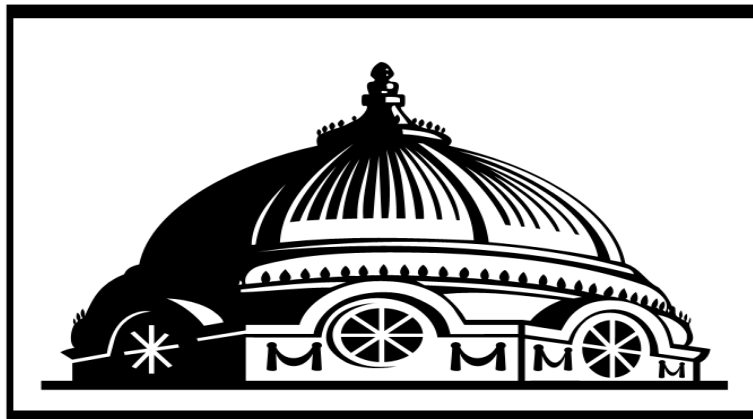


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**SOUTHEAST MISSOURI  
STATE UNIVERSITY  
SYSTEMS FACILITIES  
FINANCIAL STATEMENTS  
JUNE 30, 2011**

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**Southeast**  
Missouri State University

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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, 2011 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, 2011, 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, 2011, 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 18, 2011

# SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

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## 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, 2011. 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 and footnotes.

### **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**

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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>2011</u>	<u>2010</u>
<b>Current Assets</b>	\$ 20,590,982	\$ 23,596,607
<b>Noncurrent Assets</b>		
Capital assets, net of depreciation	122,763,021	120,572,886
Other	2,037,558	1,998,262
<b>Total assets</b>	<u>145,391,561</u>	<u>146,167,755</u>
<b>Current Liabilities</b>	5,838,581	7,166,711
<b>Noncurrent Liabilities</b>	88,229,291	91,238,065
<b>Total liabilities</b>	<u>94,067,872</u>	<u>98,404,776</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	31,172,251	26,051,167
Restricted	8,176,286	11,855,263
Unrestricted	11,975,152	9,856,549
<b>Total net assets</b>	<u>\$ 51,323,689</u>	<u>\$ 47,762,979</u>

Current assets consist primarily of cash and cash equivalents and short-term investments. Current assets totaled \$20.59 million at June 30, 2011, a decrease of approximately \$3.01 million from the \$23.60 million total current assets at June 30, 2010. 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, 2011. Total assets decreased approximately \$780,000 from \$146.17 million at June 30, 2010 to \$145.39 million at June 30, 2011.

Current liabilities consist primarily of accounts payable, accrued interest payable and unearned income. Current liabilities totaled \$5.84 million at June 30, 2011, a decrease of approximately \$1.33 million from the \$7.17 million total current liabilities at June 30, 2010. Current liabilities also include the current portion of bonds and notes payable.

Noncurrent liabilities consist of long-term debt, which totaled \$88.23 million at June 30, 2011 and \$91.24 million at June 30, 2010.

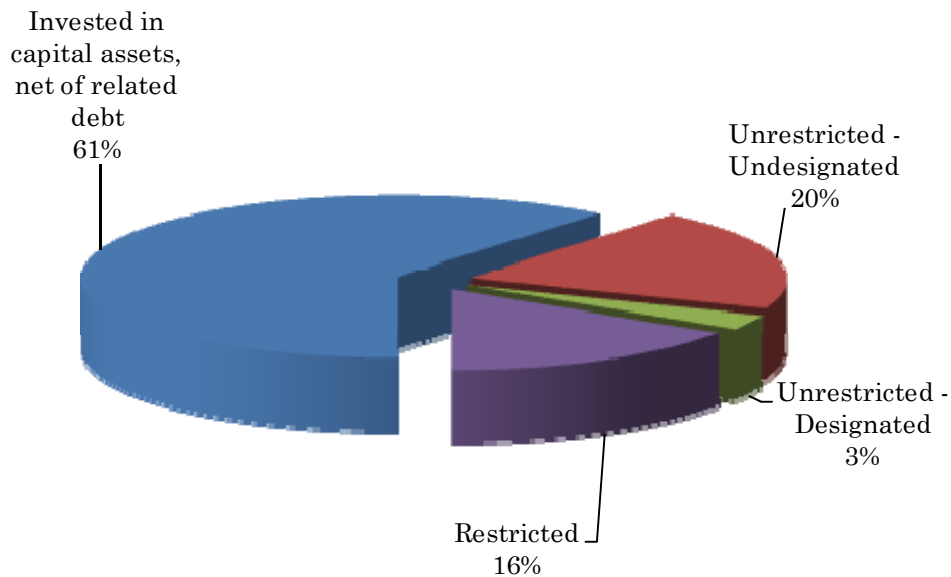
**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Net assets represent the residual interest in the System Facilities' assets after liabilities are deducted.

Net Assets	2011	2010
Invested in capital assets, net of related debt	\$ 31,172,251	\$ 26,051,167
Restricted - Expendable for capital projects	3,466,743	5,146,722
Restricted - Expendable for debt service	4,709,543	6,708,541
Unrestricted:		
Designated	1,670,348	1,475,275
Undesignated	10,304,804	8,381,274
Total Unrestricted	11,975,152	9,856,549
Total net assets	\$ 51,323,689	\$ 47,762,979

Following is a breakdown of net assets at June 30, 2011:



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 \$5.12 million from \$26.05 million at June 30, 2010 to \$31.17 million at June 30, 2011. 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 \$1.67 million and \$1.48 million was internally designated for investment in inventories as of June 30, 2011 and 2010, respectively. Unrestricted-undesignated net assets of the System Facilities were approximately \$10.30 million at June 30, 2011, an increase of approximately \$1.92 million from \$8.38 million at June 30, 2010.

The following schedule reflects the condensed revenues and expenses of the System Facilities for fiscal years 2011 and 2010:

**Condensed Statements Of Revenues  
Expenses And Changes In Net Assets  
Years Ended June 30, 2011 And 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Revenue</b>		
Housing contracts, net of scholarship allowance	\$ 18,326,814	\$ 16,740,711
Bookstore/textbook sales and rentals	4,370,801	3,897,699
Student recreation center fees	2,250,685	2,061,691
Parking fees and fines	1,252,542	877,169
Student union building fees	237,000	237,000
Other operating revenues	2,066,090	2,803,195
<b>Total operating revenue</b>	<b>28,503,932</b>	<b>26,617,465</b>
<b>Operating Expenses</b>		
Personal service	4,854,801	4,865,852
Contract food service	5,570,697	4,948,100
Utilities and maintenance	3,983,155	1,385,636
Book purchases	3,061,007	2,727,667
Depreciation	2,225,243	2,119,325
Other operating expenses	1,659,559	3,072,175
<b>Total operating expenses</b>	<b>21,354,462</b>	<b>19,118,755</b>
<b>Operating income</b>	<b>7,149,470</b>	<b>7,498,710</b>
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	367,212	614,602
Interest on capital asset related debt	(3,955,972)	(4,059,749)
<b>Net nonoperating revenue (expenses)</b>	<b>(3,588,760)</b>	<b>(3,445,147)</b>
Increase in net assets	3,560,710	4,053,563
<b>Net assets beginning of year</b>	<b>47,762,979</b>	<b>43,709,416</b>
<b>Net assets end of year</b>	<b>\$ 51,323,689</b>	<b>\$ 47,762,979</b>



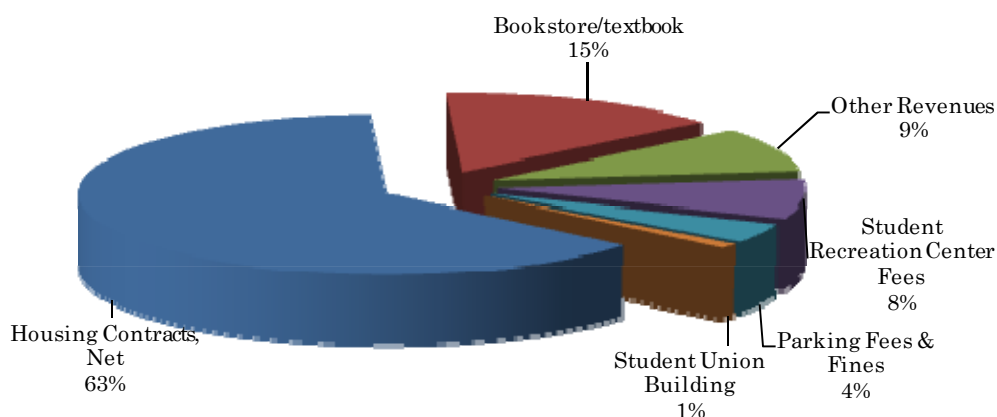
## SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

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### Management's Discussion And Analysis (*Continued*)

Total revenues for fiscal years 2011 and 2010 were \$28.87 million and \$27.23 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 decreased approximately \$730,000 from \$2.80 million in fiscal year 2010 to \$2.07 million in fiscal year 2011, includes revenue from capital project reimbursements, camps, conferences and coin operating campus sales.

Following is a graphic illustration of revenue by source for fiscal year 2011:



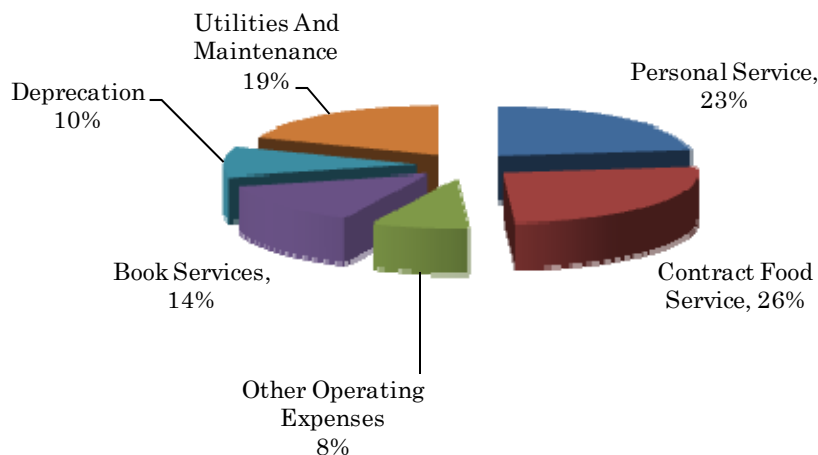
Operating expenses of the System Facilities totaled \$21.35 million for the fiscal year ending June 30, 2011 and \$19.12 million for the fiscal year ending June 30, 2010. Personal service costs and contract food service costs accounted for 49% of the total operating expenses in fiscal year 2011 and 52% of the total operating expenses in fiscal year 2010.

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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Management's Discussion And Analysis (*Continued*)

Following is a graphic illustration of operating expenses by source for the period ending June 30, 2011:



**Capital Assets**

At June 30, 2011 and 2010, the System Facilities' investment in capital assets totaled \$122.76 million and \$120.57 million, respectively, as follows:

	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 138,603,396	\$ 103,609,525
Land	476,467	476,467
Infrastructure	8,006,383	8,006,383
Construction in progress	984,449	31,562,943
Less: Accumulated depreciation	(25,307,674)	(23,082,432)
	<u>\$ 122,763,021</u>	<u>\$ 120,572,886</u>

At June 30, 2011, the University estimated that costs to complete construction projects in progress at \$1.62 million, which includes Group housing renovations of approximately \$1.41 million. These projects are being funded by bond proceeds.

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

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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Management's Discussion And Analysis (*Continued*)

**Bonds And Notes Payable**

The System Facilities had outstanding bonds of approximately \$91.020 million and \$93.55 million at June 30, 2011 and 2010 respectively. During fiscal year 2011, bonds of \$30.42 million were issued to refund the 2001 and 2002 bond issues due to favorable interest rates. The current refunding resulted in an economic gain of \$1.57 million. The University issued no new bonds in fiscal year 2010. The University made all regularly scheduled debt service payments.

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

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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**STATEMENT OF NET ASSETS**

**June 30, 2011**

**Assets**

**Current Assets**

Cash and cash equivalents	\$ 14,906,059
Restricted short-term investments	3,706,361
Due from Foundation	329
Accounts receivable	157,883
Inventories	1,670,348
Bond issuance costs, net	<u>150,002</u>
<b>Total Current Assets</b>	<u><u>20,590,982</u></u>

**Noncurrent Assets**

Bond issuance costs, net	2,037,558
Capital assets, net - Depreciable	121,302,105
Capital assets - Non-depreciable	<u>1,460,916</u>
<b>Total Noncurrent Assets</b>	<u><u>124,800,579</u></u>

**Total Assets**

145,391,561

**Liabilities**

**Current Liabilities**

Accounts payable	556,539
Accrued interest payable	918,853
Accrued compensation	276,041
Unearned income	770,677
Notes payable	31,471
Bonds payable	<u>3,285,000</u>
<b>Total Current Liabilities</b>	<u><u>5,838,581</u></u>

**Noncurrent Liabilities**

Notes payable	493,992
Bonds payable	<u>87,735,299</u>
<b>Total Noncurrent Liabilities</b>	<u><u>88,229,291</u></u>

**Total Liabilities**

94,067,872

**Net Assets**

Invested in capital assets, net of related debt	31,172,251
Restricted for:	
Expendable for capital projects	3,466,743
Expendable for debt service	4,709,543
Unrestricted	<u>11,975,152</u>
<b>Total Net Assets</b>	<u><u>\$ 51,323,689</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SYSTEM FACILITIES**

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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For The Year Ended June 30, 2011**

**Operating Revenues**

Housing contracts (net of scholarship allowance of \$1,149,020)	\$ 18,326,814
Student recreation center fees	2,250,685
Student union building fees	237,000
Student parking fees	586,926
Other fees	1,163,551
Textbook rental	1,726,833
Bookstore/textbook sales	2,643,968
Coin operating sales	122,719
Fines/parking tickets	665,616
Camps	20,540
Rental income	247,915
Other operating revenues	511,365
<b>Total Operating Revenues</b>	<u>28,503,932</u>

**Operating Expenses**

Personal service	4,854,801
Contract food service	5,570,697
Utilities and maintenance	3,983,155
Book purchases	3,061,007
Coin operating expenses	93,868
Depreciation	2,225,243
Other operating expenses	1,565,691
<b>Total Operating Expenses</b>	<u>21,354,462</u>

**Operating Income**

7,149,470

**Nonoperating Revenues (Expenses)**

Investment income	367,212
Interest on capital asset-related debt	(3,955,972)
<b>Total Nonoperating Revenues (Expenses), Net</b>	<u>(3,588,760)</u>

**Increase In Net Assets**

3,560,710

**Net Assets - Beginning Of Year**

47,762,979

**Net Assets - End Of Year**

\$ 51,323,689

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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**STATEMENT OF CASH FLOWS  
For The Year Ended June 30, 2011**

<b>Cash Flows From Operating Activities</b>	
Student fees	\$ 21,465,391
Other receipts	7,111,988
Payments to vendors and suppliers	(16,176,999)
Payments to employees	(4,858,909)
<b>Net Cash Provided By Operating Activities</b>	<u>7,541,471</u>
<b>Cash Flows From Capital And Related Financing Activities</b>	
Proceeds from capital debt	30,420,000
Purchases of capital assets and payments to contractors	(4,415,378)
Principal paid on capital debt	(32,655,354)
Interest paid on capital debt	(4,461,667)
<b>Net Cash Used In Capital And Related Financing Activities</b>	<u>(11,112,399)</u>
<b>Cash Flows From Investing Activities</b>	
Proceeds from sales and maturities of investments	7,837,536
Interest on investments	379,920
Purchases of investments	(3,706,361)
<b>Net Cash Provided By Investing Activities</b>	<u>4,511,095</u>
<b>Net Increase In Cash And Cash Equivalents</b>	940,167
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<u>13,965,892</u>
<b>Cash And Cash Equivalents - End Of Year</b>	<u><u>\$ 14,906,059</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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**STATEMENT OF CASH FLOWS (Continued)  
For The Year Ended June 30, 2011**

<b>Reconciliation Of Operating Income To</b>	
<b>Net Cash Provided By Operating Activities</b>	
Operating income	\$ 7,149,470
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization expense	2,225,243
Changes in assets and liabilities:	
Receivables, net	9,481
Inventories	(195,073)
Accounts payable and accrued liabilities	(1,707,508)
Unearned revenue	63,966
Accrued compensated absences and post-employment benefits	<u>(4,108)</u>
<b>Net Cash Provided By Operating Activities</b>	<u><u>\$ 7,541,471</u></u>

# SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

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## NOTES TO FINANCIAL STATEMENTS June 30, 2011

### 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 Bond Series 2006A dated May 10, 2006, the System Facilities Revenue Bond Series 2008 dated April 22, 2008, and the System Facilities Revenue Bond Series 2011 dated March 31, 2011. 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, the Outdoor Recreation Fields and the Parking and Transit system. 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 2006A, Series 2008, and Series 2011 bonds and payment of interest thereon semi-annually on April 1 and October 1.



**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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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**

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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. 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

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### 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**

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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, 2011 total charges to net assets balances related to the amortization of such costs was \$56,204.

**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.

**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

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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, 2011, 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, 2011.

*Foreign Currency Risk.* The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. At June 30, 2011, 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, 2011, 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	*	\$ 3,706,361	\$ 3,706,361	\$ —

\* U.S. Agency obligations are rated AAA by Moody's Investor Services and AA+ by Standard and Poor's Corporation.

## SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

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### 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, 2011.

*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, 2011.

*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**

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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, 2011, 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:

<b>Fair Values</b>	
Repurchase agreements and cash in bank	\$ 14,906,059
U.S. Agency Obligations	<u>3,706,361</u>
	<u>\$ 18,612,420</u>

Included in the following statement of net assets captions:

Cash and cash equivalents	\$ 14,906,059
Restricted short-term investments	<u>3,706,361</u>
	<u>\$ 18,612,420</u>

**Investment Income**

Investment income for the year ended June 30, 2011 consisted of:

Interest and dividend income	\$ 343,707
Net increase in fair value of investments	<u>23,505</u>
	<u>\$ 367,212</u>

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

**4. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance - June 30, 2010	Additions	Retirements	Balance - June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 476,467	\$ —	\$ —	\$ 476,467
Construction in progress	31,562,943	963,640	(31,542,134)	984,449
<b>Total capital assets not being depreciated</b>	<b>32,039,410</b>	<b>963,640</b>	<b>(31,542,134)</b>	<b>1,460,916</b>
Capital assets, being depreciated:				
Buildings and Improvements	103,609,525	34,993,871	—	138,603,396
Infrastructure	8,006,383	—	—	8,006,383
<b>Total capital assets being depreciated</b>	<b>111,615,908</b>	<b>34,993,871</b>	<b>—</b>	<b>146,609,779</b>
Less accumulated depreciation for:				
Buildings and Improvements	(22,490,266)	(2,065,457)	—	(24,555,723)
Infrastructure	(592,166)	(159,785)	—	(751,951)
<b>Total accumulated depreciation</b>	<b>(23,082,432)</b>	<b>(2,225,242)</b>	<b>—</b>	<b>(25,307,674)</b>
<b>Total capital assets being depreciated, net</b>	<b>88,533,476</b>	<b>32,768,629</b>	<b>—</b>	<b>121,302,105</b>
<b>Capital assets, net</b>	<b>\$ 120,572,886</b>	<b>\$ 33,732,269</b>	<b>\$ (31,542,134)</b>	<b>\$ 122,763,021</b>

At June 30, 2011, the University estimated that costs to complete construction projects in progress at \$1.62 million, which includes Group housing renovations of approximately \$1.41 million. These projects are being funded by bond proceeds.

**5. Accounts Receivable**

The composition of accounts receivable at June 30, 2011 is summarized as follows:

JCI Settlement	\$ 24,995
Food service commissions	85,572
Bookstore and textbook sales	47,316
	<u>          </u>
	<u>\$ 157,883</u>



**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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Notes To Financial Statements (*Continued*)

**6. Accounts Payable**

The composition of accounts payable at June 30, 2011 is summarized as follows:

Construction in progress	\$ 148,236
Retainage - capital projects	45,008
Residence life operations	339,610
Other auxiliary operations	<u>23,685</u>
Total	<u><u>\$ 556,539</u></u>

**7. Bonds Payable**

	<b>Amount Outstanding June 30, 2010</b>	<b>Principal Additions</b>	<b>Principal Payments</b>	<b>Amount Outstanding June 30, 2011</b>
System Facilities Revenues Bonds Series 2001	\$ 25,435,000	\$ —	\$ 25,435,000	\$ —
System Facilities Revenues Bonds Series 2002	5,615,000	—	5,615,000	—
System Facilities Revenues Bonds Series 2006A	8,395,000	—	185,000	8,210,000
System Facilities Revenues Bonds Series 2008	54,425,000	—	1,390,000	53,035,000
System Facilities Revenues Bonds Series 2011	—	<u>30,420,000</u>	—	<u>30,420,000</u>
	93,870,000	30,420,000	32,625,000	91,665,000
Current maturities (due within one year)				(3,285,000)
Deferred amounts on refunding				<u>(644,701)</u>
				<u><u>\$ 87,735,299</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SYSTEM FACILITIES**

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Notes To Financial Statements (*Continued*)

**Series 2011 Bonds**

On March 31, 2011, the Board of Regents issued \$30,420,000 System Facilities Refunding Revenue Bonds Series 2011. The Series 2011 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2011 bonds maturing April 1, 2017 and thereafter shall be subject to redemption on or after April 1, 2016 at a redemption price of 100% of the principal amount. The Series 2011 bonds bear interest at rates varying from 1.25% to 5.0% and mature serially through fiscal year 2032. The Series 2011 bonds refunded the System Facilities Revenue Bond Series 2001 and 2002, which had an average interest rate of 4.92% and 5.08%, respectively. The current refunding decreased the University's total debt service payments by \$2,796,000 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$1,570,380. The current refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$458,796. This difference reported in the accompanying basic financial statements as a reduction from revenue bonds payable, is being charged to operating through 2032 using the bonds outstanding method.

**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**

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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.

Interest expense was \$3,955,972 for 2011, net of capitalized interest of \$224,368. Scheduled fiscal year maturities of System Facilities bonds payable and related interest expense are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 3,285,000	\$ 3,672,504
2013	3,360,000	3,600,452
2014	3,450,000	3,523,152
2015	3,540,000	3,434,427
2016	3,635,000	3,333,074
2017-2021	20,130,000	14,758,048
2022-2026	17,680,000	10,975,654
2027-2031	19,535,000	6,649,095
2032-2036	12,500,000	2,864,436
2037-2041	4,550,000	326,800
	<u>\$ 91,665,000</u>	<u>\$ 53,137,642</u>

The Series 2006A Bonds, Series 2008 Bonds and Series 2011 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.

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SYSTEM FACILITIES**

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Notes To Financial Statements (*Continued*)

The bond resolution for the Series 2006A Bonds, Series 2008 Bonds and Series 2011 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.

**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, 2011 are summarized as follows:

	<b>Balance - June 30, 2010</b>	<b>Principal Additions</b>	<b>Principal Payments</b>	<b>Balance - June 30, 2011</b>
Chartwell's-Olive's and Skylight Terrace Expansion	\$ 555,817	\$ —	\$ (30,354)	\$ 525,463
Less: Current maturities (due within one year)				<u>31,471</u>
				<u><u>\$ 493,992</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SYSTEM FACILITIES**

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Notes To Financial Statements (*Continued*)

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 principal payments, totaling \$577,870 through fiscal year 2025.

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

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2012	\$ 31,471	\$ 18,529
2013	32,631	17,369
2014	33,834	16,166
2015	35,081	14,919
2016	36,374	13,626
2017-2021	202,997	47,003
2022-2025	153,075	9,425
	<u>\$ 525,463</u>	<u>\$ 137,037</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.

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SYSTEM FACILITIES**

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Notes To Financial Statements (*Continued*)

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 who were hired before January 1, 2011, may retire at or after age 55 and receive a reduced benefit. Such 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. New employees hired January 1, 2011, or after may retire at or after age 62 and receive a reduced benefit under the plan. Such participants may also retire and will receive full benefits when the sum of the employee's years of service plus the employee's age equals 90 or more.

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 2011 and 2010 was set at 13.81% and 12.75%, respectively. Beginning in January 2011, newly hired MOSERS eligible employees contribute 4% of gross earnings each payroll. Contributions to MOSERS were \$366,227, \$346,628, and \$338,846 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively, which were equal to the required contributions each year. The MOSERS funded status ratio was 80% and 83% as of June 30, 2010 and 2009, 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, 2011 the University's obligations are unfunded.

For more information, see the separately issued financial statements of Southeast Missouri State University as of June 30, 2011.

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SYSTEM FACILITIES**

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Notes To Financial Statements (*Continued*)

**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.

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 the University employees for fiscal year 2010-2011 were approximately \$1,101,827.

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 \$3,466,743 and \$4,709,543 at June 30, 2011, 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 \$1,670,348 at June 30, 2011. Undesignated unrestricted net assets were \$10,304,804 at June 30, 2011.

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## Supplemental Schedule

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**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

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**SCHEDULE OF INSURANCE COVERAGE  
June 30, 2011**

<b>Coverage And Insurer</b>	<b>Policy Expiration Date</b>	<b>Amount Of Coverage</b>
Fire and extended coverage (building, contents and loss of income) Marsh USA	06/30/12	\$ 834,849,000

Subsequent to June 30, 2011, the University contracted with Marsh USA to provide insurance through June 30, 2012 with \$834,849,000 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, 2011**

	<b>Fall Semester 2010</b>	<b>Spring Semester 2011</b>	<b>Summer Semester 2011</b>
Enrollment - Full-Time Equivalent (FTE) Students on campus	8,888	8,317	1,483
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):\*\***

**Fall Semester 2010/Spring Semester 2011**

Vandiver Hall	\$ 7,400 - \$ 8,120
Towers Complex - West/North	\$ 7,100 - \$ 7,820
Towers Complex - East/South	\$ 5,650 - \$ 6,370
Group Housing	\$ 6,450 - \$ 7,170
Myers Hall	\$ 6,950 - \$ 7,670
Cheney Hall	\$ 5,850 - \$ 6,570
Dearmont Quadrangle	\$ 5,400 - \$ 6,120
New Hall	\$ 7,400 - \$ 8,120
Henderson Hall	\$ 7,400 - \$ 8,120

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

**Additional Charges Associated With Residential Living (Annual):**

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

**SOUTHEAST MISSOURI STATE UNIVERSITY  
SYSTEM FACILITIES**

**SCHEDULE OF HOUSING OCCUPANCY  
June 30, 2011**

Housing System Facility	(1) Housing Capacity	(2) Average Occupancy (#)	(3) Simple Average Occupancy (%)	(4) Effective Average Occupancy (%)
Towers Complex	1,285	1,222	95.1%	96.7%
Group Housing	379	312	82.3%	84.2%
Myers Hall	199	172	86.4%	89.4%
Cheney Hall	123	115	93.5%	99.2%
Dearmont Quadrangle	362	360	99.4%	102.8%
Vandiver Hall	282	261	92.6%	96.5%
Henderson Hall	75	60	80.0%	89.3%
New Hall	291	263	90.4%	92.1%
	2,996	2,765	92.3%	94.8%

(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.