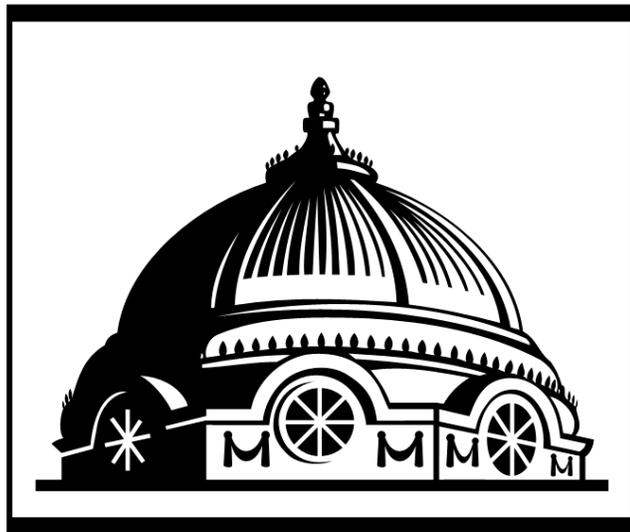

**SOUTHEAST MISSOURI STATE
UNIVERSITY SYSTEM FACILITIES**
FINANCIAL STATEMENTS
JUNE 30, 2013



Southeast
Missouri State University

TM

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Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southeast Missouri State University System Facilities, (the System Facilities) of Southeast Missouri State University (the University), a component unit of the State of Missouri, as of and for the year ended June 30, 2013, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the System Facilities as of June 30, 2013, and its changes in financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Financial Reporting Entity

As discussed in Note 1, the basic financial statements of the System Facilities are intended to present the financial position, changes in financial position, and cash flows of only that portion of Southeast Missouri State University that is attributable to the System Facilities. They do not purport to, and do not, present fairly the financial position of Southeast Missouri State University as of June 30, 2013, and its changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 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 Information

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

RubinBrown LLP

October 28, 2013

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Southeast Missouri State University System Facilities' (the System Facilities) basic financial statements provides an overview of the System Facilities' financial performance during the year ended June 30, 2013. The Management's Discussion and Analysis is designed to focus on current activities and resulting changes, and should be read in conjunction with the System Facilities' basic financial statements and footnotes.

Using This Report

This report consists of a series of basic financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. The Statement of Net Position includes the assets, liabilities, and net position of the System Facilities 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 the liabilities are recognized when others provide the service, regardless of when cash is exchanged.

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. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the basic financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Financial Analysis of The System Facilities

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

	<u>2013</u>	<u>2012</u>
Current Assets	\$ 45,117,687	\$ 47,269,913
Noncurrent Assets		
Capital assets, net of depreciation	150,041,239	126,184,969
Other	2,041,709	2,411,171
Total assets	<u>197,200,635</u>	<u>175,866,053</u>
Current Liabilities	11,983,812	6,566,081
Noncurrent Liabilities	129,619,198	113,874,304
Total liabilities	<u>141,603,010</u>	<u>120,440,385</u>
Net Position		
Net investment in capital assets	41,715,383	34,363,995
Restricted	1,410,498	10,321,384
Unrestricted	12,471,744	10,740,289
Total net position	<u>\$ 55,597,625</u>	<u>\$ 55,425,668</u>

Current assets consist primarily of cash and cash equivalents and inventories. Current assets totaled \$45.12 million at June 30, 2013, a decrease of approximately \$2.15 million from the \$47.27 million total current assets at June 30, 2012. The decrease is related to the use of repurchase agreement funds for construction of a new student housing facility and a new chiller plant. Total assets increased approximately \$21.33 million from \$175.87 million at June 30, 2012 to \$197.20 million at June 30, 2013.

Current liabilities consist primarily of accounts payable, accrued interest payable and unearned income. Current liabilities totaled \$11.99 million at June 30, 2013, an increase of approximately \$5.42 million from the \$6.57 million total current liabilities at June 30, 2012. Current liabilities also include the current portion of bonds and notes payable.

Noncurrent liabilities consist of long-term debt, which totaled \$129.62 million at June 30, 2013 and \$113.87 million at June 30, 2012.

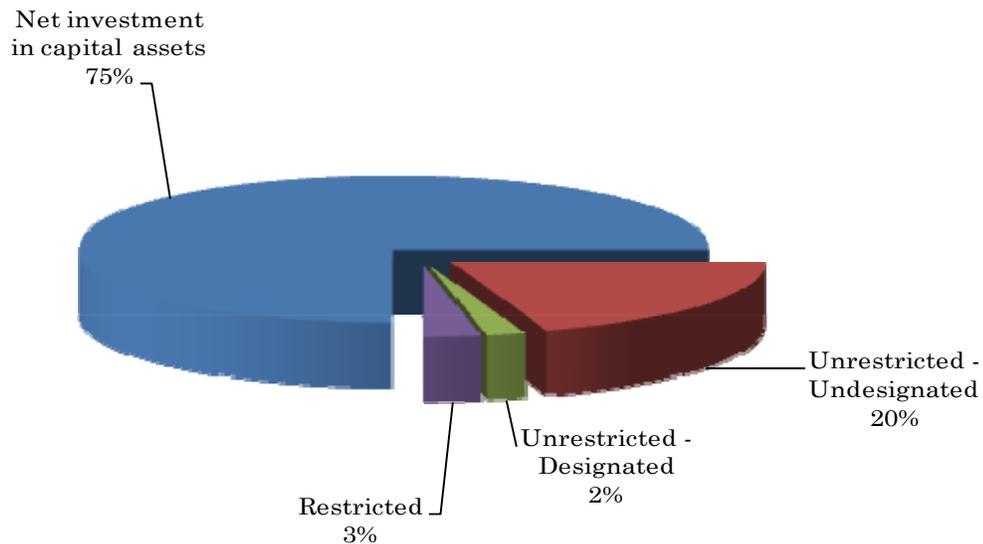
**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management’s Discussion And Analysis (*Continued*)

Net position represents the residual interest in the System Facilities’ assets after liabilities are deducted.

Net Position	2013	2012
Net investment in capital assets	\$ 41,715,383	\$ 34,363,995
Restricted - Expendable for capital projects	805,651	4,707,626
Restricted - Expendable for debt service	604,847	5,613,758
Unrestricted:		
Designated	1,366,955	1,843,064
Undesignated	11,104,789	8,897,225
Total Unrestricted	12,471,744	10,740,289
Total net position	\$ 55,597,625	\$ 55,425,668

Following is a breakdown of net position at June 30, 2013:



Net investment in capital assets represents the System Facilities’ capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets increased approximately \$7.36 million from \$34.36 million at June 30, 2012 to \$41.72 million at June 30, 2013. The increase is primarily due to the construction of new student housing.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management's Discussion And Analysis (*Continued*)

Although unrestricted net position is not subject to externally imposed stipulations, approximately \$1.36 million and \$1.84 million was internally designated for investment in inventories as of June 30, 2013 and 2012, respectively. Unrestricted-undesignated net position of the System Facilities was approximately \$11.10 million at June 30, 2013, an increase of approximately \$2.20 million from \$8.90 million at June 30, 2012.

The following schedule reflects the condensed revenues and expenses of the System Facilities for fiscal years 2013 and 2012:

**Condensed Statements Of Revenues
Expenses And Changes In Net Position
Years Ended June 30, 2013 And 2012**

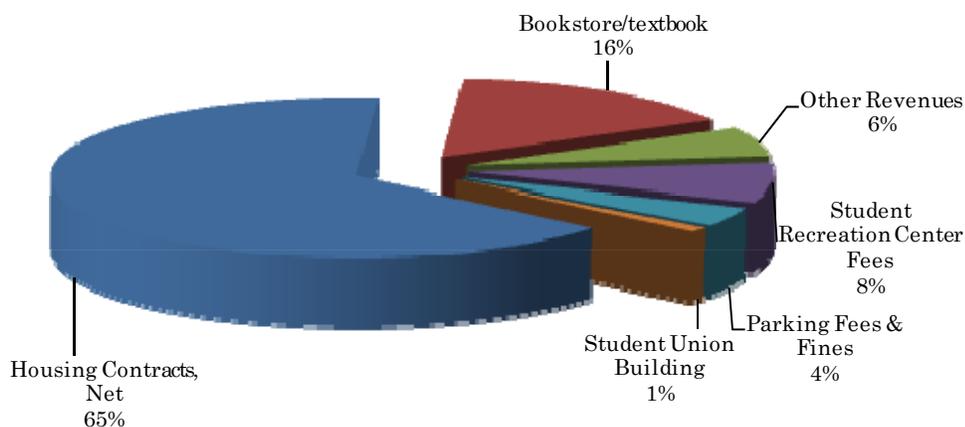
	<u>2013</u>	<u>2012</u>
Operating Revenue		
Housing contracts, net of scholarship allowance	\$ 19,739,187	\$ 19,194,005
Bookstore/textbook sales and rentals	4,833,428	4,581,137
Student recreation center fees	2,518,266	2,496,339
Parking fees and fines	1,195,352	1,221,877
Student union building fees	237,000	237,000
Other operating revenues	1,754,199	2,064,914
Total operating revenue	30,277,432	29,795,272
Operating Expenses		
Personnel service	5,126,639	5,026,998
Contract food service	6,246,251	5,931,803
Utilities and maintenance	3,228,439	3,756,589
Book purchases	3,306,173	3,076,059
Depreciation	3,031,918	3,020,641
Other operating expenses	6,375,516	2,170,237
Total operating expenses	27,314,936	22,982,327
Operating income	2,962,496	6,812,945
Nonoperating Revenue (Expenses)		
Investment income	201,630	1,007,596
Interest on capital asset related debt	(2,976,117)	(3,718,562)
Disposal of plant facilities	(16,052)	—
Net nonoperating revenue (expenses)	(2,790,539)	(2,710,966)
Increase in net position	171,957	4,101,979
Net position beginning of year	55,425,668	51,323,689
Net position end of year	\$ 55,597,625	\$ 55,425,668

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Management's Discussion And Analysis (*Continued*)

Total revenues for fiscal years 2013 and 2012 were \$30.48 million and \$30.80 million, respectively. The most significant sources of revenue for the System Facilities are housing contracts, student fees, and bookstore/textbook sales and rentals. Other operating revenue, which decreased approximately \$311,000 from \$2.06 million in fiscal year 2012 to \$1.75 million in fiscal year 2013, includes revenue from capital project reimbursements, camps, conferences and coin operating campus sales.

Following is a graphic illustration of revenue by source for fiscal year 2013:

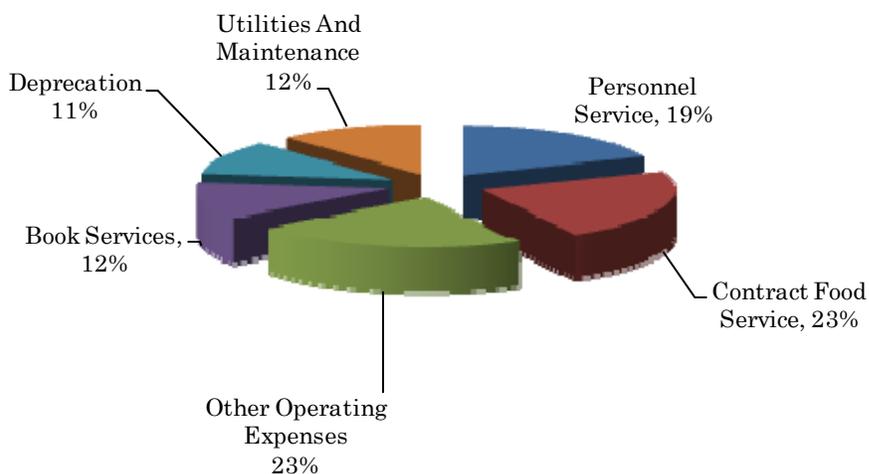


Operating expenses of the System Facilities totaled \$27.31 million for the fiscal year ended June 30, 2013 and \$22.98 million for the fiscal year ended June 30, 2012. Personal service costs and contract food service costs accounted for 42% of the total operating expenses in fiscal year 2013 and 48% of the total operating expenses in fiscal year 2012.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Management’s Discussion And Analysis (*Continued*)

Following is a graphic illustration of operating expenses by source for the period ended June 30, 2013:



Capital Assets

At June 30, 2013 and 2012, the System Facilities’ investment in capital assets totaled \$150.04 million and \$126.18 million, respectively, as follows:

	<u>2013</u>	<u>2012</u>
Buildings and improvements	\$ 142,772,503	\$ 139,674,144
Land	476,467	476,167
Infrastructure	10,987,556	8,396,540
Construction in progress	27,145,189	5,966,133
Less: Accumulated depreciation	(31,340,476)	(28,328,315)
	<u>\$ 150,041,239</u>	<u>\$ 126,184,669</u>

At June 30, 2013, the University estimated that costs to complete construction projects in progress at \$24.83 million, which includes new student housing construction in the estimated amount of \$24.79 million. These projects are being funded by bond proceeds.

At June 30, 2012, the University estimated that costs to complete construction projects in progress at \$29.77 million, which includes student housing construction and renovations of approximately \$22.62 million. These projects are being funded by bond proceeds.

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Management's Discussion And Analysis (*Continued*)

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

Bonds And Notes Payable

The System Facilities had outstanding bonds of approximately \$133.25 million and \$116.77 million at June 30, 2013 and 2012, respectively. During fiscal year 2013, bonds of \$84.61 million were issued for construction of student housing, educational and performance facilities at the University's River Campus and advanced refunding of Series 2006A and Series 2008 bond issues. The advanced refunding decreased the University's total debt service payments by \$9.71 million and resulted in an economic gain of \$ 3.19 million. During fiscal year 2012, bonds of \$28.98 million were issued for construction of new student housing and an additional chiller plant. The University made all regularly scheduled debt service payments.

The System Facilities also has a note payable to the University's contracted food service provider of \$0.46 million and \$0.49 million at June 30, 2013 and 2012, respectively.

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

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**STATEMENT OF NET POSITION
June 30, 2013**

Assets

Current Assets

Cash and cash equivalents	\$ 8,568,009
Restricted cash and cash equivalents	34,810,798
Due from Foundation	1,280
Accounts receivable	207,105
Accrued interest receivable	15,111
Inventories	1,366,955
Bond issuance costs, net	148,429
Total Current Assets	<u>45,117,687</u>

Noncurrent Assets

Bond issuance costs, net	2,041,709
Capital assets - non-depreciable	27,621,656
Capital assets, net - depreciable	122,419,583
Total Noncurrent Assets	<u>152,082,948</u>

Total Assets	<u>197,200,635</u>
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Liabilities

Current Liabilities

Accounts payable	5,650,756
Accrued interest payable	1,245,014
Accrued compensation	259,829
Unearned income	739,379
Notes payable	33,834
Bonds payable	4,055,000
Total Current Liabilities	<u>11,983,812</u>

Noncurrent Liabilities

Notes payable	427,528
Bonds payable	129,191,670
Total Noncurrent Liabilities	<u>129,619,198</u>

Total Liabilities	<u>141,603,010</u>
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Net Position

Net investment in capital assets	41,715,383
Restricted for:	
Expendable for capital projects	805,651
Expendable for debt service	604,847
Unrestricted	12,471,744
Total Net Position	<u>\$ 55,597,625</u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended June 30, 2013**

Operating Revenues	
Housing contracts (net of scholarship allowance of \$1,286,438)	\$ 19,739,187
Student recreation center fees	2,518,266
Student union building fees	237,000
Student parking fees	604,975
Other fees	1,228,432
Textbook rental	1,828,833
Bookstore/textbook sales	3,004,595
Coin operating sales	99,211
Fines/parking tickets	590,377
Rental income	164,093
Other operating revenues	262,463
Total Operating Revenues	<u>30,277,432</u>
Operating Expenses	
Personnel service	5,126,639
Contract food service	6,246,251
Utilities and maintenance	3,228,439
Book purchases	3,306,173
Coin operating expenses	97,983
Depreciation	3,031,918
Other operating expenses	6,277,533
Total Operating Expenses	<u>27,314,936</u>
Operating Income	<u>2,962,496</u>
Nonoperating Revenues (Expenses)	
Investment income	201,630
Interest on capital asset-related debt	(2,976,117)
Loss on disposal of plant facilities	(16,052)
Total Nonoperating Revenues (Expenses), Net	<u>(2,790,539)</u>
Increase In Net Position	171,957
Net Position - Beginning Of Year	<u>55,425,668</u>
Net Position - End Of Year	<u><u>\$ 55,597,625</u></u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2013**

Cash Flows From Operating Activities	
Student and housing fees	\$ 23,073,391
Other receipts	7,108,004
Payments to vendors and suppliers	(18,671,684)
Payments to employees	(5,071,225)
Net Cash Provided By Operating Activities	<u>6,438,486</u>
Cash Flows From Capital And Related Financing Activities	
Proceeds from capital debt	87,050,223
Payment of bond issuance costs	(1,310,744)
Purchases of capital assets and payments to contractors	(21,341,240)
Principal paid on capital debt	(69,011,853)
Interest paid on capital debt	(3,762,663)
Net Cash Used In Capital And Related Financing Activities	<u>(8,376,277)</u>
Cash Flows From Investing Activities	
Proceeds from sales and maturities of investments	3,704,358
Interest on investments	186,519
Net Cash Provided By Investing Activities	<u>3,890,877</u>
Net Increase In Cash And Cash Equivalents	1,953,086
Cash And Cash Equivalents - Beginning Of Year	<u>41,425,721</u>
Cash And Cash Equivalents - End Of Year	<u><u>\$ 43,378,807</u></u>
Supplemental Disclosure Of Cash Flow Information	
Noncash transactions:	
Capital asset purchases included in accounts payable	<u>\$ 5,547,783</u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**STATEMENT OF CASH FLOWS (Continued)
For The Year Ended June 30, 2013**

Reconciliation Of Operating Income To	
Net Cash Provided By Operating Activities	
Operating income	\$ 2,962,496
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	3,031,918
Changes in assets and liabilities:	
Receivables, net	(70,000)
Inventories	476,109
Accounts payable and accrued liabilities	8,586
Unearned revenue	(26,037)
Accrued compensated absences and post-employment benefits	<u>55,414</u>
Net Cash Provided By Operating Activities	<u><u>\$ 6,438,486</u></u>

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

NOTES TO FINANCIAL STATEMENTS June 30, 2013

1. **Organization**

The basic financial statements include the accounts of Southeast Missouri State University (the University) established by the terms of the bond resolution for the System Facilities Revenue Bond Series 2006A dated May 10, 2006 (which was partially defeased as of February 28, 2013), the System Facilities Revenue Bond Series 2008 dated April 22, 2008 (which was defeased as of February 28, 2013), the System Facilities Revenue Bond Series 2011 dated March 31, 2011, the System Facilities Revenue Bond Series 2011B dated December 22, 2011 and the System Facilities Revenue Bond Series 2013A and 2013B dated February 28, 2013. The basic financial statements reflect only the assets, liabilities, net position, and revenues and expenses of the System Facilities.

The System Facilities is composed of the Housing System, the Student Union facility (University Center), the Student Recreation Center, the Aquatic Center, the Outdoor Recreation Fields and the Parking and Transit System. The Housing System is composed of all residence halls and related dining facilities, including Dearmont Quadrangle, Myers Hall, Cheney Hall, Group Housing, the Towers High Rise Housing, Vandiver Hall, Merick Hall, Henderson Hall, and two new residence halls currently under construction. The University Center includes the operations of the University Bookstore and textbook rental operation. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding Series 2006A, Series 2011, Series 2011B and Series 2013A and 2013B bonds and payment of interest thereon semi-annually on April 1 and October 1.

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

Basis Of Accounting And Presentation

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

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

Summary Of Significant Accounting Policies

Cash And Cash Equivalents

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

Investments

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

Inventories

Inventories consist of textbooks available for student rental. Textbook inventories 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 fair market value at date of gift. All financially significant building and infrastructure additions and improvements are capitalized if the life of the capital asset is extended. Depreciation is computed using the straight-line method, with a full-year expense in the year after acquisition and none in the year of disposal. Capital assets are depreciated over the estimated useful lives as follows:

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

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

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Compensated Absences

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

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 System Facilities maintain them permanently.
 - Expendable* - Net position whose use by the System Facilities is subject to externally imposed stipulations that will be fulfilled by actions of the System Facilities pursuant to those stipulations or that expire by the passage of time.
- *Unrestricted*: Net 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. A portion of unrestricted net position is designated for investment in inventories.

Eliminations, Discounts And Allowances

In preparing the basic financial statements, the System Facilities eliminates inter-fund assets and liabilities that would otherwise be reflected twice in the statement of net position. Similarly, revenues and expenses related to internal service activities are also eliminated from the statement of revenues, expenses, and changes in net position. Student tuition and fee revenues are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

Operating And Nonoperating Revenues

The System Facilities' policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net 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 various auxiliary services, such as housing and various general fees. Nearly all of the System Facilities' expenses are from exchange transactions. Certain revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 34. Nonoperating revenues include revenues from activities that have the characteristics of nonexchange transactions such as investment income.

Unearned Income

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

Bond Issuance Costs

These costs are amortized over the life of the bond liability based on a method that approximates the effective interest rate method. For the year ended June 30, 2013, total charges to net position balances related to the amortization of such costs was \$57,265.

Bond Premiums

Premiums on bonds payable are amortized over the life of the bond based on a method that approximates the effective interest rate method. For the year ended June 30, 2013, amortization related to bond premiums was \$17,531.

Amortization

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

Use Of Estimates

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

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

3. Deposits

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

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

At June 30, 2013, none of the System Facilities' bank balances held by the current depository, a United States financial institution having a branch in the state of Missouri, was exposed to custodial credit risk. All of these deposits were fully collateralized as of June 30, 2013.

Foreign Currency Risk. The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. At June 30, 2013, the System Facilities had no exposure to foreign currency risk as the University had no deposits held by international banks.

Summary Of Fair Values

The fair value of deposits is as follows:

Fair Values	
Repurchase agreements and cash in bank	<u>\$ 43,378,807</u>

Included in the following statement of net position captions:

Cash and cash equivalents	\$ 8,568,009
Cash and cash equivalents - restricted	<u>34,810,798</u>
	<u>\$ 43,378,807</u>

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

Investment Income

Investment income for the year ended June 30, 2013 consisted of:

Interest and dividend income	\$ 206,623
Net decrease in fair value of investments	<u>(4,993)</u>
	<u>\$ 201,630</u>

4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance - June 30, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance - June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 476,467	\$ —	\$ —	\$ 476,467
Construction in progress	5,966,133	23,309,150	(2,130,094)	27,145,189
Total capital assets not being depreciated	<u>6,442,600</u>	<u>23,309,150</u>	<u>(2,130,094)</u>	<u>27,621,656</u>
Capital assets, being depreciated:				
Buildings and Improvements	139,674,144	3,134,168	(35,809)	142,772,503
Infrastructure	8,396,540	2,591,016	—	10,987,556
Total capital assets being depreciated	<u>148,070,684</u>	<u>5,725,184</u>	<u>(35,809)</u>	<u>153,760,059</u>
Less accumulated depreciation for:				
Buildings and Improvements	(27,416,578)	(2,864,329)	19,757	(30,261,150)
Infrastructure	(911,737)	(167,589)	—	(1,079,326)
Total accumulated depreciation	<u>(28,328,315)</u>	<u>(3,031,918)</u>	<u>19,757</u>	<u>(31,340,476)</u>
Total capital assets being depreciated, net	<u>119,742,369</u>	<u>2,693,266</u>	<u>(16,052)</u>	<u>122,419,583</u>
Capital assets, net	<u>\$ 126,184,969</u>	<u>\$ 26,002,416</u>	<u>\$ (2,146,146)</u>	<u>\$ 150,041,239</u>

The estimated cost to complete construction in progress at June 30, 2013 is \$24.83 million which includes new student housing construction and renovations to existing student housing in the estimated amount of \$24.79 million. These projects are being funded by bond proceeds.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

5. Accounts Receivable

The composition of accounts receivable at June 30, 2013 is summarized as follows:

JCI settlement	\$ 26,178
Food service commissions	104,343
Bookstore and textbook sales	<u>76,584</u>
	<u><u>\$ 207,105</u></u>

6. Accounts Payable

The composition of accounts payable at June 30, 2013 is summarized as follows:

Construction in progress	\$ 3,299,533
Retainage - capital projects	2,248,250
Residence life operations	83,860
Other auxiliary operations	<u>19,113</u>
	<u><u>\$ 5,650,756</u></u>

7. Bonds Payable

	Amount Outstanding June 30, 2012	Principal Additions	Principal Payments	Amount Outstanding June 30, 2013
System Facilities Revenues Bonds Series 2006A	\$ 8,015,000	\$ —	\$ 7,805,000	\$ 210,000
System Facilities Revenues Bonds Series 2008	51,615,000	—	51,615,000	—
System Facilities Revenues Bonds Series 2011	28,750,000	—	1,700,000	27,050,000
System Facilities Revenues Bonds Series 2011B	28,980,000	—	—	28,980,000
System Facilities Revenues Bonds Series 2013A	—	82,555,000	2,500,000	80,055,000
System Facilities Revenues Bonds Series 2013B	—	2,050,000	—	2,050,000
	<u>117,360,000</u>	<u>84,605,000</u>	<u>63,620,000</u>	<u>138,345,000</u>
Current maturities (due within one year)				(4,055,000)
Bond premium				2,445,223
Deferred amounts on refunding				<u>(7,543,553)</u>
				<u><u>\$ 129,191,670</u></u>

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Series 2013 Bonds

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 advance refunding of \$7,805,000 System Facilities Revenue bonds Series 2006A and \$51,615,000 System Facilities Revenue Bonds Series 2008. The advance 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.

Net proceeds in the amount of \$8,090,063 for the Series 2006A bonds and \$56,754,921 for the Series 2008 bonds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the bonds advance refunded. As a result, this portion of the Series 2006A bonds and the Series 2008 bonds are considered to be defeased and the liability for these bonds has been removed from the accompanying basic financial statements.

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 reduction from revenue bonds payable, 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 are 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 2.6% to 5% and mature serially through fiscal year 2043. The Series 2013B 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% to 1.9% and mature serially through 2018. Extraordinary Option Redemption at 100% for the Series 2013A and 2013B bonds may take place upon the occurrence of certain special conditions or events.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Series 2011B Bonds

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, 2017-March 31, 2018	102%
April 1, 2018-March 31, 2019	101%
April 1, 2020-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 1.2% to 4.4% and mature serially through fiscal year 2042.

Series 2011 Bonds

On March 31, 2011, the Board of Regents issued \$30,420,000 System Facilities Refunding Revenue Bonds Series 2011. The Series 2011 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2011 bonds maturing April 1, 2017 and thereafter shall be subject to redemption on or after April 1, 2016 at a redemption price of 100% of the principal amount. The Series 2011 bonds bear interest at rates varying from 1.5% to 5% and mature serially through fiscal year 2032. The Series 2011 bonds refunded the System Facilities Revenue Bond Series 2001 and 2002, which had an average interest rate of 4.92% and 5.08%, respectively. The current refunding decreased the University's total debt service payments by \$2,796,000 and results in an economic gain (difference between the present value of the old and new debt service payments) of \$1,570,380. The current refunding resulted in a difference between the reacquisition price and the net carrying value of the old debt of \$458,796. This difference reported in the accompanying basic financial statements, as a reduction from revenue bonds payable, is being charged to operating through 2032 using the bonds outstanding method.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Series 2008 Bonds

On April 22, 2008, the Board of Regents approved the issuance of \$56,650,000 of System Facilities Revenue Bond Series 2008 for the acquiring, constructing, expanding, renovating, improving, furnishing and equipping a student housing facility and related improvements, providing funds to refund the \$8,655,000 original principal amount of System Facilities Revenue Bonds Series 1998A and \$10,605,000 original principal amount of System Facilities Revenue Bonds Series 1998B and funding capitalized interest on the Series 2008 Bonds. The Series 2008 bonds paid interest semiannually on April 1 and October 1. At the option of the University, the Series 2008 bonds maturing April 1, 2016 and thereafter shall be subject to redemption on or after April 2015 at a redemption price of 100% of the principal amount. During fiscal year 2013, the Series 2008 bonds were advance refunded with the proceeds of the Series 2013A and 2013B bonds. These defeased bonds will be redeemed on April 1, 2015.

Series 2006A Bonds

On April 24, 2006, the Board of Regents issued \$8,915,000 of System Facilities Revenue Bond Series 2006A for the construction and furnishing of an Aquatic Center, swimming pool and related improvements. The Series 2006A shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2006A bonds maturing April 1, 2015 and thereafter shall be subject to redemption on or after April 1, 2014 at a redemption price of 100% of the principal amount. The Series 2006A bonds bear interest at rates varying from 4% to 4.6% and mature serially through fiscal year 2036. During fiscal year 2013, \$7,805,000 of the Series 2006A bonds were advanced refunded with the proceeds of the Series 2013A and 2013B bonds. These defeased bonds will be redeemed along with the remaining \$210,000 of outstanding bonds on April 1, 2014.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

Interest expense was \$2,958,748 for 2013, net of capitalized interest of \$924,555. Scheduled fiscal year maturities of System Facilities bonds payable and related interest expense are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 4,055,000	\$ 4,980,055
2015	4,705,000	4,872,970
2016	4,820,000	4,747,458
2017	4,990,000	4,592,050
2018	5,160,000	4,423,225
2019-2023	26,395,000	19,015,928
2024-2028	27,110,000	14,581,568
2029-2033	26,665,000	9,482,183
2034-2038	22,150,000	5,048,423
2039-2043	12,295,000	1,399,033
	<u>\$ 138,345,000</u>	<u>\$ 73,142,893</u>

The Series 2006A, Series 2011, Series 2011B, Series 2013A, and 2013B Bonds are collateralized by the net income and revenues derived from the operation and/or ownership of the System Facilities. Under the provisions of the bond resolutions, the University covenants to operate and maintain the System Facilities and to establish and collect rates, fees and charges for the use and services furnished by or through the System Facilities to fund operations, pay principal and interest and establish the required reserves.

The bond resolution for the Series 2006A, Series 2011, Series 2011B, Series 2013A, and Series 2013B Bonds requires that all System Facilities revenues will be deposited as received into the System Facilities. Amounts are then to be transferred to and expended as follows:

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

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

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

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

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

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

8. Notes Payable

Notes payable at June 30, 2013 are summarized as follows:

	Balance - June 30, 2012	Principal Additions	Principal Payments	Balance - June 30, 2013
Chartwell's-Olive's and Skylight Terrace Expansion	\$ 493,992	\$ —	\$ (32,630)	\$ 461,362
Less: Current maturities (due within one year)				<u>33,834</u>
				<u><u>\$ 427,528</u></u>

On July 1, 2009, the University entered into an agreement with Chartwells, the University's contracted food service provider, for the construction of dining facilities in the new residence hall and expansion of the University Center to provide additional dining space. The University will make monthly principal payments totaling \$577,870 through fiscal year 2025.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

Interest expense was \$17,369 for 2013. Scheduled fiscal year maturities on notes payable and related interest are as follows:

Year	Principal	Interest
2014	\$ 33,834	\$ 16,166
2015	35,081	14,919
2016	36,374	13,626
2017	37,715	12,285
2018	39,105	10,895
2019-2023	218,237	31,763
2024-2026	61,016	1,485
	<u>\$ 461,362</u>	<u>\$ 101,139</u>

9. Retirement Plan

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

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

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

SOUTHEAST MISSOURI STATE UNIVERSITY SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

MOSERS provides retirement, death and disability benefits to its members. Benefits for general State employees who were hired before January 1, 2011 are fully vested after five years of credited service. Such employees may retire at or after age 55 and receive a reduced benefit. They may also retire with full benefits when the sum of the employee's years of service plus the employee's age equals 80 or more. New employees hired January 1, 2011, or after are fully vested after ten years of credited service and may retire at or after age 62 and receive a reduced benefit under the plan. They may also retire and will receive full benefits when the sum of the employee's years of service plus the employee's age equals 90 or more.

State statutes require the State of Missouri to fund all contributions to MOSERS. These actuarially determined contributions are computed as a level percentage of covered payroll. The percentage for fiscal years 2013 and 2012 was set at 14.45% and 13.97%, respectively. Beginning in January 2011, newly hired MOSERS eligible employees contribute 4% of gross earnings each payroll. Contributions to MOSERS for the System Facilities were \$404,925, \$376,627 and \$366,227 and for the fiscal years ended June 30, 2013, 2012 and 2011, respectively, which were equal to the required contributions each year. The MOSERS funded status ratio was 73.2% and 79.2% as of June 30, 2012 and 2011, respectively.

10. Postemployment Healthcare

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. Retirees 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 pays for their portion of the medical insurance premiums on a pay-as-you-go basis. No trust fund has been created for the payment of the University's portion of the medical insurance premiums; therefore, as of June 30, 2013 the University's obligations are unfunded.

SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES

Notes To Financial Statements (*Continued*)

For more information, see the separately issued financial statements of Southeast Missouri State University as of June 30, 2013.

11. Contingencies And Risk Management

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

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

System Facilities employees are covered under Worker's Compensation by the State of Missouri. Claims are submitted to the State and paid by the State in behalf of the University. Total claims paid for the University employees for fiscal year 2012-2013 were approximately \$246,922.

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

The System Facilities is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; 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.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

Notes To Financial Statements (*Continued*)

12. Net Position

During fiscal year 2013, the System Facilities adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Restricted - In accordance with GASB Statement No. 34, net position is restricted when constraints placed are either externally imposed, or are imposed by law or legislation. Restricted net position - expendable for capital projects and debt service were \$805,651 and \$604,847 at June 30, 2013, respectively.

Unrestricted - Unrestricted net position, as defined in GASB Statement No. 34, are not subject to externally imposed stipulations; however, they are subject to internal designations. For example, unrestricted net 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. A portion of unrestricted net position is internally designated for investment in inventories. Designated unrestricted net position was \$1,366,955 at June 30, 2013. Undesignated unrestricted net position was \$11,104,789 at June 30, 2013.

Supplementary Information

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**SCHEDULE OF INSURANCE COVERAGE
June 30, 2013**

Coverage And Insurer	Policy Expiration Date	Amount Of Coverage
Fire and extended coverage (building, contents and loss of income) Marsh USA	6/30/2014	\$ 945,899,996

Subsequent to June 30, 2013, the University contracted with Marsh USA to provide insurance through June 30, 2014 with \$945,899,996 in coverage provided. The University also has statutory liability protection through the State of Missouri's Legal Expense Fund.

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

SCHEDULE OF ENROLLMENT AND FEES

June 30, 2013

	Fall Semester 2012	Spring Semester 2013	Summer Semester 2013
Enrollment - Full-Time Equivalent (FTE) Students on campus and off campus	9,320	8,682	2,071
Student Union Fee (per FTE student)	\$ 15.00	\$ 15.00	\$ 7.50
Student Recreation Center Fee			
Per credit hour	\$ 5.25	\$ 5.25	\$ 5.25
Per FTE student*	\$ 78.75	\$ 78.75	\$ 31.50
Aquatic Center Fee			
Per credit hour	\$ 4.55	\$ 4.55	\$ 4.55
Per FTE student*	\$ 68.25	\$ 68.25	\$ 27.30

* Average fee based on 15 credit hours of enrollment during the Fall and Spring semesters and 6 credit hours during the summer session.

Room And Board Rates (Annual):**

Fall Semester 2012/Spring Semester 2013

Vandiver Hall	\$ 7,760 - \$ 8,540
Towers Complex - West/North	\$ 7,760 - \$ 8,540
Towers Complex - East/South	\$ 6,010 - \$ 6,790
Group Housing	\$ 6,870 - \$ 7,640
Myers Hall	\$ 7,660 - \$ 8,440
Cheney Hall	\$ 6,160 - \$ 6,940
Dearmont Quadrangle	\$ 5,710 - \$ 6,490
Merick Hall	\$ 7,760 - \$ 8,540
Henderson Hall	\$ 7,760 - \$ 8,540

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

Additional Charges Associated With Residential Living (Annual):

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

**SOUTHEAST MISSOURI STATE UNIVERSITY
SYSTEM FACILITIES**

**SCHEDULE OF HOUSING OCCUPANCY
June 30, 2013**

Housing System Facility	(1) Housing Capacity	(2) Average Occupancy (#)	(3) Simple Average Occupancy (%)	(4) Effective Average Occupancy (%)
Towers Complex	1,304	1,217	93.3%	94.2%
Group Housing	333	324	97.3%	97.6%
Myers Hall	195	170	87.2%	89.2%
Cheney Hall	125	113	90.4%	92.0%
Dearmont Quadrangle	391	344	88.0%	88.5%
Vandiver Hall	289	271	93.8%	94.1%
Henderson Hall	75	59	78.7%	82.7%
Merick Hall	289	267	92.4%	93.8%
	3,001	2,765	92.1%	93.1%

- (1) The average number of available beds.
- (2) The average number of occupied beds.
- (3) Column (2) divided by column (1)
- (4) Column (3) adjusted for private-room contracts purchased, i.e., double-occupancy rooms converted to single-occupancy.