quadrangle	362	227	62.7%	87.6%
Vandiver Hall	282	235	83.3%	85.5%
Henderson Hall	80	59	73.8%	81.3%
New Hall	293	219	74.7%	77.5%
	3,102	2,559	82.5%	87.9%

(1) The average number of available beds.

(2) The average number of occupied beds.

(3) Column (2) divided by column (1)

(4) Column (3) adjusted for private-room contracts purchased, i.e., double-occupancy rooms converted to single-occupancy. During 2009-2010, an average of 167 private-room contracts were purchased at an additional cost to students of \$899 to \$1,412 per semester.