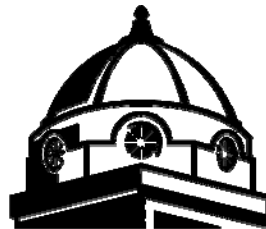

**SOUTHEAST MISSOURI
STATE UNIVERSITY**
FINANCIAL STATEMENTS
JUNE 30, 2021



**SOUTHEAST MISSOURI
STATE UNIVERSITY · 1873**

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Independent Auditors' Report

Board of Governors
Southeast Missouri State University
Cape Girardeau, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Southeast Missouri State University, (the University), a component unit of the State of Missouri, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Southeast Missouri State University as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Selected Pension Information and the Schedule of Selected Postemployment Healthcare Plan Information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

November 12, 2021

SOUTHEAST MISSOURI STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Southeast Missouri State University's (the University) basic financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2021, 2020, and 2019. The Management's Discussion and Analysis is designed to focus on current activities and resulting changes, and should be read in conjunction with the University's basic financial statements and footnotes.

Using this Report

This report consists of a series of 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*. These basic financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

The Statement of Net Position includes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position 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 liabilities are recognized when others provide the service, regardless of when cash is exchanged. The University's net position (the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources) is one indicator of the University's financial health. Over time, increases or decreases in net position is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the conditions of facilities.

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as operating, nonoperating or other. All things being equal, a public University's dependency on state appropriations and gifts will result in operating deficits. That is because the financial reporting model prescribed by GASB No. 34 classifies state appropriations and gifts as nonoperating revenues. 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 University's flows of cash. The primary purpose of the Statement of Cash Flows is to provide information about the University's cash receipts and payments summarized by operating, capital and related financing, noncapital financing and investing activities.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (Continued)

Financial Analysis of the University

The following table reflects the Net Position of the University as of June 30:

Condensed Statement of Net Position As of June 30, 2021, 2020 and 2019

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current Assets	\$ 91,452,898	\$ 66,623,218	\$ 50,414,050
Noncurrent Assets			
Capital assets, net of depreciation	430,136,704	441,991,391	449,824,221
Other	<u>7,066,275</u>	<u>22,373,857</u>	<u>36,304,732</u>
Total Assets	<u>528,655,877</u>	<u>530,988,466</u>	<u>536,543,003</u>
Deferred Outflows of Resources	<u>28,259,043</u>	<u>33,726,188</u>	<u>40,971,442</u>
Current Liabilities	24,947,869	36,126,084	33,478,798
Noncurrent Liabilities	<u>299,839,298</u>	<u>296,688,611</u>	<u>301,395,118</u>
Total Liabilities	<u>324,787,167</u>	<u>332,814,695</u>	<u>334,873,916</u>
Deferred Inflows of Resources	<u>7,355,524</u>	<u>10,331,604</u>	<u>7,207,800</u>
Net Position			
Net investment in capital assets	269,477,144	275,846,627	275,129,523
Restricted	3,898,875	3,946,194	3,731,719
Unrestricted	<u>(48,603,790)</u>	<u>(58,224,466)</u>	<u>(43,428,513)</u>
Total Net Position	<u>\$ 224,772,229</u>	<u>\$ 221,568,355</u>	<u>\$ 235,432,729</u>

Current assets consist primarily of cash and cash equivalents, short-term investments, accounts and grants receivable and inventories. Current assets totaled \$91.45, \$66.62, and \$50.41 million for June 30, 2021, 2020 and 2019, respectively.

The majority of noncurrent assets are capital assets, which are recorded net of accumulated depreciation. See Note 6 for a recap of the capital asset activity. In addition to capital assets, long-term investments comprised \$0.90, \$15.50, and \$28.98 million for June 30, 2021, 2020 and 2019, respectively, of total noncurrent assets.

Implementation of GASB No. 65, *Items Previously Recognized as Assets and Liabilities* requires reporting of deferred inflows and outflows of resources. Deferred outflows related to debt refundings were \$8.19, \$9.21 and \$5.96 million for June 30, 2021, 2020 and 2019, respectively.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (Continued)

During fiscal year 2015, the University implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expense associated with defined benefit pension plans. Deferred outflows were \$19.83, \$24.24 and \$35.01 million for June 30, 2021, 2020 and 2019 for deferred amounts related to pension plan and pension plan contributions. Deferred inflows were \$7.08, \$10.01 and \$7.21 million for June 30, 2021, 2020 and 2019, respectively.

Current liabilities consist primarily of accounts payable, accrued compensation, accrued claims payable, accrued interest payable and unearned income. Current liabilities also include the current portion of bonds and notes payable. Current liabilities totaled \$24.95, \$36.13, and \$33.48 million for June 30, 2021, 2020 and 2019, respectively.

Noncurrent liabilities consist primarily of long-term debt, pension and OPEB liabilities. Noncurrent liabilities totaled \$299.84, \$296.69 and \$301.40 million for June 30, 2021, 2020 and 2019, respectively. Bond debt was reduced by \$12.50 million from fiscal year 2020 to 2021. See Note 8 for detailed activity of bonds payable. The liability for pension and other postretirement benefits (OPEB) has remained stable from June 30, 2019 to June 30, 2021. Net pension liability increased from \$128.92 million at June 30, 2019 to \$132.14 million at June 30, 2021 and the net other postretirement employee benefits increased from \$4.33 million at June 30, 2019 to \$4.59 million at June 30, 2021. These liabilities are determined by actuarial valuations and are required reporting under GASB Statement No. 68 and GASB Statement No. 75.

Net position represents the residual interest in the University's assets after liabilities are deducted.

	June 30,		
	2021	2020	2019
Net Position:			
Net investment in capital assets	\$ 269,477,144	\$ 275,846,627	\$ 275,129,523
Restricted:			
Nonexpendable	2,206,602	2,284,871	2,170,881
Expendable	1,692,273	1,661,323	1,560,838
Total Restricted	<u>273,376,019</u>	<u>279,792,821</u>	<u>278,861,242</u>
Unrestricted:			
Designated	38,468,407	26,098,887	27,552,403
Undesignated	(87,072,197)	(84,323,353)	(70,980,916)
Total Unrestricted	<u>(48,603,790)</u>	<u>(58,224,466)</u>	<u>(43,428,513)</u>
Total Net Position	<u>\$ 224,772,229</u>	<u>\$ 221,568,355</u>	<u>\$ 235,432,729</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Net position invested in capital assets represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets decreased approximately \$5.65 million from \$275.13 million at June 30, 2019 to \$269.48 million at June 30, 2021.

Restricted net position includes the University's permanent endowment, managed by the Southeast Missouri University Foundation.

Following is a breakdown of designated unrestricted net position as of June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unrestricted-Designated Net Position			
Investment in inventories	\$ 2,130,908	\$ 2,332,855	\$ 2,257,010
Future operations (including capital projects)	34,014,255	21,383,526	23,008,797
Quasi-endowment	<u>2,323,244</u>	<u>2,382,506</u>	<u>2,286,596</u>
Total	<u>\$ 38,468,407</u>	<u>\$ 26,098,887</u>	<u>\$ 27,552,403</u>

The total unrestricted-undesigned net position of the University totaled \$(87.07), \$(84.32) and \$(70.81) million for June 30, 2021, 2020 and 2019 respectively. The negative unrestricted net position results from the implementation of GASB Statements No. 68 and No. 71 and the recording of a \$132.14, \$128.18 and \$128.92 million pension liability and related deferred inflows and outflows as discussed previously. Although unrestricted net position is not subject to externally imposed stipulations, all of unrestricted net position has been internally designated as of June 30, 2021. The balance of University operations undesignated, unrestricted net position has increased approximately \$7.96 million from June 30, 2019 to June 30, 2021. University operations undesignated, unrestricted, net of amounts related to the pension liability, totaled \$32.31, \$29.62 and \$24.35 million at June 30, 2021, 2020 and 2019, respectively. See Note 14 for a breakdown of undesignated, unrestricted net position.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (Continued)

The following schedule reflects the condensed revenues and expenses of the University for fiscal years 2021, 2020 and 2019:

Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating Revenues:			
Student tuition and fees, net of scholarship allowance	\$ 52,193,241	\$ 55,747,358	\$ 54,313,868
Grants and contracts	9,349,830	10,556,779	11,313,866
Auxiliary services	23,282,244	22,651,054	28,838,528
Other operating revenues	10,882,496	10,795,023	11,069,311
Total Operating Revenues	<u>95,707,811</u>	<u>99,750,214</u>	<u>105,535,573</u>
Operating Expenses:			
Personal service	93,821,306	102,983,044	105,402,422
Utilities and supplies	34,441,472	35,186,672	37,290,186
Scholarships	17,390,043	20,990,860	19,328,357
Depreciation	15,242,758	15,090,045	15,161,739
Emergency COVID-19 student relief	4,803,912	2,026,302	—
Other post-employment benefits (OPEB) expense	142,913	163,208	85,801
Total Operating Expenses	<u>165,842,404</u>	<u>176,440,131</u>	<u>177,268,505</u>
Operating Loss	<u>(70,134,593)</u>	<u>(76,689,917)</u>	<u>(71,732,932)</u>
Nonoperating Revenues (Expenses)			
State appropriations	41,442,772	39,414,435	43,961,331
Federal grants - restricted	13,906,096	14,443,893	14,144,527
Emergency COVID-19 governmental assistance	12,756,044	7,305,623	—
Investment income	2,305,183	4,083,493	4,385,233
Gifts	3,632,887	3,512,561	3,893,110
Nonoperating expenses	(5,122,015)	(6,939,918)	(8,021,111)
Net Nonoperating Revenues	<u>68,920,967</u>	<u>61,820,087</u>	<u>58,363,090</u>
Other Revenues	<u>4,417,500</u>	<u>1,005,456</u>	<u>3,209,004</u>
Increase (Decrease) In Net Position	3,203,874	(13,864,374)	(10,160,838)
Net Position Beginning of Year	<u>221,568,355</u>	<u>235,432,729</u>	<u>245,593,567</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Total revenues were \$174.17, \$169.52 and \$175.13 million for fiscal years ended June 30, 2021, 2020 and 2019, respectively. The most significant sources of revenue for the University are student tuition and fees, state appropriations, auxiliary services, grants, and contracts. For fiscal years ended June 30, 2021 and 2020, the University received additional CARES funding for COVID-19 relief in the amounts of \$12.76 and \$7.31 million, respectively. Of which, \$4.8 million in fiscal year 2021, and \$2.03 million in fiscal year 2020, were passed on directly to students in the form of emergency student grants.

Student tuition and fees, net of scholarship allowance decreased by \$2.12 million and auxiliary services, net of scholarship allowance decreased by \$5.56 million from fiscal year 2019 to 2021. Declining enrollments play a significant role in the overall loss of revenues for both the University and its auxiliary services. Auxiliary services such as the Show Me Center, the University Center, and Residence Life continue to realize the effects of the pandemic.

Student tuition and fees surpassed state appropriations as the largest source of revenue for the University in fiscal year 2007. State appropriations have been declining as a percent of total revenue over time. The University's state appropriations for fiscal year 2018 and 2019, net of the 3% governor's reserve withholding, was \$43.53 million. The University's appropriations for fiscal year 2020 increased 2.22% to \$44.50 million, net of the 3% governor's reserve withholdings. However, additional state appropriations withholdings due in part to COVID-19 of \$5.78 million reduced fiscal year 2020 received appropriations to \$38.72 million. The University's approved appropriations for fiscal year 2021 decreased to \$40.53 million, net of the 3% governor's reserve withholdings - an increase over the amount received in fiscal year 2020.

Operating expenses of the University totaled \$165.84, \$176.44 and \$177.27 million for the fiscal years ended June 30, 2021, 2020 and 2019 respectively. Personnel service costs, including the costs related to faculty, staff and student labor and fringe benefits accounted for 57%, 58%, and 59% of total operating expenses for June 30, 2021, 2020 and 2019 respectively. The decrease in personnel costs are the result of a mandatory 4 month hiring delay and continued reduction in staff positions. Conversely, fringe benefits continue to increase due to increased MOSERS costs. Like other institutions of Higher Education, the University experienced higher utility and supply costs in fiscal years 2021 and 2020 due to the extraordinary need for PPE and necessitated changes to course modality and offerings due to the pandemic. These costs were greatly offset by the additional CARES funding provided by the government.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Bonds and Notes Payable

The University had outstanding bonds of approximately \$162.57, \$168.29 and \$171.69 million at June 30, 2021, 2020 and 2019, respectively. During fiscal year 2021, the University issued 2020 bonds for the purpose of refunding 2013A bonds. During fiscal year 2020, the University issued 2019 bonds for the purpose of partially refunding 2010B bonds. During fiscal year 2019, there were no new bonds issued. The University made all regularly scheduled debt service payments. Please refer to the bonds payable footnote (Note 8) in the notes to the basic financial statements for additional disclosures.

The University had outstanding notes payable of approximately \$646, \$299 and \$239 thousand at June 30, 2021, 2020 and 2019, respectively. A new loan agreement used to finance piano purchases for \$458 thousand was issued in 2021. A new loan agreement used for energy efficient lighting for \$97.5 thousand was issued in 2020. No new notes were issued in fiscal year 2019. Please refer to the notes payable footnotes (Note 9) in the notes to the basic financial statements for additional disclosures.

Capital Assets

At June 30, 2021, 2020 and 2019, the University's investment in capital assets was as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 4,217,138	\$ 4,217,138	\$ 4,217,138
Buildings and improvements	532,294,388	528,401,742	518,824,773
Leasehold improvements	4,698,770	4,416,323	4,416,323
Infrastructure	39,675,139	39,615,395	39,626,525
Equipment	42,436,188	47,249,851	48,241,352
Library books	26,403,575	26,714,703	26,760,998
Construction in progress	4,190,574	5,450,305	9,600,709
	<u>653,915,772</u>	<u>656,065,457</u>	<u>651,687,818</u>
Less: Accumulated depreciation	<u>223,779,068</u>	<u>214,074,066</u>	<u>201,863,597</u>
	<u>\$ 430,136,704</u>	<u>\$ 441,991,391</u>	<u>\$ 449,824,221</u>

At June 30, 2021, the University had initiated plans and incurred certain contractual commitments related to the construction of various facilities. The costs to complete these projects are estimated at \$7.34 million at June 30, 2021 and are to be funded from auxiliary funds, grant, state, and other local funds. These projects included approximately \$1.26 million for residence hall upgrades, \$4.71 million for tunnel repairs and \$1.37 million for other campus renovations.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Economic Outlook

Southeast Missouri State University is the only four-year, public university located in the southeast portion of Missouri between St. Louis and the Arkansas border. Declining traditional-age college prospects, increased competition, and growing concerns about the affordability of a college education have led to a decline in overall enrollment at the University the past several academic years. The University is continuously working on strategies designed to help the institution overcome these and other challenges in order to remain an academically vibrant and financially viable engine of personal and economic development for its region and beyond.

In fall 2016, the University announced a goal to retain at least 80% of first-time, full-time students to the second year and to graduate at least 60% of first-time, full-time students in six years. Fall 2020 census data show that Southeast met the first of these goals by achieving a record high freshman to sophomore retention rate of 80%. This is seen as a good sign relative to six-year graduation rates, which have generally been trending upward. Continuing improvement in student outcomes remains, as always, on the horizon.

During fiscal year 2020, Southeast identified a budget need of nearly \$21 million and created a three-year plan to address it which included operations cuts of 12.5% for each division to be spread over fiscal years 2021, 2022 and 2023 as well as enhanced revenues. For fiscal year 2022, the Board of Regents approved a \$141 million operating budget. The University was intentionally conservative in its planning assumptions, projecting an enrollment decrease of just over 400 (headcount) students and holding a portion (\$2.9 million) of its approved state appropriations in reserve. This approach will help ensure its finances are aligned with the changing needs of higher education and help insulate the university from the effects of COVID-19.

Despite the myriad of factors that have created headwinds over the past several years, which have been exacerbated by COVID-19, and will continue to pose budgetary challenges, the University has shown itself capable in responding to such challenges. The University is more focused than ever on maximizing its net tuition revenues, pursuing financially advantageous partnerships, and ensuring that its expenditures reflect its highest priority - student success.

Contacting the University's Financial Management

This financial report is designed to provide a general overview of the University's finances and to show the University's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Vice President for Finance and Administration, One University Plaza, MS 3000, Cape Girardeau, MO 63701.

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF NET POSITION

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	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 40,320,870	\$ 32,228,073
Restricted cash and cash equivalents	1,479,458	1,448,508
Short-term investments	36,861,664	15,505,467
Accrued interest receivable	35,513	54,887
Due from component unit - Foundation	804,756	885,355
Accounts receivable (net of allowance of \$667,413 in 2021 and \$641,022 in 2020)	4,374,054	5,324,027
Notes receivable	512,280	513,040
Due from federal government	4,484,231	7,988,924
Inventory	2,130,908	2,332,855
Prepaid expenses	449,164	342,082
Total Current Assets	<u>91,452,898</u>	<u>66,623,218</u>
Noncurrent Assets		
Investments	900,000	15,503,315
Due from component unit - Foundation	4,554,275	4,687,528
Notes receivable (net of allowance of \$1,053,510 and \$983,874 in 2021 and 2020, respectively)	1,612,000	2,183,014
Capital assets - non-depreciable	12,912,538	14,611,620
Capital assets, net - depreciable	417,224,166	427,379,771
Total Noncurrent Assets	<u>437,202,979</u>	<u>464,365,248</u>
Total Assets	<u>528,655,877</u>	<u>530,988,466</u>
Deferred Outflows Of Resources		
Deferred amounts on refunding of bonds payable	8,195,169	9,209,214
Deferred amounts related to other postretirement employee benefit plan	238,087	274,660
Deferred amounts related to pension plan	10,562,815	15,190,376
Deferred amounts related to pension contributions	9,262,972	9,051,938
Total Deferred Outflows Of Resources	<u>28,259,043</u>	<u>33,726,188</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF NET POSITION

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	June 30,	
	2021	2020
Liabilities		
Current Liabilities		
Accounts payable	\$ 3,141,023	\$ 5,758,782
Accrued compensation	7,468,209	8,212,813
Accrued claims liability	1,227,639	1,718,842
Bond interest payable	1,479,459	1,445,587
Funds held for others	217,726	175,190
Unearned income	8,929,220	11,268,669
Current portion of bonds payable	2,370,000	7,520,000
Current portion of notes payable	114,593	26,201
Total Current Liabilities	24,947,869	36,126,084
Noncurrent Liabilities		
Due to federal government	2,380,356	3,029,162
Bonds payable	160,198,141	160,765,902
Notes payable	531,334	272,492
Net other postretirement employee benefit liability	4,592,245	4,442,902
Net pension liability	132,137,222	128,178,153
Total Noncurrent Liabilities	299,839,298	296,688,611
Total Liabilities	324,787,167	332,814,695
Deferred Inflows Of Resources		
Deferred amounts related to other postretirement employee benefit plan	279,952	322,955
Deferred amounts related to pension plan	7,075,572	10,008,649
Total Deferred Inflows Of Resources	7,355,524	10,331,604
Net Position		
Net investment in capital assets	269,477,144	275,846,627
Restricted for:		
Nonexpendable -		
Scholarships	2,206,602	2,284,871
Expendable -		
Debt service	1,479,458	1,448,508
Loans	212,815	212,815
Unrestricted	(48,603,790)	(58,224,466)
Total Net Position	\$ 224,772,229	\$ 221,568,355

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION
(A Component Unit of Southeast Missouri State University)

STATEMENT OF FINANCIAL POSITION

	June 30,	
	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 4,694,447	\$ 1,967,454
Short-term investments	23,264,596	21,504,936
Receivables:		
Pledges receivable	178,940	16,462
Notes receivable	490,670	489,988
Accrued interest receivable	78,656	67,114
Prepaid insurance	—	5,628
Total Current Assets	28,707,309	24,051,582
Noncurrent Assets		
Investments:		
Endowment investments	105,656,043	79,724,308
Cash surrender value of life insurance	755,840	734,682
Pledges receivable (net of allowance of \$10,939 and \$19,430 in 2021 and 2020, respectively)	78,507	558,845
Long term notes receivable, net of imputed interest	2,450,067	2,855,085
Property held for resale and development	1,245,715	1,244,158
Property and equipment, net of accumulated depreciation	10,954,474	11,186,316
Total Noncurrent Assets	121,140,646	96,303,394
Total Assets	\$ 149,847,955	\$ 120,354,976
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 71,807	\$ 23,781
Due to primary institution - University	804,756	885,355
Note payable to bank	64,877	61,834
Funds held for others	61,544	63,616
Annuity obligations	211,222	214,895
Total Current Liabilities	1,214,206	1,249,481
Noncurrent Liabilities		
Deferred revenue	10,150	286
Note payable to bank	595,046	659,613
Annuity obligations	943,499	1,486,971
Due to primary institution - University	4,554,275	4,687,528
Total Noncurrent Liabilities	6,102,970	6,834,398
Total Liabilities	7,317,176	8,083,879
Net Assets		
Without donor restriction	24,094,295	23,613,135
With donor restriction	118,436,484	88,657,962
Total Net Assets	142,530,779	112,271,097
Total Liabilities And Net Assets	\$ 149,847,955	\$ 120,354,976

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2021	2020
Operating Revenues		
Student tuition and fees (net of scholarship allowance of \$25,697,465 in 2021 and \$23,824,053 in 2020)	\$ 52,193,241	\$ 55,747,358
Federal grants - restricted	2,055,309	2,566,156
State grants and contracts - restricted	6,535,662	7,310,436
Nongovernmental grants and contracts - restricted	758,859	680,187
Sales and services of educational departments	2,472,050	2,725,971
Auxiliary enterprises:		
Residence life (net of scholarship allowance of \$4,984,547 in 2021 and \$3,820,553 in 2020; revenues are used as security for revenue bonds Series 2016A, 2016B, 2016C, and 2020)	17,069,008	15,452,630
Other auxiliary (net of scholarship allowance of \$159,438 in 2021 and \$136,774 in 2020; revenues are used as security for revenue bonds Series 2016A, 2016B, 2016C, and 2020)	6,213,236	7,198,424
Other operating revenues	8,410,446	8,069,052
Total Operating Revenues	95,707,811	99,750,214
Operating Expenses		
Personnel services	93,821,306	102,983,044
Scholarships	17,390,043	20,990,860
Utilities	4,274,467	4,127,667
Supplies and other services	30,167,005	31,059,005
Depreciation	15,242,758	15,090,045
Other post-employment benefit (OPEB) expense	142,913	163,208
Emergency COVID-19 student relief	4,803,912	2,026,302
Total Operating Expenses	165,842,404	176,440,131
Operating Loss	(70,134,593)	(76,689,917)
Nonoperating Revenues (Expenses)		
State appropriations	41,442,772	39,414,435
Federal grants - restricted	13,906,096	14,443,893
Emergency COVID-19 governmental assistance	12,756,044	7,305,623
Investment income	2,305,183	4,083,493
Contributions and gifts	3,632,887	3,512,561
Interest on capital asset-related debt	(4,570,143)	(5,029,395)
Loss on disposal of plant facilities	(551,872)	(1,910,523)
Net Nonoperating Revenues	68,920,967	61,820,087
Loss Before Other Revenues, Expenses And Gains	(1,213,626)	(14,869,830)
State capital appropriations	4,094,371	500,000
Capital grants and gifts	323,129	505,456
Total Other Revenues, Expenses And Gains	4,417,500	1,005,456
Change In Net Position	3,203,874	(13,864,374)
Net Position - Beginning Of Year	221,568,355	235,432,729
Net Position - End Of Year	\$ 224,772,229	\$ 221,568,355

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION
(A Component Unit of Southeast Missouri State University)

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Support And Revenue			
Contributions, net of discount	\$ 456,775	\$ 6,525,247	\$ 6,982,022
Investment return	95,179	27,553,856	27,649,035
Rental income	376,356	25,951	402,307
Special events, net of expense	—	34,620	34,620
Gain on annuity and trust obligations	—	548,749	548,749
Other revenues and transfers	495,582	(138,860)	356,722
Net assets released from restrictions	4,771,041	(4,771,041)	—
Total Support And Revenue	6,194,933	29,778,522	35,973,455
Expenses And Losses			
Program expenses	4,850,315	—	4,850,315
Management and general	736,527	—	736,527
Fundraising	126,931	—	126,931
Total Expenses And Losses	5,713,773	—	5,713,773
Change In Net Assets	481,160	29,778,522	30,259,682
Net Assets - Beginning Of Year	23,613,135	88,657,962	112,271,097
Net Assets - End Of Year	\$ 24,094,295	\$ 118,436,484	\$ 142,530,779

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION
(A Component Unit of Southeast Missouri State University)

STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
Support And Revenue			
Contributions, net of discount	\$ 680,902	\$ 3,173,428	\$ 3,854,330
Investment return	(72,728)	1,603,113	1,530,385
Rental income	587,814	9,359	597,173
Special events, net of expense	1,135	48,577	49,712
Loss on annuity and trust obligations	—	(295,663)	(295,663)
Other revenues and transfers	141,085	420,075	561,160
Net assets released from restrictions	5,082,471	(5,082,471)	—
Total Support And Revenue	6,420,679	(123,582)	6,297,097
Expenses And Losses			
Program expenses	5,130,797	—	5,130,797
Management and general	862,558	—	862,558
Fundraising	119,912	—	119,912
Total Expenses And Losses	6,113,267	—	6,113,267
Change In Net Assets	307,412	(123,582)	183,830
Net Assets - Beginning Of Year	23,305,723	88,781,544	112,087,267
Net Assets - End Of Year	\$ 23,613,135	\$ 88,657,962	\$ 112,271,097

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF CASH FLOWS

Page 1 Of 2

	For The Years	
	Ended June 30,	
	2021	2020
Cash Flows From Operating Activities		
Tuition and fees	\$ 51,569,072	\$ 55,361,024
Grants and contracts	9,938,270	10,162,891
Auxiliary enterprises	23,156,375	22,758,879
Other receipts	11,232,364	11,309,624
Payments to vendors and suppliers	(54,369,457)	(54,082,130)
Emergency COVID-19 student relief	(4,803,912)	(2,026,302)
Payments to employees	(88,703,367)	(88,137,309)
Net Cash Used In Operating Activities	(51,980,655)	(44,653,323)
Cash Flows From Noncapital Financing Activities		
State appropriations	40,531,545	38,721,079
Nonoperating federal grants	13,906,096	14,443,893
Emergency COVID-19 governmental assistance	15,596,592	2,372,904
Gifts received for other than capital purposes	3,547,448	3,392,330
Net Cash Provided By Noncapital Financing Activities	73,581,681	58,930,206
Cash Flows From Capital And Related Financing Activities		
Capital appropriations	4,094,371	500,000
Capital gifts received	323,129	505,456
Purchases of capital assets and payments to contractors	(4,641,933)	(10,765,828)
Proceeds from issuance of note payable	457,908	98,520
Proceeds from issuance of capital debt	57,480,000	44,595,000
Proceeds from disposal of capital assets	68,232	32,959
Principal paid on capital debt and notes	(70,090,674)	(53,418,533)
Premium from issuance of capital debt	8,000,446	—
Interest paid on capital debt and notes	(4,740,433)	(3,267,524)
Net Cash Used In Capital And Related Financing Activities	(9,048,954)	(21,719,950)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	28,122,768	103,166,218
Interest on investments	2,460,571	4,095,864
Purchase of investments	(35,011,664)	(78,374,879)
Net Cash Provided By Investing Activities	(4,428,325)	28,887,203
Net Increase In Cash And Cash Equivalents	8,123,747	21,444,136
Cash And Cash Equivalents - Beginning Of Year	33,676,581	12,232,445
Cash And Cash Equivalents - End Of Year	\$ 41,800,328	\$ 33,676,581
Supplemental Disclosure Of Cash Flow Information		
Noncash transactions:		
Capital asset purchases included in accounts payable	\$ 818,745	\$ 1,356,242
Unrealized gain (loss) on investments	(132,531)	258,785

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF CASH FLOWS

Page 2 Of 2

	For The Years	
	Ended June 30,	
	2021	2020
Reconciliation Of Operating Loss To Net Cash		
From Operating Activities:		
Operating loss	\$ (70,134,593)	\$ (76,689,917)
Adjustments to reconcile operating loss to net cash		
from operating activities:		
Depreciation expense	15,242,758	15,090,045
Workers compensation and unemployment expenses		
paid by state	911,227	693,356
Gifts in kind from Southeast Missouri University		
Foundation	85,439	120,231
Changes in deferred outflows related to other		
postretirement benefit plan	36,573	(274,660)
Changes in deferred outflows related to pension plan	4,627,561	11,487,802
Changes in deferred outflows related to pension contributions	(211,034)	(723,247)
Changes in deferred inflows related to pension plan	(2,933,077)	2,800,849
Changes in deferred inflows related to other		
postretirement benefit plan	(43,003)	322,955
Changes in assets and liabilities:		
Receivables, net	2,399,744	(666,144)
Inventories	201,947	(75,845)
Prepaid expenses	(107,082)	36,841
Accounts payable	(2,632,807)	2,134,406
Unearned income	(2,339,449)	368,311
Accrued compensation	(744,604)	(387,276)
Accrued claims liability	(491,203)	1,718,842
Deposits held for others	42,536	19,806
Net other postretirement employee benefit liability	149,343	114,913
Net pension liability	3,959,069	(744,591)
Net Cash Used In Operating Activities	\$ (51,980,655)	\$ (44,653,323)

SOUTHEAST MISSOURI STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 And 2020

1. **Organization**

Southeast Missouri State University (the University) was established in 1873 as the Southeast Missouri Normal School. Since then the school has been named the Southeast Missouri State Teachers' College and the Southeast Missouri State College. In 1972, the Missouri State legislature adopted the school's current name. The University is a state assisted regional institution of higher education, offering instructional programs and other learning experiences at the certificate, associate, baccalaureate, masters and specialist levels. As of June 30, 2021 and 2020, the University was governed by a six-member Board of Regents, appointed by the Governor and confirmed by the Senate of the State of Missouri. Effective August 28, 2021, the Board of Regents was restructured to include seven members and is now referred to as the Board of Governors. The University is considered a component unit of the State of Missouri.

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

Basis Of Accounting And Presentation:

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standard Board (GASB).

The basic financial statements of the University 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 public colleges and universities and is presented in accordance with the reporting model as prescribed in 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*.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Reporting Entity:

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, provides guidance as to the financial reporting of component units (legally separate organizations for which the University is financially accountable). The University has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This statement amends GASB Statement No. 14 to provide additional guidance for determining whether certain organizations, for which the University is not financially accountable, should be reported as component units based on the nature and significance of their relationship with the University. The Missouri Innovation Corporation is not included in the University's financial statements because it does not meet the criteria set forth for component units under GASB Statement No. 61 or GASB Statement No. 39. However, it is considered a related entity.

The Southeast Missouri University Foundation (the Foundation) is a legally separate tax-exempt entity, which meets the criteria set forth for component units under GASB Statement No. 39. The Foundation provides financial support for the objectives, purposes, and programs of the University. Although the University does not control the timing, purpose, or amount of receipts from the Foundation, the resources (and income thereon) which the Foundation holds and invests are restricted to the activities of the University. Because these resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The Foundation is a private nonprofit organization that reports under generally accepted accounting principles set forth by the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences. The Foundation's significant notes are summarized in Note 17.

During the years ended June 30, 2021 and 2020, the Foundation distributed \$4,260,222 and \$4,568,352, respectively, to the University for both restricted and unrestricted purposes.

Complete financial statements for the Foundation can be obtained by sending a written request to: Southeast Missouri University Foundation, Wehking Alumni Center, One University Plaza, Cape Girardeau, Missouri, 63701.

Summary Of Significant Accounting Policies:

Cash And Cash Equivalents - The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are combined on the statement of cash flows and represent cash and repurchase agreements.

Investments - The University accounts for its investments at fair value. Certificates of deposit are accounted for at amortized cost, which approximates fair value. Changes in unrealized gain (loss) in the carrying value of the investments are reported as a component of investment income in the statement of revenues, expenses and changes in net position.

Fair Value Measurements - The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs use to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Due From Component Unit-Foundation - The University bills the Foundation monthly for the use of University services. The final billing for the fiscal year is not paid by the Foundation and received by the University until the following fiscal year, therefore creating a receivable for the University. Additionally, the University participates in the Foundation's investment pool. As the University does not have title to these investments, their share of the investment pool is recorded as a Due from Component Unit - Foundation.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Inventories - Inventories consist of office, store, farm and physical plant supplies and are recorded at cost using the first-in, first-out method. Textbooks available for rental are recorded at the lower of cost (using the first-in, first-out method) or market (net realizable value).

Capital Assets - Physical properties are recorded at cost or, when donated, at acquisition value at date of gift. All financially significant building and infrastructure additions and improvements are capitalized if the life of the building is extended. Additionally, all purchases of equipment, furnishings and other personal property with a useful life greater than one year and costing \$5,000 or greater are capitalized.

Depreciation on equipment is computed using the straight line method with depreciation beginning in the month after acquisition and none in the year of disposal. Depreciation is computed on all other assets using the straight-line method, with a full-year expense in the year after acquisition and partial depreciation through the month of disposition. Expenditures for construction in progress are capitalized with depreciation beginning when the project is completed. Capital assets are depreciated over the estimated useful lives as follows:

	<u>Years</u>
Capital Assets	
Buildings and site improvements	10 to 50
Infrastructure	10 to 50
Leasehold improvements	9 to 15
Library books	30
Machinery and tools	5 to 20
Office equipment and furnishings	5 to 20
Scientific equipment and other	5 to 50
Computer hardware and software	4 to 5
Vehicles	4 to 6

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

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri State Employees' Retirement System (MOSERS) and additions to and deductions from MOSERS' fiduciary net position have been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds on employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Compensated Absences - University 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.

Net Position

Resources are required to be classified for accounting and reporting purposes into the following three net position categories:

- **Net Investment In Capital Assets:** 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 position subject to externally imposed stipulations that the University maintain them permanently. Such assets include the University's permanent endowment funds.

Expendable - Net position whose use by the University is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** Net position that is not subject to externally imposed stipulations. Unrestricted net position 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. Substantially all unrestricted net position is designated for academic and research programs and initiatives, and capital projects, excluding the effects of the pension obligation and related deferrals.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Operating And Nonoperating Revenues - The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Position 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 student tuition and fees net of scholarship allowances and auxiliary activities. Nearly all of the University's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 34. Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income and certain federal, state and nongovernmental grants and contracts.

Unearned Income - Unearned income consists of the University's dining services vendor's investment in facilities that will be amortized over the life of the contract, and summer school tuition not earned during the current year.

Tuition, Discounts And Allowances - Student tuition and fee revenues and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by the students or third parties on behalf of the students. Certain grants, including federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenue, while Pell grants are recorded as nonoperating revenue in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a discount and allowance.

Deferred Outflows And Inflows Of Resources - In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and therefore will not be recognized as an outflow of resources until then. At June 30, 2021 and 2020, the University's deferred outflows of resources consist of deferred amounts on refunding of bonds payable, which results from the difference between the reacquisition price of refunded debt and its carrying value. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Deferred outflows also include contributions to MOSERS retirement plan which were made subsequent to the plan's measurement date. Finally, deferred outflows also include the University's proportionate share of collective deferred outflows of resources for the University's MOSERS retirement plan and the deferred outflows for the other postretirement benefit plan.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period or periods and so will not be recognized as inflow of resources until then. As of June 30, 2021 and 2020, the University's deferred inflows consist of the University's proportionate share of the collective deferred inflows of resources for the MOSERS retirement plan and the deferred inflows for the other postretirement benefit plan.

Amortization - The deferred amount on refunding is amortized as interest on capital related debt using the bonds outstanding method. Deferred outflows related to the current fiscal year pension contributions will be fully amortized to pension expense in the following year. Deferred inflows and outflows related to the proportionate share of the collective deferred amounts will be netted together and amortized to pension expense according to the amortization schedule provided by the MOSERS retirement plan. Deferred inflows and outflows related to the other postretirement benefit plan will be amortized according to the amortization schedule provided by the actuary.

Auxiliary Activities - Auxiliary activities mainly represent revenues generated from University housing and food service, textbook rentals and various other departmental activities that provide services to the students, faculty, staff and general public.

Income Taxes - The University is classified as a political subdivision of the State of Missouri under Internal Revenue Code Section 115(a) and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income.

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

Notes To Financial Statements (Continued)

3. Deposits And Investments

Deposits:

Custodial Credit Risk. This represents 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. 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).

As of June 30, 2021 and 2020, the University had no deposits exposed to custodial credit risk.

Foreign Currency Risk. This represents the risk related to adverse effects on the fair value of a deposit from changes in exchange rates. As of June 30, 2021 and 2020, the University 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, 2021, the University held no investments in securities.

At June 30, 2020, the University had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (In Years)	
			< 1 Year	1-5 Years
U.S. Agency Obligations	*	\$ 27,996,491	\$ 12,993,176	\$ 15,003,315

*U.S. Treasury and Agency obligations are rated Aaa by Moody's Investor Services and AAA by Standard and Poor's Corporation.

SOUTHEAST MISSOURI STATE UNIVERSITY

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 University, 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 credit risk by:

1. Only investing with reputable financial institutions, brokers and dealers.
2. Diversifying the investments so as to minimize the potential loss on individual securities.
3. Structuring the investments so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
4. Investing operating funds primarily in shorter-term securities.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University 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 repurchase agreements. In accordance with the investment policy, the University addresses custodial credit risk by diversifying its investment portfolio and maintaining a standard of quality for its investments. The University had no investments exposed to custodial credit risk at June 30, 2021 and 2020.

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 University's 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

Notes To Financial Statements (Continued)

The University's investments in U.S. Agency Obligations consist of Freddie Mac, Federal Farm Credit Bank, and Federal Home Loan Bank securities. The concentration in each category at June 30, 2020 was as follows:

	<u>2020</u>
U.S. Treasury Note	0.00%
Freddie Mac	53.59%
Fannie Mae	0.00%
Federal Farm Credit Bank	42.86%
Federal Home Loan Bank	3.55%
	<u>100.00%</u>

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. As of June 30, 2021 and 2020, the University had no exposure to foreign currency risk as there were no foreign investments in the University's portfolio.

Summary Of Fair Values:

The fair value of deposits and investments are as follows:

	<u>2021</u>	<u>2020</u>
Deposits		
Cash in bank	\$ 9,483,740	\$ 5,449,366
Cash on hand	194,798	189,958
Bankers acceptance	—	262,291
Repurchase agreement	32,121,790	28,037,257
Certificates of deposit	37,761,664	2,750,000
	<u>79,561,992</u>	<u>36,688,872</u>
Investments		
US Government Agency Obligations	—	27,996,491
	<u>\$ 79,561,992</u>	<u>\$ 64,685,363</u>

Included in the following statement of net position captions:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 40,320,870	\$ 32,228,073
Restricted cash and cash equivalents	1,479,458	1,448,508
Short-term investments	36,861,664	15,505,467
Long-term investments	900,000	15,503,315
	<u>\$ 79,561,992</u>	<u>\$ 64,685,363</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The University held no investments that require recurring fair value measurements as of June 30, 2021.

The University has the following recurring fair value measurements as of June 30, 2020:

- Government Agency Obligations of \$27,996,491 valued using a matrix pricing model (Level 2 inputs).

Investment Income:

Investment income for the years ended June 30, 2021 and 2020 consists of:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 2,441,197	\$ 3,786,459
Realized gain (loss) on investments	(3,483)	38,249
Net increase (decrease) in fair value of investments	<u>(132,531)</u>	<u>258,785</u>
	<u>\$ 2,305,183</u>	<u>\$ 4,083,493</u>

4. Accounts Receivable

The composition of accounts receivable at June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Student billings	\$ 4,036,869	\$ 5,153,984
Departmental operations	238,195	211,084
State and private grants	560,051	484,346
Auxiliary operations	159,726	33,857
Other	46,626	81,778
	<u>5,041,467</u>	<u>5,965,049</u>
Less: Allowance for doubtful accounts	<u>667,413</u>	<u>641,022</u>
	<u>\$ 4,374,054</u>	<u>\$ 5,324,027</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

5. Notes Receivable

The composition of notes receivable at June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Federal loan programs	\$ 3,177,790	\$ 3,679,928
Less: Allowance for doubtful accounts	1,053,510	983,874
	<u>\$ 2,124,280</u>	<u>\$ 2,696,054</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Balance - June 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance - June 30, 2021</u>
Capital assets, not being depreciated:				
Land	\$ 4,217,138	\$ —	\$ —	\$ 4,217,138
Library books	4,944,177	—	(439,351)	4,504,826
Construction in progress	5,450,305	2,975,106	(4,234,837)	4,190,574
Total capital assets not being depreciated	<u>14,611,620</u>	<u>2,975,106</u>	<u>(4,674,188)</u>	<u>12,912,538</u>
Capital assets, being depreciated:				
Building and improvements	528,401,742	3,892,646	—	532,294,388
Infrastructure	39,615,395	59,744	—	39,675,139
Leasehold improvements	4,416,323	282,447	—	4,698,770
Equipment	47,249,851	904,847	(5,718,510)	42,436,188
Library books	21,770,526	128,223	—	21,898,749
Total capital assets being depreciated	<u>641,453,837</u>	<u>5,267,907</u>	<u>(5,718,510)</u>	<u>641,003,234</u>
Less accumulated depreciation for:				
Building and improvements	153,768,961	11,863,626	—	165,632,587
Infrastructure	10,623,930	780,068	—	11,403,998
Leasehold improvements	930,682	236,893	—	1,167,575
Equipment	37,167,518	1,712,770	(5,537,756)	33,342,532
Library books	11,582,975	649,401	—	12,232,376
Total accumulated depreciation	<u>214,074,066</u>	<u>15,242,758</u>	<u>(5,537,756)</u>	<u>223,779,068</u>
Total capital assets being depreciated, net	<u>427,379,771</u>	<u>(9,974,851)</u>	<u>(180,754)</u>	<u>417,224,166</u>
Capital assets, net	<u>\$ 441,991,391</u>	<u>\$ (6,999,745)</u>	<u>\$ (4,854,942)</u>	<u>\$ 430,136,704</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements *(Continued)*

The estimated cost to complete construction in progress at June 30, 2021 is \$7,342,801 of which funds are available from auxiliary funds, state appropriations, and other local sources. Projects in progress include upgrades to Student Housing, Athletic facilities, and Academic Building renovations and infrastructure.

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance - June 30, 2019	Additions	Retirements	Balance - June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 4,217,138	\$ —	\$ —	\$ 4,217,138
Library books	5,194,257	—	(250,080)	4,944,177
Construction in progress	9,600,709	7,387,520	(11,537,924)	5,450,305
Total capital assets not being depreciated	19,012,104	7,387,520	(11,788,004)	14,611,620
Capital assets, being depreciated:				
Building and improvements	518,824,773	11,503,388	(1,926,419)	528,401,742
Infrastructure	39,626,525	34,536	(45,666)	39,615,395
Leasehold improvements	4,416,323	—	—	4,416,323
Equipment	48,241,352	1,609,391	(2,600,892)	47,249,851
Library books	21,566,741	203,785	—	21,770,526
Total capital assets being depreciated	632,675,714	13,351,100	(4,572,977)	641,453,837
Less accumulated depreciation for:				
Building and improvements	142,625,254	11,531,166	(387,459)	153,768,961
Infrastructure	9,855,048	779,640	(10,758)	10,623,930
Leasehold improvements	693,789	236,893	—	930,682
Equipment	37,758,129	1,890,748	(2,481,359)	37,167,518
Library books	10,931,377	651,598	—	11,582,975
Total accumulated depreciation	201,863,597	15,090,045	(2,879,576)	214,074,066
Total capital assets being depreciated, net	430,812,117	(1,738,945)	(1,693,401)	427,379,771
Capital assets, net	\$ 449,824,221	\$ 5,648,575	\$ (13,481,405)	\$ 441,991,391

The estimated cost to complete construction in progress at June 30, 2020 was \$3,350,194 of which funds are available from auxiliary funds and other local sources. Projects in progress include student housing, athletic facility upgrades, and academic building renovations and infrastructure.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

7. Accounts Payable

The composition of accounts payable at June 30, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Equipment purchases	\$ 122,292	\$ 1,018,965
Supplies and operating expenses	2,199,986	3,383,575
Capital improvements	786,588	1,227,824
Retainage - capital projects	32,157	128,418
	<u>\$ 3,141,023</u>	<u>\$ 5,758,782</u>

8. Bonds Payable

Bonds payable at June 30, 2021 are summarized as follows:

	<u>Balance - June 30, 2020</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Balance - June 30, 2021</u>
Educational Facilities Taxable Revenue Bonds Series 2010B	\$ 1,490,000	\$ —	\$ (1,490,000)	\$ —
System Facilities Revenue Bonds Series 2011B	730,000	—	(730,000)	—
System Facilities Revenue Bonds Series 2013A	65,420,000	—	(65,420,000)	—
System Facilities Revenue Bonds Series 2016A	14,650,000	—	(2,125,000)	12,525,000
System Facilities Taxable Revenue Bonds Series 2016B	8,285,000	—	(215,000)	8,070,000
System Facilities Revenue Bonds Series 2016C	25,025,000	—	—	25,025,000
Educational Facilities Refunding Revenue Bonds Series 2019	44,595,000	—	—	44,595,000
System Facilities Refunding Revenue Bonds Series 2020	—	57,480,000	—	57,480,000
	<u>\$ 160,195,000</u>	<u>\$ 57,480,000</u>	<u>\$ (69,980,000)</u>	147,695,000
Less: Current maturities (due within one year)				2,370,000
Less: Discount on bond payable				10,842
Add: Premium on bond payable				14,883,983
				<u>\$ 160,198,141</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements *(Continued)*

Bonds payable at June 30, 2020 are summarized as follows:

	Balance - June 30, 2019	Principal Additions	Principal Payments	Balance - June 30, 2020
Educational Facilities Taxable Revenue Bonds Series 2010B	\$ 49,090,000	\$ —	\$ (47,600,000)	\$ 1,490,000
System Facilities Revenue Bonds Series 2011B	1,445,000	—	(715,000)	730,000
System Facilities Revenue Bonds Series 2013A	68,245,000	—	(2,825,000)	65,420,000
System Facilities Revenue Bonds Series 2016A	16,675,000	—	(2,025,000)	14,650,000
System Facilities Taxable Revenue Bonds Series 2016B	8,500,000	—	(215,000)	8,285,000
System Facilities Revenue Bonds Series 2016C	25,025,000	—	—	25,025,000
Educational Facilities Refunding Revenue Bonds Series 2019	—	44,595,000	—	44,595,000
	<u>\$ 168,980,000</u>	<u>\$ 44,595,000</u>	<u>\$ (53,380,000)</u>	160,195,000
Less: Current maturities (due within one year)				7,520,000
Less: Discount on bond payable				35,303
Add: Premium on bond payable				8,126,205
				<u>\$ 160,765,902</u>

On July 22, 2020, the Board of Regents issued \$57,480,000 of System Facilities Refunding Revenue Bonds Series 2020 for the purpose of refunding Series 2013A System Facilities Revenue Bonds. The refunding decreased the University's total debt service payments by \$5,025,667 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$4,916,683.

During 2020, the refunding of the Series 2013A bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,326,179. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through 2043 using the bonds outstanding method.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The Series 2020 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2020 bonds maturing April 1, 2031 and thereafter may be called to redemption and payment prior to maturity on or after April 1, 2030 in lots of \$5,000 at a redemption price of 100% of the principal amount together with accrued interest thereon to the date of maturity. The Series 2020 bonds maturing April 1, 2040 and 2043 are subject to mandatory redemption and payment prior to maturity at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, in accordance with the following schedule:

Series 2020 Bonds Maturing April 1, 2040	
<u>Years</u>	<u>Amount</u>
2038-2040	\$5,330,000

Series 2020 Bonds Maturing April 1, 2043	
<u>Years</u>	<u>Amount</u>
2041-2043	\$2,691,000

The Series 2020 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 2.00% to 5.00% and mature serially through fiscal year 2043.

On July 24, 2019, the Board of Regents issued \$44,595,000 of Educational Facilities Refunding Revenue Bonds Series 2019 for the purpose of partially refunding Series 2010B Taxable Educational Facilities Revenue Bonds (Build America Bonds). The partial refunding decreased the University's total debt service payments by \$5,130,254 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$4,780,216.

During 2019, the partial refunding of the Series 2010B bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$4,043,117. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through 2041 using the bonds outstanding method.

The Series 2019 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2019 bonds maturing October 1, 2030 and thereafter may be called to redemption and payment prior to maturity on or after October 1, 2029 in lots of \$5,000 at a redemption price of 100% of the principal amount together with accrued interest thereon to the date of maturity.

The Series 2019 bonds bear interest at rates varying from 3% to 5% and mature serially through fiscal year 2041.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

On August 10, 2016, the Board of Regents issued \$25,025,000 of System Facilities Revenue Bonds Series 2016C for the purpose of partially refunding Series 2011B System Facilities Revenue bonds. The partial refunding decreased the University's total debt service payments by \$3,068,337 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$2,723,714.

During 2016, the advance refunding of the Series 2011B bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,767,433. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through 2042 using the bonds outstanding method.

The Series 2016C bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2016C bonds maturing April 1, 2025 and thereafter may be called to redemption and payment prior to maturity on or after April 1, 2024 in lots of \$5,000 at a redemption price of 100% of the principal amount together with accrued interest thereon to the date of maturity. The Series 2016C bonds maturing April 1, 2037, April 1, 2039 and April 1, 2042 are subject to mandatory redemption and payment prior to maturity at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, in accordance with the following schedule:

Series 2016C Bonds Maturing April 1, 2037	
<u>Years</u>	<u>Amount</u>
2036-2037	\$2,840,000

Series 2016C Bonds Maturing April 1, 2039	
<u>Years</u>	<u>Amount</u>
2038-2039	\$3,005,000

Series 2016C Bonds Maturing April 1, 2042	
<u>Years</u>	<u>Amount</u>
2040-2042	\$4,850,000

The Series 2016C 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 2.00% to 4.00% and mature serially through fiscal year 2042.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

On February 26, 2016, the Board of Regents issued \$21,710,000 of System Facilities Revenue Bonds Series 2016A and \$8,920,000 of Taxable System Facilities Revenue Bonds Series 2016B for the purpose of refunding \$23,555,000 Systems Facilities Revenue bonds Series 2011 and constructing, furnishing, and equipping a facility for Greek student housing and certain other expansions, renovations, and improvements to System Facilities. The refunding decreased the University's total debt service payments by \$2,830,120 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$2,808,956.

During 2016, the refunding of the Series 2011 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$609,621. This difference, reported in the accompanying basic financial statements as a deferred outflow of resources, is being charged to operations through 2032 using the bonds outstanding method.

The Series 2016A and 2016B bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2016A bonds maturing April 1, 2026 and thereafter may be called to redemption prior to maturity on or after April 1, 2025 in lots of \$5,000 at a redemption price of 100% of the principal amount together with accrued interest thereon to the date of maturity. The series 2016B bonds maturing April 1, 2027 and thereafter, at the option of the University may be called to redemption prior to maturity on or after April 1, 2026 in lots of \$5,000 at a redemption price of 100% of the principal amount together with accrued interest thereon to the date of maturity. The Series 2016B bonds maturing April 1, 2031, April 1, 2036 and April 1, 2045 are subject to mandatory redemption prior to maturity at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, in accordance with the following schedule:

Series 2016B Bonds Maturing April 1, 2031	
<u>Years</u>	<u>Amount</u>
2027-2031	\$1,350,000
Series 2016B Bonds Maturing April 1, 2036	
<u>Years</u>	<u>Amount</u>
2032-2036	\$1,625,000
Series 2016B Bonds Maturing April 1, 2045	
<u>Years</u>	<u>Amount</u>
2037-2045	\$3,935,000

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The Series 2016A 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 3.00% to 5.00% and mature serially through fiscal year 2032. The Series 2016B bonds also 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 1.375%-4.37% and mature serially through 2045.

On February 28, 2013, the Board of Regents issued \$82,555,000 of System Facilities Revenue Bonds Series 2013A and \$2,050,000 of Taxable System Facilities Revenue Bonds Series 2013B for the purpose of constructing and furnishing a facility for student housing and related education and performance activities in the River Campus area of the University campus; and for the purpose of advanced refunding \$7,805,000 System Facilities Revenue bonds Series 2006A and \$51,615,000 System Facilities Revenue Bonds Series 2008. The advanced refunding decreased the University's total debt service payments by \$9,712,950 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$3,188,038.

During 2013, the advance refunding of the Series 2006A and Series 2008 bonds resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$380,948 and \$7,162,605, respectively. These differences, reported in the accompanying basic financial statements as a deferred outflow of resources, are being charged to operations through 2021 using the bonds outstanding method.

The Series 2013A and 2013B bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2013A bonds maturing April 1, 2021 and thereafter shall be subject to redemption on or after April 1, 2020 at a redemption price of 100% of the principal amount together with accrued interest thereon to the date of maturity. The Series 2013A 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 2.60% to 5.00% and mature serially through fiscal year 2043. The Series 2013B bonds matured in 2018. Extraordinary Option Redemption at 100% for the Series 2013A bonds may take place upon the occurrence of certain special conditions or events. The qualifying bonds were redeemed with the 2020 bond issue refinancing.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

On December 22, 2011, the Board of Regents issued \$28,980,000 of System Facilities Revenue Bonds Series 2011B for the purpose of constructing, furnishing and equipping a five-story, 262-bed residence hall with 180 parking spaces, constructing a chiller and boiler plant and funding capitalized interest on the Series 2011B bonds. The Series 2011B bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2011 bonds maturing April 1, 2018 and thereafter shall be subject to redemption on or after April 1, 2017 as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
April 1, 2019 - April 1, 2042	100%

Extraordinary Option Redemption at 100% may occur upon the occurrence of certain special conditions or events. The Series 2011B bonds bear interest at rates varying from 2.4% to 2.8% and mature serially through fiscal year 2021.

On August 10, 2016, the University issued \$25,025,000 Series 2016C System Facilities Revenue Bonds to partially fund the Series 2011B bonds. The University will pay principal and interest through 2021 on the nondefeased Series 2011B bonds. During fiscal year 2017, the University refunded the Series 2011B bonds maturing April 1, 2022 - April 1, 2042. The refunded Series 2011B bonds were placed in escrow and were removed from the University's financial statements.

On December 8, 2010, the Board of Regents approved a resolution to issue bonds providing construction proceeds for campus facility renovations and repair projects including renovations to Academic Hall, renovations and an addition to Magill Hall and the University science laboratories, and deferred maintenance projects over the next five years, and conversion of the campus power plant to natural gas installation.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

On December 16, 2010, the Health and Educational Facilities Authority of the State of Missouri issued \$4,760,000 Educational Facilities Revenue Bond Series 2010A and \$54,495,000 Taxable Educational Facilities Revenue Bonds Series 2010B (Build America Bonds). The Series 2010A bonds were paid in full at final maturity on October 1, 2014. The Series 2010B bonds shall pay interest semiannually on April 1 and October 1. The University participates in the Build America Bonds program relative to the Series 2010B bonds. Build America Bonds were created under section 1531 of Title 1 of Division B of the American Recovery and Reinvestment Act, and provide a federal subsidy of 35% of the interest paid on the bonds to the issuer. Due to sequestration, subsidy payments were reduced by 8.7% in September 2013, by 7.2% in March 2014, 7.3% in March 2015, 6.8% in March 2016, 6.9% in March 2017 and 6.6% in March 2018. The University received a 6.6% reduction in the September 2018 subsidy payment. The order does not affect payments for future years, although the University has been informed that there could be additional sequester orders for future fiscal years through and including fiscal year 2021.

At the option of the University, the Series 2010B bonds maturing October 1, 2021 and thereafter shall be subject to redemption on or after October 1, 2020 at a redemption price of 100% of the principal amount. The Series 2010B bonds bear interest at rates varying from 4.625% to 6.875% and mature serially through fiscal year 2041. The true interest cost after the federal subsidy averages 4.316%. The qualifying bonds were redeemed with the 2019 bond issue refinancing.

The System Facilities is composed of the Housing System, the Student Union Facility (University Center), Textbook Services, the Student Recreation Center, the Outdoor Recreation Fields, and the Parking and Transit system. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding 2011B, 2013A, 2016A, 2016B and 2016C and 2020 Series Bonds. Under the provisions of these bond resolutions, the University covenants to establish rates for the use and services of the System Facilities sufficient to fund operations, maintain reserves, and provide revenues to pay principal and interest on the bonds. Refer to Note 16 for a summary of System Facilities pledged revenue for fiscal years 2021 and 2020.

Interest expense on bonded debt was \$4,673,562 and \$5,232,750 for 2021 and 2020, respectively.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Scheduled fiscal year maturities of System Facilities and Educational Facilities bonds payable and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,370,000	\$ 5,917,833
2023	4,300,000	5,805,658
2024	6,000,000	5,595,615
2025	7,110,000	5,289,102
2026	7,435,000	4,957,077
2026-2030	41,810,000	19,501,793
2031-2035	37,405,000	11,301,429
2036-2040	35,095,000	4,322,132
2041-2045	6,170,000	421,315
	<u>\$ 147,695,000</u>	<u>\$ 63,111,954</u>

9. Notes Payable

Notes payable at June 30, 2021 are summarized as follows:

	<u>Balance - June 30, 2020</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Balance - June 30, 2021</u>
Chartwell's-Olive's and Skylight Terrace Expansion	\$ 205,096	\$ —	\$ (17,429)	\$ 187,667
Department of Natural Resources Energy Loan	93,597	—	(8,771)	84,826
KS StateBank - Pianos	—	457,908	(84,474)	373,434
	<u>\$ 298,693</u>	<u>\$ 457,908</u>	<u>\$ (110,674)</u>	<u>645,927</u>
Less: Current maturities (due within one year)				<u>114,593</u>
				<u>\$ 531,334</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Notes payable at June 30, 2020 are summarized as follows:

	Balance - June 30, 2019	Principal Additions	Principal Payments	Balance - June 30, 2020
Chartwell's-Olive's and Skylight Terrace Expansion	\$ 238,706	\$ —	\$ (33,610)	\$ 205,096
Department of Natural Resources Energy Loan	—	98,520	(4,923)	\$ 93,597
	<u>\$ 238,706</u>	<u>\$ 98,520</u>	<u>\$ (38,533)</u>	298,693
Less: Current maturities (due within one year)				<u>26,201</u>
				<u>\$ 272,492</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 principal payments, totaling \$577,870 through fiscal year 2031. The note is noninterest bearing. Interest has been imputed using a rate of 3.625%.

The University entered into a loan agreement dated May 19, 2017 with the Missouri Department of Economic Development-Division of Energy to provide energy efficient lighting in Crisp Hall, an academic building. The loan was approved for \$97,545 with an interest rate of 2.75% and a loan origination fee of 1% of the principal loan amount. An extension request was approved in October 2017. The promissory note of \$98,520 was executed on October 8, 2019. The University will make semi-annual principal and interest payments through July 1, 2029.

The University entered into a loan agreement dated July 1, 2020 with KS StateBank to provide financing for piano purchases. The loan was approved for \$457,908 with an interest rate of 4.04%. The University will make annual principal and interest payments of \$102,974 through July 1, 2025.

Interest expense was \$23,955 and \$9,454 for 2021 and 2020, respectively. Scheduled fiscal year maturities on notes payable and related interest are as follows:

Year	Principal	Interest
2022	\$ 114,593	\$ 20,037
2023	118,660	15,972
2024	122,880	11,751
2025	127,260	7,370
2026	28,834	2,822
2027 - 2031	133,700	5,707
	<u>\$ 645,927</u>	<u>\$ 63,659</u>

10. Retirement Plan - Missouri State Employees' Retirement System

General Information about the Pension Plan

Plan description. Benefit eligible employees of the University are provided with pensions through MOSERS - a cost-sharing multiple-employer defined benefit pension plan. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined benefit plan for eligible state and other related agency employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

Benefits provided. MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000 and MSEP2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR.

Contributions. Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP2011 Plan are required to contribute 4% of their annual pay. The University's required contribution rate for the year ended June 30, 2021, was 22.88% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2020 was 21.77%, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$9,262,972 and \$9,051,938 for the years ended June 30, 2021 and 2020, respectively.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the University reported a liability of \$132,137,222 and \$128,178,153, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2021 and 2020 was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2020. At June 30, 2020, the University's proportion was 2.08169%, a decrease from its proportion measured using 2.12175% as of the June 30, 2019 measurement date.

During the MOSERS plan year ended June 30, 2020, there were changes to reduce the long-term expected rate of return on investments from 7.10% to 6.95%, which increased the total pension liability.

During the MOSERS plan year ended June 30, 2019, there were changes to reduce the long-term expected rate of return on investments from 7.25% to 7.10%, which increased the total pension liability.

For the years ended June 30, 2021 and 2020, the University recognized pension expense of \$14,705,491 and \$21,872,950, respectively. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 59,841	\$ 1,372,471
Changes of assumptions	3,492,515	—
Net difference between projected and actual earnings on pension plan investments	7,010,459	—
Changes in proportion and differences between University contributions and proportionate share of contributions	—	5,703,101
University contributions subsequent to the measurement date of June 30, 2020	9,262,972	—
	<u>\$ 19,825,787</u>	<u>\$ 7,075,572</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 109,284	\$ 1,490,006
Changes of assumptions	5,121,629	—
Net difference between projected and actual earnings on pension plan investments	9,951,772	—
Changes in proportion and differences between University contributions and proportionate share of contributions	7,691	8,518,643
University contributions subsequent to the measurement date of June 30, 2019	9,051,938	—
	<u>\$ 24,242,314</u>	<u>\$ 10,008,649</u>

Deferred outflows of resources of \$9,262,972 resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the University's fiscal year following MOSERS' fiscal year as follows:

Plan Year Ending June 30:	Amount
2021	\$ 453,567
2022	783,726
2023	1,641,003
2024	608,947
	<u>\$ 3,487,243</u>

Actuarial assumptions. The total pension liability in the June 30, 2020 actuarial valuation, which is also the date of measurement for financial reporting purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Inflation	2.25%, approximate
Salary increases	2.75% - 8.25% annually including inflation
Wage inflation	2.25 annually
Investment rate of return	6.95% per year, compounded annually, net after investment expenses and including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant mortality table, projected from 2006 to 2026 with Scale MP-2015 and scaled by 120%. The pre-retirement mortality table is the RP-2014 Employee mortality table, projected from 2006 to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. In addition, the Board reaffirmed its previous decision to reduce the investment return assumption from 7.10% to 6.95% for the June 30, 2020 valuation.

Long-term investment rate of return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for both the old and new portfolios for each major asset class included in MOSERS target asset allocation as of June 30, 2020 are summarized in the following tables:

Long-Term Expected Rate of Return – Old Portfolio

<u>Asset Class</u>	<u>Policy Allocation</u>	<u>Long-Term Expected Real Rate Of Return</u>	<u>Weighted Average Long-Term Expected Real Rate Of Return</u>
Opportunistic global equities	38.0%	5.8%	3.1%
Nominal bonds	44.0%	0.8%	1.5%
Commodities	20.0%	5.3%	1.6%
Inflation-linked bonds	39.0%	-0.1%	0.9%
Alternative beta	31.0%	4.1%	2.0%
Cash & cash equivalents	<u>-72.0%</u>	0.0%	-0.7%
	Correlation/Volatility Adjustment		-0.7%
	<u>100.0%</u>		7.7%
	Less: Investment Inflation Assumption		<u>-2.5%</u>
	Long-Term Expected Geometric Net Real Return		<u>5.2%</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Long-Term Expected Rate of Return - New Portfolio

<u>Asset Class</u>	<u>Policy Allocation</u>	<u>Long-Term Expected Real Rate Of Return*</u>	<u>Weighted Average Long-Term Expected Real Rate Of Return</u>
Global public equities	30.0%	7.7%	2.3%
Global private equities	15.0%	9.3%	1.4%
Long treasuries	25.0%	3.5%	0.9%
Core bonds	10.0%	3.1%	0.3%
Commodities	5.0%	5.5%	0.3%
TIPS	25.0%	2.7%	0.7%
Private real assets	5.0%	7.1%	0.3%
Public real assets	5.0%	7.7%	0.4%
Hedge funds	5.0%	4.8%	0.2%
Alternative beta	10.0%	5.3%	0.5%
Private credit	5.0%	9.5%	0.5%
Cash & cash equivalents **	-40.0%	0.0%	0.0%
	Correlation/Volatility Adjustment		-0.6%
	<u>100.0%</u>		<u>7.2%</u>
	Less: Investment Inflation Assumption		-1.9%
	Long-Term Expected Geometric Net Real Return		<u>5.3%</u>

** Cash and cash equivalents policy allocation amounts are negative due to use of leverage.

Discount rate. The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments of 6.95% was applied to all periods of projected benefit payments to determine the total pension liability.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
University's proportionate share of the net pension liability	\$ 165,454,713	\$ 132,137,222	\$ 104,114,614

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS financial report.

Payables to the Pension Plan

As of June 30, 2021 and 2020, the University had payables of \$859,532 and \$857,395 respectively, due to MOSERS for legally required contributions to the plan.

11. Retirement Plan - College And University Retirement Plan

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an "education employee" participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1% less than the normal cost contribution rate of the Missouri State Employees' Plan 2000 (MSEP 2000). After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The University is required to contribute to CURP at a statutorily determined rate; the rate was 6.00% of annual covered payroll for 2021 and 2020, respectively. The University's contributions to CURP for the years ended June 30, 2021 and 2020 were \$1,019,656 and \$1,036,349 respectively, which equaled the required contributions for those years.

Payables to the CURP Plan

As of June 30, 2021 and 2020, the University had payables of \$108,463 and \$105,222, respectively, due to CURP for legally required contributions to the plan.

12. Postemployment Healthcare Plan

Plan Description. The University provides a one-time opportunity for retirees to continue medical insurance coverage. Retirees after October 22, 2010 who elect to continue medical insurance are required to pay monthly premiums determined by plan type elected and Medicare eligibility. Pre-65 retirees who retired prior to October 22, 2010 who elect to continue medical insurance are required to pay monthly premiums on the basis of an implicit rate subsidy calculation. Monthly premiums for pre-October 22, 2010 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. Pre-October 22, 2010 retiree's adjusted monthly premium cost will not go below 80% of the premium amount. Financial statements for the plan are not available.

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on an actuarial valuation prepared in accordance with the parameters of GASB Statement No. 75. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Employees Covered by Benefit Terms. As of June 30, 2020, the following employees were covered by the benefit terms:

Active employees eligible for coverage	1,018
Inactive employees or beneficiaries currently receiving benefits	45
	<hr/>
	1,063
	<hr/>

Net OPEB Liability. The University's net OPEB liability of \$4,592,245 and \$4,442,902 were measured as of June 30, 2021 and 2020, respectively, and were determined by an actuarial valuation as of July 1, 2019.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Actuarial Assumptions and Methods. The net OPEB liabilities in the July 1, 2019 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.36%
Annual Wage Increases	3.00%
Price Inflation	2.50%
Healthcare Cost Trend Rates	8% for 2020, decreasing 0.25% per year

Discount Rate. The University's plan is pay as you go and there is not a trust set up to hold plan assets, therefore the long-term expected rate of return is not a factor in determining the discount rate. The discount rate reflects the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The source of the index rate used for the actuarial valuation is the S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on Pub-2010 General Headcount - Weighted Mortality with Scale MP-2019.

Changes in the Net OPEB Liability:

Balance at June 30, 2020	\$ 4,442,902
Service cost	265,840
Interest cost	153,675
Net benefits paid by employer	(270,172)
Net Change	<u>149,343</u>
Balance at June 30, 2021	<u>\$ 4,592,245</u>
Balance at June 30, 2019	\$ 4,327,989
Service cost	258,097
Interest cost	148,277
Net benefits paid by employer	(236,736)
Other changes	(54,725)
Net Change	<u>114,913</u>
Balance at June 30, 2020	<u>\$ 4,442,902</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Sensitivity Results. The following presents the net OPEB liability of the University as of June 30, 2021 and 2020, as well as what the University's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2021		
	Current		
	1% Decrease	Discount Rate	1% Increase
	(2.36%)	(3.36%)	(4.36%)
University's net OPEB liability	\$ 4,983,535	\$ 4,592,245	\$ 4,238,237

	June 30, 2020		
	Current		
	1% Decrease	Discount Rate	1% Increase
	(2.36%)	(3.36%)	(4.36%)
University's net OPEB liability	\$ 4,820,861	\$ 4,442,902	\$ 4,100,973

The following presents the net OPEB liability of the University as of June 30, 2021 and 2020, as well as what the University's net OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

- The current health care trend rate is 8% decreasing by 0.25% annually to an ultimate rate of 4.50%
- The 1% decrease in health care trend rate would be 7% decreasing by 0.25% annually to an ultimate rate of 3.5%
- The 1% increase in health care trend rate would be 9% decreasing by 0.25% annually to an ultimate rate of 5.5%

	June 30, 2021		
	Current		
	1% Decrease	Trend Rate	1% Increase
University's net OPEB liability	\$ 4,085,922	\$ 4,592,245	\$ 5,187,453

	June 30, 2020		
	Current		
	1% Decrease	Trend Rate	1% Increase
University's net OPEB liability	\$ 3,986,414	\$ 4,442,902	\$ 4,977,461

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

For the years ended June 30, 2021 and 2020, the University recognized OPEB expense of \$142,913 and \$163,208, respectively. At June 30, 2021, the University reported deferred inflows of resources or deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ —	\$ 279,952
Changes of assumptions	238,087	—
	<u>\$ 238,087</u>	<u>\$ 279,952</u>

At June 30, 2020, the University reported deferred inflows of resources or deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ —	\$ 322,955
Changes of assumptions	274,660	—
	<u>\$ 274,660</u>	<u>\$ 322,955</u>

13. Contingencies And Risk Management

The University 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 University.

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 University's financial position.

University employees are covered under Worker's Compensation by the State of Missouri. Claims are submitted to the State and paid by the State on behalf of the University. Total claims paid for the University employees for fiscal year 2021 and fiscal year 2020 were \$911,227 and \$693,356, respectively.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; 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.

The University has purchased property on occasion that requires monitoring for environmental issues that could result in liability. As of June 30, 2021 and 2020, the University is not aware of any material environmental liability.

Effective January 1, 2020, the University established a self-insured medical program covering substantially all employees. The University's liability has been limited by the purchase of specific (\$250,000 individual deductible limit in calendar year 2021 and 2020) and aggregate (\$1,000,000 deductible in calendar year 2021 and 2020) reinsurance. The University has recorded a liability for expenses incurred but not reported of \$1,044,410 and \$492,869 as of June 30, 2021 and 2020, respectively, which is included in the accrued claims liability on the statement of net position.

The liability reported for claims incurred but not reported are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Changes in the balance of the insurance reserve liability during the year ended June 30, 2021 and 2020 were as follows:

Liability, July 1, 2019	\$	—
Current year claims and changes in estimates		4,182,906
Claim payments		<u>2,464,064</u>
Liability, June 30, 2020	\$	<u>1,718,842</u>
Current year claims and changes in estimates	\$	8,509,706
Claim payments		<u>9,000,909</u>
Liability, June 30, 2021	\$	<u>1,227,639</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

14. Net Position

Restricted - Net position is restricted when constraints placed are either externally imposed, or are imposed by law or enabling legislation. The composition of restricted net position at June 30, 2021 and 2020 was:

	<u>2021</u>	<u>2020</u>
Nonexpendable		
Scholarships	\$ 2,206,602	\$ 2,284,871
Expendable		
Debt service	1,479,458	1,448,508
Loans	212,815	212,815
	<u>1,692,273</u>	<u>1,661,323</u>
 Total Restricted	 <u>\$ 3,898,875</u>	 <u>\$ 3,946,194</u>

Unrestricted - Unrestricted net position is not subject to externally imposed stipulations; however, it may be subject to internal designations. For example, unrestricted net position may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Unrestricted net position excluding the effects of the pension obligation and related deferrals is internally designated for academic programs and initiatives, investment in inventories and capital programs. Designated unrestricted net position was \$38,468,407 and \$26,098,887 at June 30, 2021 and 2020, respectively. Undesignated, unrestricted net position, including those of auxiliary operations, was \$(87,072,197) and \$(84,323,353) at June 30, 2021 and 2020, respectively.

Undesignated unrestricted net position at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Undesignated Unrestricted		
Net pension liability at June 30, offset by pension-related deferred inflows and outflows, net of amounts included in restricted net position	\$ (119,382,225)	\$ (113,942,974)
 All other operations of the University, including auxiliary operations	 32,310,028	 29,619,621
 Total undesignated unrestricted net position	 <u>\$ (87,072,197)</u>	 <u>\$ (84,323,353)</u>

As of June 30, 2021, University operations undesignated unrestricted net position consists of \$306,524 US Government Loan Programs, \$2,695,161 Auxiliary Undesignated and Unrestricted Undesignated of \$29,308,343.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

As of June 30, 2020, University operations undesignated unrestricted net position consists of \$546,884 US Government Loan Programs, \$1,547,110 Auxiliary Undesignated and Unrestricted Undesignated of \$27,525,627.

15. Operating Leases

The University has entered into several operating leases for equipment. These leases will expire on various dates through fiscal year 2024. Future minimum lease payments at June 30, 2021 were:

<u>Year</u>	<u>Amount</u>
2022	\$ 106,897
2023	59,118
2024	11,039
	<u>\$ 177,054</u>

16. Segment Information

A segment is an identifiable activity reported within a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*. As of June 30, 2021 and 2020, the University's outstanding bond debt includes System Facilities Revenue Bonds. The System Facilities is composed of the Housing System, the Student Union facility, the Student Recreation Center, the Parking and Transit System, Textbook Services, and the Outdoor Recreation Fields. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding Series 2011B, Series 2013A, Series 2016A, Series 2016B, Series 2016C, & Series 2020 bonds and payment of interest thereon semi-annually on April 1 and October 1.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements *(Continued)*

The condensed financial information for the System Facilities Revenue Bond Fund as of June 30, 2021 and 2020 is as follows:

Condensed Statement Of Net Position

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 10,390,957	\$ 10,249,681
Noncurrent Assets		
Capital assets, net of depreciation	163,731,728	167,250,507
Total Assets	<u>174,122,685</u>	<u>177,500,188</u>
Deferred Outflows Of Resources	<u>4,674,536</u>	<u>5,964,573</u>
Current Liabilities	4,566,897	8,958,471
Noncurrent Liabilities	<u>111,021,736</u>	<u>111,281,416</u>
Total Liabilities	<u>115,588,633</u>	<u>120,239,887</u>
Net Position		
Net investment in capital assets	54,913,653	54,680,283
Unrestricted	<u>8,294,935</u>	<u>7,958,723</u>
Total Net Position	<u>\$ 63,208,588</u>	<u>\$ 62,639,006</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Condensed Statement Of Revenues, Expenses, And Changes In Net Position

	<u>2021</u>	<u>2020</u>
Operating Revenue		
Housing contracts, net of scholarship allowance	\$ 18,742,075	\$ 16,148,170
Textbook sales and rentals	1,512,083	1,537,120
Student recreation center fees	2,157,041	2,259,531
Parking fees and fines	1,168,971	1,066,480
Student union building fees	245,001	257,537
Other operating revenues	1,770,038	1,876,240
Total Operating Revenue	<u>25,595,209</u>	<u>23,145,078</u>
Operating Expenses		
Personnel service	4,400,240	4,639,443
Contract food service	6,692,330	5,755,178
Utilities and maintenance	2,530,664	3,066,181
Book purchases	751,131	966,517
Depreciation	4,812,110	4,761,449
Other operating expenses	3,659,694	2,710,182
Total Operating Expenses	<u>22,846,169</u>	<u>21,898,950</u>
Operating Income	<u>2,749,040</u>	<u>1,246,128</u>
Nonoperating Revenue (Expenses)		
Investment income	33,836	172,644
Interest on capital asset related debt	(2,891,147)	(4,216,458)
Emergency COVID-19 governmental assistance	677,853	4,445,949
Net Nonoperating Expenses	<u>(2,179,458)</u>	<u>402,135</u>
Increase In Net Position	569,582	1,648,263
Net Position Beginning Of Year	<u>62,639,006</u>	<u>60,990,743</u>
Net Position End Of Year	<u>\$ 63,208,588</u>	<u>\$ 62,639,006</u>

Condensed Statement Of Cash Flows

	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 6,577,780	\$ 5,546,269
Net cash used in capital and related financing activities	(6,496,664)	(6,730,217)
Net cash provided by investing activities	33,836	172,644
Net decrease in cash and cash equivalents	114,952	(1,011,304)
Cash and cash equivalents - beginning of year	9,319,265	10,330,569
Cash and cash equivalents - end of year	<u>\$ 9,434,217</u>	<u>\$ 9,319,265</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

17. Southeast Missouri University Foundation

The following disclosures pertain to the University's discretely presented component unit - the Foundation:

Investments And Investment Return

Investments at June 30, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Cash and money market funds	\$ 1,139,302	\$ 1,117,780
Certificates of deposit	298,954	294,074
Equities:		
Domestic	25,509,765	20,054,361
Developing international	4,429,533	3,371,145
Mutual funds:		
Domestic	31,250,539	24,478,701
Developing international	14,433,067	10,272,369
Emerging market	13,101,368	10,476,484
International fixed income	17,763,383	14,482,854
Other	7,902,566	5,733,502
Corporate bonds	6,825,966	5,310,826
Asset back securities	564,881	454,500
U.S. Treasury securities	1,425,376	810,635
U.S. government obligations	2,454,865	2,325,430
Municipal securities	1,085,883	898,812
Alternative strategies	735,191	1,147,771
	<u>128,920,639</u>	<u>101,229,244</u>
Less: short-term investments	<u>23,264,596</u>	<u>21,504,936</u>
	<u>\$ 105,656,043</u>	<u>\$ 79,724,308</u>

Total investment return is comprised of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Interest and dividends, net of fees	\$ 1,647,594	\$ 2,174,389
Unrealized and realized investment gains (losses)	<u>26,001,441</u>	<u>(644,004)</u>
	<u>\$ 27,649,035</u>	<u>\$ 1,530,385</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Pledges Receivable

Pledges receivable at June 30 consists of:

	<u>2021</u>	<u>2020</u>
Pledges receivable	\$ 293,319	\$ 595,309
Allowance for doubtful accounts	(35,872)	(20,002)
	<u>\$ 257,447</u>	<u>\$ 575,307</u>

Property And Equipment

Property and equipment at June 30 consists of:

	<u>2021</u>	<u>2020</u>
Land	\$ 7,620,564	\$ 7,620,564
Buildings and improvement	8,246,149	8,246,149
Vehicles and equipment	257,071	257,071
	<u>16,123,784</u>	<u>16,123,784</u>
Less: Accumulated depreciation	5,169,310	4,937,468
	<u>\$ 10,954,474</u>	<u>\$ 11,186,316</u>

Notes Receivable

Notes receivable at June 30 consists of:

	<u>2021</u>	<u>2020</u>
City of Cape Girardeau	\$ 2,503,044	\$ 2,877,392
APG Limited	437,693	467,681
	<u>2,940,737</u>	<u>3,345,073</u>
Less: Current maturities due within one year	490,670	489,988
	<u>\$ 2,450,067</u>	<u>\$ 2,855,085</u>

On March 14, 2013, the Foundation sold 247.43 acres to the City of Cape Girardeau (the City). The City signed a 12-year, noninterest bearing promissory note for the amount of \$5,520,000 to the Foundation. The City shall pay 12 annual installments of \$460,000. Imputed interest amount was calculated using the long-term applicable federal rate for the month of March 2013, which was 2.66%. In April 2017, an additional \$920,000 was added to the note as a result of a joint capital project between the City and the University. The City signed a new promissory note with the Foundation to fund the City's share of the capital improvements and the Foundation will reimburse the University as funds are collected from the City.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

On December 9, 2013, the Foundation sold the property located at 401 and 505 Washington Avenue to APG Limited, LLC. APG Limited signed a 10-year promissory note with an interest rate of 2.25% for the amount of \$647,000 to the Foundation. APG Limited shall pay 119 payments of \$3,350 and a final balloon payment of \$362,378.

Aggregate annual maturities of notes receivable at June 30, 2021 are:

<u>Year</u>	<u>Amount</u>
2022	\$ 490,669
2023	491,367
2024	835,657
2025	460,000
2026	460,000
Thereafter	460,000
	<u>3,197,693</u>
Less: Imputed interest on loan	<u>256,956</u>
	<u>\$ 2,940,737</u>

Notes Payable To Bank

Notes payable to bank at June 30 consists of:

	<u>2021</u>	<u>2020</u>
First Missouri State Bank - 315 South Lorimier	\$ 153,035	\$ 171,167
Montgomery Bank - South Lorimier & 334 Morgan Oak	506,888	550,280
	<u>659,923</u>	<u>721,447</u>
Less: Current maturities due within one year	<u>64,877</u>	<u>61,834</u>
	<u>\$ 595,046</u>	<u>\$ 659,613</u>

Aggregate annual maturities of notes payable at June 30, 2021 are:

<u>Year</u>	<u>Amount</u>
2022	\$ 64,877
2023	182,357
2024	412,689
	<u>\$ 659,923</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

On December 28, 2012, the Foundation purchased property located at 315 South Lorimier in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with First Missouri State Bank in the amount of \$289,220 with a maturity date of December 28, 2017. The Foundation renewed the note during the year with a revised maturity date of December 28, 2022. Current payments on the note are regular payments of \$2,139 and one lump sum payment estimated at \$126,447. The interest rate of the promissory note is 4.60% per annum.

On August 8, 2018, the Foundation entered into a promissory note with Montgomery Bank in the amount of \$624,389 to consolidate and refinance the South Lorimier (A) and 334 Morgan Oak (B) notes. The promissory note requires 59 monthly principal and interest of \$5,817, with one balloon payment estimated at \$410,961 due at maturity on August 8, 2023. The promissory note bears interest at 4.91% per annum.

Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are available for the following purposes or periods:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 106,359,582	\$ 77,241,226
Loans	175,990	170,825
Other	11,900,912	11,245,911
	<u>\$ 118,436,484</u>	<u>\$ 88,657,962</u>

Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 2,540,103	\$ 3,004,859
Loans	75	895
Other purpose restrictions accomplished	2,230,863	2,076,717
	<u>\$ 4,771,041</u>	<u>\$ 5,082,471</u>

Annuity And Trust Obligations

The Foundation has been the recipient of several gift annuities and charitable remainder trusts, which require future payments to the contributors or their named beneficiaries. The assets received from the donor are recorded at fair values. The Foundation has recorded a liability of \$966,728 and \$1,474,996 at June 30, 2021 and 2020, respectively, which represents the present value of the future gift annuity obligations. The liability has been determined using a discount rate of 10.52% and 2.97% at June 30, 2021 and 2020, respectively. Additionally, the Foundation has recorded a liability at June 30, 2021 and 2020, of \$187,993 and \$226,870, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries of charitable remainder trusts.

Operating Leases

The Foundation leases certain plant assets to the University. These leases will expire on various dates through fiscal year 2033. Future minimum lease payments at June 30, 2020 were:

<u>Year</u>	<u>Amount</u>
2022	\$ 368,800
2023	309,704
2024	261,243
2025	235,211
2026	315,036
Thereafter	1,092,301
	<u>\$ 2,582,295</u>

18. COVID-19

The outbreak of 2019 coronavirus (COVID-19), which was recognized as a global pandemic by the World Health Organization, has prompted the University to implement various preventative and protective measures. These measures include alteration of how business activities are conducted, adapting to new modalities of instruction, the purchase and implementation of PPE, establishing procedures that allow for social distancing, etc. Since the initial classification of the pandemic, Southeast has received multiple sources of financial assistance to help offset the costs associated with the above measures as well as to provide financial assistance to our students.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The Higher Education Emergency Relief Fund (HEERF), found in Section 18004 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), has provided substantial funding to institutions of higher education. A portion of the funds have been required to be distributed directly to students as an Emergency Financial Aid Grant. Institutions are given latitude on how to distribute the funding and this means that each institution may develop its own system and process for determining how to allocate these funds. Secretary of Education Betsy DeVos encouraged the leadership of each institution to prioritize students with the greatest need. Another portion of funds have been allocated for institutional needs related to mitigation of the COVID-19 virus on campus.

The University signed and returned its first Certification and Agreement to the U.S. Department of Education for the HEERF Funds for Emergency Financial Aid Grants in Fiscal Year 2020 for an initial distribution of \$6.83 million. The University was required to use no less than 50% of the funds received (\$3.415 million), as stated under 18004(a)(1) of the CARES Act, to provide Emergency Financial Aid Grants directly to students. At June 30, 2020, approximately \$2.025 million had been disbursed to students. In July of 2020, the remaining \$1.39 million was disbursed. The University's portion of funding (\$3.415 million) was disbursed in Fiscal Year 2020 in accordance with statutory requirements as refunds for spring semester student housing and dining costs due to the immediate closure of the residence halls in response to the pandemic.

In Fiscal Year 2021, the University received a second allocation of HEERF Funds. The University was provided another \$3.415 million which was required to be provided directly to students as an Emergency Financial Aid Grant. The full amount was disbursed by June 30, 2021. An additional \$8.095 million was awarded to the University to cover expenses related to the mitigation of COVID-19 or to replace lost revenues due to the pandemic. During Fiscal Year 2021, the University expended \$2.34 million of those funds. Another \$339,807 was made available through HEERF Strengthening Institutions funds. These funds were received in Fiscal Year 2021 to offset lost revenues.

Funding of up to \$5.475 million was also made available through the State's distribution of the Coronavirus Relief Funds to help cover costs associated with reopening campus for the Fall 2020 semester and to assist in expanding remote learning capabilities. Associated costs were required to be paid and submitted to the State of Missouri by December 1, 2020. The University received \$1.64 million in Fiscal Year 2020 to help offset the costs of moving to a remote learning and working environment. The remainder of the funds (\$3.83 million) was received in Fiscal Year 2021.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The University also received \$927,399 of Governor's Emergency Education Relief Funds (GEER) to support the ability of the University to continue to provide educational services and support the ongoing functionality of the institution. Associated costs must be paid by June 15, 2021. These funds were received in September of 2020.

Additionally, Coronavirus Relief Funds (CRF) of \$380,292 was awarded to the University by Cape Girardeau County. Associated costs must be paid and submitted by December 30, 2020. The University did not utilize the full amount of award. The University received \$112,890 in fiscal year 2020 to cover costs associated with creating a quarantine space for students and various PPE items. An additional \$235,715 was received in fiscal year 2021.

The pandemic has created significant uncertainty, volatility and disruption in financial and business activities. The extent of the pandemic's impact on the University's operations and future financial condition will depend on how the University future continues to develop itself and to protect itself from future surges in the pandemic with the help of the funding previously identified and future funding provided for Fiscal Year 2022. It will also be dependent on to what extent normal economic and business activities can resume in the future.

Required Supplementary Information

SOUTHEAST MISSOURI STATE UNIVERSITY

SCHEDULES OF SELECTED PENSION INFORMATION
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2021
(In Thousands)

Schedule Of University's Proportionate Share Of The Net Pension Liability

	Measurement Date						
	As Of June 30:						
	2020	2019	2018	2017	2016	2015	2014
University's proportion of the net pension liability	2.0817%	2.1217%	2.3112%	2.4578%	2.4563%	2.4420%	2.3902%
University's proportionate share of the net pension liability	\$ 132,137,222	\$ 128,178,153	\$ 128,922,744	\$ 127,976,381	\$ 114,021,149	\$ 78,422,893	\$ 56,354,914
University's covered-employee payroll	41,594,888	41,219,232	44,921,805	48,380,403	47,570,877	47,277,247	46,027,547
University's proportionate share of net pension liability as a percentage of its covered-employee payroll	317.68%	310.97%	286.99%	264.52%	239.69%	165.88%	122.44%
Plan fiduciary net position as a percentage of the total pension liability	55.48%	56.72%	59.02%	60.41%	63.60%	72.62%	79.49%

Notes: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Information provided is based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

Schedule Of University's Contributions

	Fiscal Year End									
	As Of June 30:									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Required contribution	\$ 9,262,972	\$ 9,051,938	\$ 8,328,691	\$ 8,739,287	\$ 8,209,302	\$ 8,072,759	\$ 8,022,949	\$ 8,096,002	\$ 6,602,853	\$ 6,335,969
Contributions in relation to the required contribution	9,262,972	9,051,938	8,328,691	8,739,287	8,208,979	8,072,759	8,022,949	8,096,002	6,602,853	6,335,969
University's covered-employee payroll	40,478,328	41,594,888	41,219,232	44,921,805	48,380,403	47,570,877	47,277,247	47,679,635	45,694,484	45,354,109
Contributions as a percentage of covered-employee payroll	22.88%	21.76%	20.21%	19.45%	16.97%	16.97%	16.97%	16.98%	14.45%	13.97%

SOUTHEAST MISSOURI STATE UNIVERSITY

SCHEDULES OF SELECTED PENSION INFORMATION
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2021
(In Thousands)

Changes Of Benefit Terms Or Assumptions

Changes to assumptions in valuation reports included a change in the discount rate from 7.25% for the measurement date as of June 30, 2018 recorded by the University at June 30, 2019 to 7.10% for the measurement date as of June 30, 2019 recorded by the University at June 30, 2020 and to 6.95% for the measurement date as of June 30, 2020 recorded by the University at June 30, 2021.

Senate Bill 62 (SB62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL of \$1.6 million.

During the MOSERS plan year ended June 30, 2020, there were changes to reduce the long-term expected rate of return on investments from 7.10% to 6.95%, which increased the total pension liability. During the MOSERS plan year ended June 30, 2019, there were changes to reduce the long-term expected rate of return on investments from 7.25% to 7.10%, which increased the total pension liability. During the MOSERS plan year ended June 30, 2018, there were changes to reduce the long-term expected rate of return on investments from 7.50% to 7.25%, which increased the total pension liability. During the MOSERS plan year ended June 30, 2017, there were changes to reduce the long-term expected rate of return on investments from 7.65% to 7.50%, which increased the total pension liability.

Changes to assumptions for the year ended June 30, 2016 were related to changes in the mortality table, investment returns, and salary increases.

SOUTHEAST MISSOURI STATE UNIVERSITY

**SCHEDULES OF SELECTED POSTEMPLOYMENT
HEALTHCARE PLAN INFORMATION**

June 30, 2021

	As of June 30,			
	2021	2020	2019	2018
Service cost	\$ 265,840	\$ 258,097	\$ 271,452	\$ 263,545
Interest cost	153,675	148,277	126,667	123,611
Net benefits paid by employer	(270,172)	(236,736)	(312,318)	(264,832)
Other changes	—	(54,725)	—	—
Net change in total OPEB liability	149,343	114,913	85,801	122,324
Total OPEB liability - beginning of year	4,442,902	4,327,989	4,242,188	4,119,864
Total OPEB liability - end of year	\$ 4,592,245	\$ 4,442,902	\$ 4,327,989	\$ 4,242,188
Covered employee payroll	54,530,104	52,941,848	60,235,272	58,480,847
Total OPEB liability as a percentage of covered employee payroll	8.42%	8.39%	7.19%	7.25%

Notes: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.