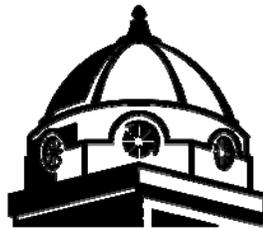

**SOUTHEAST MISSOURI
STATE UNIVERSITY**
FINANCIAL STATEMENTS
JUNE 30, 2015



**SOUTHEAST MISSOURI
STATE UNIVERSITY · 1873**

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Independent Auditors' Report

Board of Regents
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 year ended June 30, 2015, 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 opinions 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 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 opinion.

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 2 to the financial statements, in 2015 the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subject to the Measurement Date*. Our opinion is not modified with respect to this matter.

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 13, the Schedule of Selected Pension Information on page 58 and the Schedule of Funding Progress for Postemployment Healthcare Plan on page 59 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 Auditors

We did not audit the financial statements of Southeast Missouri University Foundation, a discretely presented component unit of the University. Those financial statements were audited by other auditors whose report dated November 11, 2015 thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southeast Missouri University Foundation, is based on the report of the other auditors.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015 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 20, 2015

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 year ended June 30, 2015. 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) are 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:

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 27,505,379	\$ 23,675,914
Noncurrent Assets		
Capital assets, net of depreciation	437,789,365	439,557,584
Other	<u>72,033,277</u>	<u>79,633,328</u>
Total Assets	<u>537,328,021</u>	<u>542,866,826</u>
Deferred Outflows of Resources	<u>14,607,419</u>	<u>6,941,385</u>
Current Liabilities	29,565,608	31,332,687
Noncurrent Liabilities	<u>240,492,784</u>	<u>190,743,887</u>
Total Liabilities	<u>270,058,392</u>	<u>222,076,574</u>
Deferred Inflows of Resources	<u>16,431,701</u>	<u>—</u>
Net Position		
Net investment in capital assets	254,367,037	256,071,721
Restricted	7,759,728	6,611,911
Unrestricted	<u>3,318,582</u>	<u>65,048,005</u>
Total Net Position	<u>\$ 265,445,347</u>	<u>\$ 327,731,637</u>

Current assets consist primarily of unrestricted and restricted cash and cash equivalents, unrestricted short-term investments, accounts receivable, accrued interest receivable and inventory. Current assets totaled \$27.51 million at June 30, 2015 and \$23.68 million at June 30, 2014. The increase in current assets of approximately \$3.83 million from June 30, 2014, is the net effect of a decrease in cash and cash equivalents, an increase in short-term investments. The decrease in cash and cash equivalents is the result of the spenddown of the Series 2010, Series 2011B, Series 2013A and 2013B bond proceeds. The projects were completed at the end of fiscal year 2015. The increase in short-term investments reflects an investment strategy of investing in shorter term investments since interest rates are low and are projected to increase.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

The majority of noncurrent assets are capital assets which are recorded net of accumulated depreciation. Please refer to Note 2 to the basic financial statements for more information regarding the University's policy for depreciating capital assets. In addition to capital assets, long-term investments comprised \$64.38 million of noncurrent assets at June 30, 2015. Long-term investments comprised \$72.06 million of noncurrent assets at June 30, 2014.

Implementation of GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*, requires reporting of deferred inflows and outflows of resources. During fiscal year 2014, deferred outflows of \$6.94 million resulted with the Series 2013 System Revenue Refunding and Improvement bonds issue. Series 2006A System Facilities Revenue bonds and Series 2008 System Facilities Refunding and Improvement Bonds were advanced refunded and defeased with final payments due April 1, 2014 and April 1, 2015 respectively.

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 restated by \$7.8 million at June 30, 2014 and deferred outflows decreased slightly for deferred amounts related to pension plan and pension plan contributions at June 30, 2015. Deferred inflows at June 30, 2015 increased \$16.4 million due to deferred amounts related to pension plan.

Current liabilities consist primarily of accounts payable, accrued compensation and unearned income. Current liabilities also include the current portion of bonds and notes payable. Current liabilities totaled \$29.57 million at June 30, 2015 and \$31.33 million at June 30, 2014. The decrease in current liabilities was approximately \$1.76 million from June 30, 2014.

Noncurrent liabilities which totaled \$240.49 million at June 30, 2015 and \$190.74 million at June 30, 2014, primarily consist of long term debt. Noncurrent liabilities increased \$49.75 million primarily due to implementation of GASB Statements No. 68 and 71 requiring the University to report \$56.36 million of pension liability for its portion of the MOSERS cost-sharing, multiple - employer pension plan for fiscal year June 30, 2015.

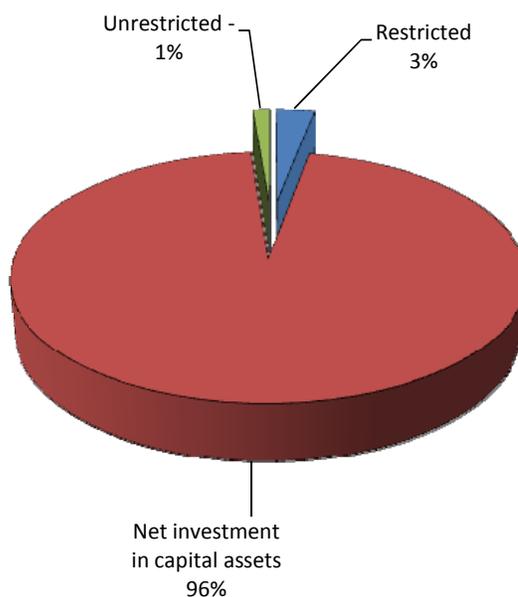
Net position represents the residual interest in the University's assets after liabilities are deducted.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (Continued)

	June 30,	
	2015	2014
Net Position:		
Net investment in capital assets	\$ 254,367,037	\$ 256,071,721
Restricted:		
Nonexpendable	2,171,076	2,181,251
Expendable	5,588,652	4,430,660
Total Restricted	<u>262,126,765</u>	<u>262,683,632</u>
Unrestricted:		
Designated	46,512,869	46,249,910
Undesignated	<u>(43,194,287)</u>	<u>18,798,095</u>
Total Unrestricted	<u>3,318,582</u>	<u>65,048,005</u>
Total Net Position	<u>\$ 265,445,347</u>	<u>\$ 327,731,637</u>

Following is a breakdown of net position at June 30, 2015:



Net position invested in capital assets represents 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 \$1.70 million from \$256.07 million at June 30, 2014 to \$254.37 million at June 30, 2015. Construction in progress decreased \$20 million as the student housing project that was financed by the 2013 bond issue was substantially completed by June 30, 2015.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Restricted net position includes the University's permanent endowment, managed by the Southeast Missouri University Foundation, which totaled \$2.2 million at June 30, 2015 and 2014, respectively. Although unrestricted net position is not subject to externally imposed stipulations, all of unrestricted net position has been internally designated as of June 30, 2014.

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

	<u>2015</u>	<u>2014</u>
Unrestricted-Designated Net Position		
Investment in inventories	\$ 2,680,670	\$ 2,822,001
Future operations (including capital projects)	41,785,205	41,391,401
Quasi-endowment	<u>2,046,994</u>	<u>2,036,508</u>
Total	<u>\$ 46,512,869</u>	<u>\$ 46,249,910</u>

The total unrestricted-undesignated net position of the University of \$(43.19) million at June 30, 2015 includes balances accumulated from the operations of the auxiliary enterprises, such as the residence hall system and textbook rental, which totaled \$9.01 million, from loan programs which totaled \$0.64 million, and from general operations which totaled \$(52.84) million. The total unrestricted-undesignated net position of the University of \$18.80 million at June 30, 2014 included balances accumulated from the operations of the auxiliary enterprises such as the residence hall system and bookstore, which totaled \$7.30 million, from loan programs which totaled \$0.65 million and from general operations which totaled \$10.85 million. The negative unrestricted net position for the year ended June 30, 2015 results from the implementation of GASB Statements No. 68 and 71 and the recording of a \$56.36 million pension liability and related deferred inflows and outflows as discussed previously.

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 2015 and 2014:

Condensed Statements of Revenues, Expenses and Changes in Net Position

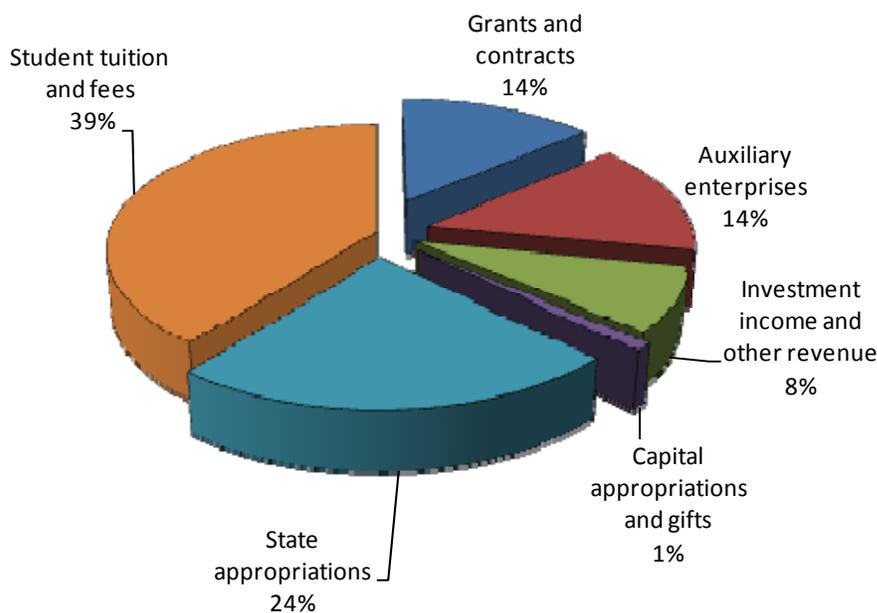
	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Student tuition and fees, net of scholarship allowance	\$ 75,914,590	\$ 72,368,487
Grants and contracts	11,542,521	11,354,965
Auxiliary services	27,669,607	26,664,249
Other operating revenues	7,958,055	8,353,038
Total Operating Revenues	<u>123,084,773</u>	<u>118,740,739</u>
Operating Expenses:		
Personal service	89,655,264	87,151,954
Utilities and supplies	49,218,867	46,235,420
Scholarships	23,757,666	23,349,724
Depreciation	12,862,981	11,293,201
Other Post-employment benefits (OPEB) expense	147,918	222,479
Total Operating Expenses	<u>175,642,696</u>	<u>168,252,778</u>
Operating loss	<u>(52,557,923)</u>	<u>(49,512,039)</u>
Nonoperating revenues (expenses)		
State Appropriations	45,527,581	42,470,338
Federal Grants - restricted	15,036,865	15,116,873
Investment income	2,524,794	2,857,179
Gifts	5,142,470	3,097,161
Nonoperating expenses	(12,778,927)	(9,491,718)
Net Nonoperating Revenues	<u>55,452,783</u>	<u>54,049,833</u>
Other revenues	<u>2,088,175</u>	<u>1,904,473</u>
Increase in net position	4,983,035	6,442,267
Net position beginning of year:		
As previously reported	327,731,637	321,289,370
Adjustment due to the adoption of GASB Statement No. 68	(67,269,325)	—
As restated	<u>260,462,312</u>	<u>321,289,370</u>
Net position end of year	<u>\$ 265,445,347</u>	<u>\$ 327,731,637</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Total revenues for fiscal year 2015 were \$193.40 million, which consisted of operating revenues of \$123.08 million, non-operating revenues of \$68.23 million and other revenues of \$2.09 million. Total revenues for fiscal year 2014 were \$184.19 million, which consisted of operating revenues of \$118.74 million, non-operating revenues of \$63.54 million and other revenues of \$1.91 million. The most significant sources of revenue for the University are student tuition and fees, state appropriations, grants and contracts, and auxiliary services.

Following is a graphic illustration of total revenue by source for the year ended June 30, 2015:



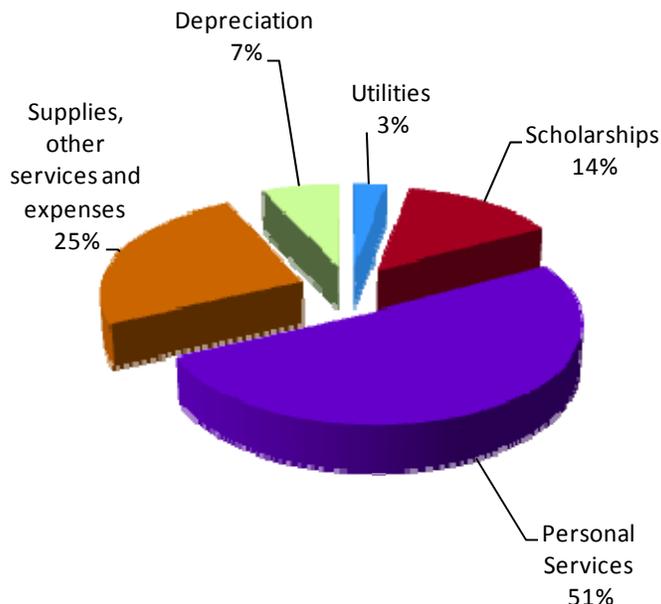
Student tuition and fees surpassed state appropriations as the largest source of revenue for the University in fiscal year 2007. State appropriations have been declining as a percent of total revenue from 37% in fiscal year 2002 to 24% in fiscal year 2015. The University received a 6.8% increase in State appropriations for fiscal year 2015. The University state appropriation for fiscal year 2016, net of the 3% governor's reserve withholding, is \$45.89 million. The fiscal year 2016 state appropriation increased by \$.65 million, net of the 3% governor's reserve from the fiscal year 2015 level.

Operating expenses of the University totaled \$175.64 million for the fiscal year ended June 30, 2015. Personal service costs, including the costs related to faculty, staff and student labor, accounted for 51% of the total operating expenses at June 30, 2015. Operating expenses of the University totaled \$168.25 million for the fiscal year ended June 30, 2014. Personal service costs, including the costs related to faculty, staff and student labor, accounted for 52% of the total operating expenses at June 30, 2014.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis *(Continued)*

Following is a graphic illustration of operating expenses by source for the year ended June 30, 2015:



Bonds and Notes Payable

The University had outstanding bonds of approximately \$184.54 million and \$191.61 million at June 30, 2015 and 2014, respectively. No new debt was issued in fiscal year 2015 or 2014. The University made all regularly scheduled debt service payments. Please refer to the bonds payable footnote (Note 9) in the notes to the basic financial statements for additional disclosures.

At June 30, 2015, the University had outstanding notes payable of approximately \$392 thousand, a decrease of approximately \$35 thousand from June 30, 2014. No new notes were issued in fiscal year 2015 or 2014. Please refer to the notes payable footnotes (Note 10) in the notes to the basic financial statements for additional disclosures.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Capital Assets

At June 30, 2015 and 2014, the University's investment in capital assets was as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 4,217,138	\$ 4,217,138
Buildings and improvements	468,237,811	442,577,402
Leasehold improvements	636,978	618,321
Infrastructure	37,785,039	37,105,507
Equipment	45,050,867	43,642,953
Library books	25,589,345	25,210,673
Construction in progress	4,070,753	24,383,016
	<u>585,587,931</u>	<u>577,755,010</u>
Less: Accumulated depreciation	147,798,566	138,197,426
	<u>\$ 437,789,365</u>	<u>\$ 439,557,584</u>

At June 30, 2015, 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 \$14.70 million at June 30, 2015 and are to be funded from bond proceeds, state appropriations, federal grants, or other University and local funds. These projects included approximately \$1.82 million for the Dobbins River Campus Center and new Greek student housing, \$6.57 million for Show-Me Center Upgrades, \$4.00 million for academic renovations to the Grauel Building, and \$2.31 million for Athletic Facilities upgrades and classroom renovations.

At June 30, 2014, 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 \$11.34 million at June 30, 2014 and are to be funded from bond proceeds, state appropriations, federal grants, or other University and local funds. These projects included approximately \$4.88 million for the Dobbins River Campus Center, \$2.49 million for Memorial Hall renovations, \$1.45 million for Boiler Plant Exterior Improvements and \$2.52 million for Athletic Facilities upgrades and deferred maintenance projects.

Economic Outlook

The Board of Regents approved a \$111.4 million operating budget net of designated revenue for fiscal year 2016. This was based on a 1.43% increase in state appropriations approved by the legislature in House Bill 3 and a 0.8% increase in in-state, undergraduate fees. This funding level allowed the University to provide a 1.5% base merit salary increase to all employee groups for fiscal year 2016.

SOUTHEAST MISSOURI STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

In September 2015, Governor Jay Nixon announced that his Fiscal Year 2017 budget will include an additional \$55.7 million, a 6 percent increase, in performance funding for higher education, which will bring total state funding for higher education to a record \$985 million next year. At the same time, leaders of the state's public 2- and 4-year institutions announced an agreement to freeze tuition for Missouri undergraduates for the 2016-2017 school year. This is the fourth tuition freeze Governor Nixon has announced since taking office in 2009. As a result, according to the most recent data available from the College Board, tuition and required fees at Missouri's public universities increased by just 7 percent between 2008-09 and 2014-15, the smallest increase in the nation. By comparison, the average increase nationally over the same period was 29 percent.

Sustained enrollments are very instrumental to the success of the University's budget process. Fall 2015 opening day enrollment was 11,411, slightly lower than a historic high of 11,580 in fall 2014. First day enrollment figures indicated fewer adult learners enrolled, a trend that typically follows a lower unemployment rate. Graduate student enrollment grew from 1,139 in fall 2014 to 1,329 in fall 2015. This increase is due, in part, to the University's development of new graduate programs and investment in additional faculty positions in areas such as healthcare administration, technology management and applied behavior analysis.

Southeast Missouri University Foundation's "Honoring Tradition, Inspiring Success" comprehensive campaign ended on June 30, 2015. The campaign surpassed its \$40 million goal reaching a record level \$49.2 million in gifts and pledges, which was 23% above the goals. The faculty/staff campaign was the last portion of the campaign, and resulted in over \$350,000 in total gifts and pledges from more than 260 current employees and almost 60 retirees. The campaign was primarily focused on scholarships, and more than 200 new endowed scholarships were established during the campaign.

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF NET POSITION

Page 1 Of 2

June 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 8,274,611
Restricted cash and cash equivalents	3,233,564
Short-term investments	6,264,648
Accrued interest receivable	91,934
Due from component unit - Foundation	655,755
Accounts receivable (net of allowance of \$742,135)	4,588,378
Notes receivable	512,204
Due from federal government	836,887
Inventory	2,683,376
Prepaid expenses	364,022
Total Current Assets	<u>27,505,379</u>

Noncurrent Assets

Investments	64,378,320
Due from component unit - Foundation	4,219,772
Notes receivable (net of allowance of \$1,015,923)	3,435,185
Capital assets, net - non-depreciable	13,630,723
Capital assets, net - depreciable	424,158,642
Total Noncurrent Assets	<u>509,822,642</u>

Total Assets

537,328,021

Deferred Outflows Of Resources

Deferred amounts on refunding of bonds payable	6,358,003
Deferred amounts related to pension plan	219,591
Deferred amounts related to pension contributions	8,029,825
Total Deferred Outflows Of Resources	<u>14,607,419</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF NET POSITION

Page 2 Of 2

June 30, 2015

Liabilities

Current Liabilities

Accounts payable	\$ 8,757,325
Accrued compensation	7,992,016
Bond interest payable	2,033,085
Funds held for others	253,321
Unearned income	4,355,625
Current portion of bonds payable	6,125,000
Current portion of notes payable	36,374
Current portion of capital lease	12,862
Total Current Liabilities	<u>29,565,608</u>

Noncurrent Liabilities

Net pension liability	56,354,914
Bonds payable	178,410,267
Notes payable	356,073
Net other postretirement employee benefit obligation	1,711,555
Due to federal government	3,659,975
Total Noncurrent Liabilities	<u>240,492,784</u>

Total Liabilities	<u>270,058,392</u>
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Deferred Inflows Of Resources

Deferred amounts related to pension plan	<u>16,431,701</u>
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Net Position

Net investment in capital assets	254,367,037
Restricted for:	
Nonexpendable -	
Scholarships	2,171,076
Expendable -	
Capital projects	2,520,694
Debt service	1,757,548
Other	1,310,410
Unrestricted	<u>3,318,582</u>
Total Net Position	<u>\$ 265,445,347</u>

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2015

Assets

Current Assets

Cash and cash equivalents	\$ 141,468
Short-term investments	17,959,228
Receivables:	
Pledges receivable (net of allowance of \$3,995)	195,794
Notes receivable	486,800
Federal grants receivable	500,000
Accrued interest receivable	99,139
Total Current Assets	<u>19,382,429</u>

Noncurrent Assets

Investments:	
Endowment investments	62,769,068
Cash surrender value of life insurance	523,501
Long term notes receivable, net of imputed interest	4,048,133
Property held for resale and development	1,353,498
Property and equipment, net of accumulated depreciation	11,414,025
Total Noncurrent Assets	<u>80,108,225</u>

Total Assets

\$ 99,490,654

Liabilities

Current Liabilities

Accounts payable and accrued expenses	\$ 221,081
Due to primary institution - University	655,755
Note payable to bank	195,692
Funds held for others	58,890
Annuity obligations	197,083
Total Current Liabilities	<u>1,328,501</u>

Noncurrent Liabilities

Deferred revenue	97,060
Note payable to bank	1,550,924
Annuity obligations	1,585,960
Due to primary institution - University	4,219,772
Total Noncurrent Liabilities	<u>7,453,716</u>

Total Liabilities

8,782,217

Net Assets

Unrestricted	19,003,326
Temporarily restricted	20,622,793
Permanently restricted	51,082,318

Total Net Assets

90,708,437

Total Liabilities And Net Assets

\$ 99,490,654

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For The Year Ended June 30, 2015

Operating Revenues	
Student tuition and fees (net of scholarship allowance of \$5,192,293)	\$ 75,914,590
Federal grants - restricted	3,481,088
State grants and contracts - restricted	7,061,613
Nongovernmental grants and contracts - restricted	999,820
Sales and services of educational departments	2,972,487
Auxiliary enterprises:	
Residence life (net of scholarship allowance of \$6,102,032; revenues are used as security for revenue bonds Series 2011, 2011B and 2013)	21,703,680
Other auxiliary (net of scholarship allowance of \$364,190; revenues are used as security for revenue bonds Series 2011, 2011B and 2013)	5,965,927
Other operating revenues	4,985,568
Total Operating Revenues	<u>123,084,773</u>
Operating Expenses	
Personnel services	89,655,264
Scholarships	23,757,666
Utilities	5,333,934
Supplies and other services	43,884,933
Depreciation and amortization	12,862,981
Other post-employment benefit (OPEB) expense	147,918
Total Operating Expenses	<u>175,642,696</u>
Operating Loss	<u>(52,557,923)</u>
Nonoperating Revenues (Expenses)	
State appropriations	45,527,581
Federal grants - restricted	15,036,865
Investment income	2,524,794
Contributions and gifts	5,142,470
Interest on capital asset-related debt	(8,766,223)
Loss on disposal of plant facilities	(4,012,704)
Net Nonoperating Revenues (Expenses)	<u>55,452,783</u>
Income Before Other Revenues, Expenses And Gains	<u>2,894,860</u>
Capital appropriations	2,000,000
Capital grants and gifts	88,175
Total Other Revenues, Expenses And Gains	<u>2,088,175</u>
Change In Net Position	<u>4,983,035</u>
Net Position - Beginning Of Year (As Originally Stated)	327,731,637
Adjustment due to the Adoption of GASB Statement No. 68	<u>(67,269,325)</u>
Net Position - Beginning Of Year (As Restated)	<u>260,462,312</u>
Net Position - End Of Year	<u><u>\$ 265,445,347</u></u>

SOUTHEAST MISSOURI UNIVERSITY FOUNDATION

STATEMENT OF ACTIVITIES

June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Support and Revenue				
Contributions, net of discount	\$ 184,491	\$ 2,551,383	\$ 5,920,264	\$ 8,656,138
Federal and state grants	500,000	—	—	500,000
Investment return	67,768	563,462	(11,139)	620,091
Rental income	749,683	—	—	749,683
Special events, net of expense	81,653	—	—	81,653
Motor vehicle license fees	129,497	—	—	129,497
Other revenues and transfers	531,377	(125,242)	716,666	1,122,801
Net assets released from restrictions	4,295,742	(4,295,742)	—	—
Total Support And Revenue	6,540,211	(1,306,139)	6,625,791	11,859,863
Expenses And Losses				
Donations to primary institution - University	5,258,300	—	—	5,258,300
General and administrative	1,618,020	—	—	1,618,020
Adjustment of actuarial obligations	253,465	—	—	253,465
Depreciation	209,434	—	—	209,434
Interest	76,694	—	—	76,694
Total Expenses And Losses	7,415,913	—	—	7,415,913
Change In Net Assets	(875,702)	(1,306,139)	6,625,791	4,443,950
Net Assets - Beginning Of Year	19,879,028	21,928,932	44,456,527	86,264,487
Net Assets - End Of Year	\$ 19,003,326	\$ 20,622,793	\$ 51,082,318	\$ 90,708,437

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF CASH FLOWS

Page 1 Of 2

For The Year Ended June 30, 2015

Cash Flows From Operating Activities	
Tuition and fees	\$ 75,691,819
Grants and contracts	11,809,490
Auxiliary enterprises	27,675,949
Other receipts	8,261,312
Payments to vendors and suppliers	(75,304,330)
Payments to employees	(91,731,104)
Net Cash Used In Operating Activities	<u>(43,596,864)</u>
Cash Flows From Noncapital Financing Activities	
State appropriations	45,239,473
Nonoperating federal grants	15,036,865
Gifts received for other than capital purposes	5,022,200
Net Cash Provided By Noncapital Financing Activities	<u>65,298,538</u>
Cash Flows From Capital And Related Financing Activities	
Capital appropriations	2,000,000
Capital gifts received	88,175
Purchases of capital assets and payments to contractors	(14,361,397)
Principal paid on capital debt and notes	(7,052,943)
Interest paid on capital debt and notes	(8,298,803)
Net Cash Used In Capital And Related Financing Activities	<u>(27,624,968)</u>
Cash Flows From Investing Activities	
Proceeds from sales and maturities of investments	85,386,855
Interest on investments	2,424,965
Purchase of investments	(82,511,760)
Net Cash Provided By Investing Activities	<u>5,300,060</u>
Net Decrease In Cash And Cash Equivalents	(623,234)
Cash And Cash Equivalents - Beginning Of Year	<u>12,131,409</u>
Cash And Cash Equivalents - End Of Year	<u>\$ 11,508,175</u>
Supplemental Disclosure Of Cash Flow Information	
Noncash transactions:	
Capital asset purchases included in accounts payable	\$ 5,794,498
Unrealized gain on investments	<u>92,256</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

STATEMENT OF CASH FLOWS

Page 2 Of 2

For The Year Ended June 30, 2015

Reconciliation Of Operating Loss To Net Cash

Used In Operating Activities:

Operating loss	\$ (52,557,923)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	12,862,981
Other post-employment benefit (OPEB) expense	147,918
Workers compensation and unemployment expenses paid by state	288,108
Gifts in kind from Southeast Missouri University Foundation	120,270
Changes in deferred outflows related to pension plan	(219,591)
Changes in deferred outflows related to pension contributions	(229,057)
Changes in deferred inflows related to pension plan	16,431,701
Changes in assets and liabilities:	
Receivables, net	285,297
Inventories	138,626
Prepaid expenses	(51,837)
Accounts payable	(2,414,586)
Unearned revenues	(102,139)
Accrued compensation	368,178
Deposits held for others	50,369
Net pension liability	(18,715,179)

Net Cash Used In Operating Activities

\$ (43,596,864)

SOUTHEAST MISSOURI STATE UNIVERSITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Organization

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 Southeast Missouri State College. In 1972 the Missouri State legislature adopted the school's current name of Southeast Missouri State University (the University). The University is a multi-purpose regional institution of higher education, which derives its authority from the people of Missouri through the state legislature. The University is considered a component unit of the State of Missouri.

The University is fully accredited by the North Central Association of Colleges and Schools and the National Council for the Accreditation of Teacher Education. The University also holds several specific program accreditations and is a member of several associations including the National Collegiate Athletic Association (NCAA). The University achieves its educational goals by offering instructional programs and other learning experiences at the certificate, associate, baccalaureate, masters and specialist levels.

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 and the Missouri Innovation Corporation II, Inc. are not included in the University's financial statements because they do not meet the criteria set forth for component units under GASB Statement No. 61 or GASB Statement No. 39. However, both are considered related entities.

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 year ended June 30, 2015, the Foundation distributed \$5,258,300 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 as determined by quoted market prices. Changes in unrealized gain (loss) on 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.

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. The investment pool is required to maintain investments in government securities with a combined market value which is at least 110% of the University's share of the pooled investments. 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.

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

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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 building is extended. Additionally, all purchases of equipment, furnishings, leasehold improvements and other personal property with a useful life greater than one year and costing \$1,000 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	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 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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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 programs.

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 primarily of 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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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 so will not be recognized as an outflow of resources until then. At June 30, 2015, 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 shorter of the life of the refunding or refunded debt. Deferred outflows also include contributions to MOSERS retirement plan, which will be recognized in fiscal year 2016. Finally, deferred outflows also include the University's proportionate share of collective deferred outflows of resources for the MOSERS retirement plan. These outflows will be amortized over four years.

In addition to liabilities the statement of net position may report 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, 2015, the University's deferred inflows consist of the University's proportionate share of the collective deferred inflows of resources for the MOSERS retirement 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 of resources related to the proportionate share of the collective deferred amounts will be netted together and amortized to pension expense over four years according to the amortization schedule provided by the MOSERS retirement plan.

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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

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.

New Accounting Standards Adopted

For the fiscal year ended June 30, 2015 the University has 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. As a result of the implementation, net position as of July 1, 2014 was restated as follows:

	<u>July 1, 2014</u>
Net position as previously reported	\$ 327,731,637
Prior period adjustment:	
Net pension liability (measurement date of June 30, 2013)	(75,070,093)
Deferred outflows - Contributions during fiscal year ended June 30, 2014	<u>7,800,768</u>
Total prior period adjustment	<u>(67,269,325)</u>
Net position, as restated	<u>\$ 260,462,312</u>

3. Deposits And Investments

Deposits:

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, 2015, the University had \$10,041 in deposits exposed to custodial credit risk.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Foreign Currency Risk. The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. At June 30, 2015, 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, 2015, the University had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (In Years)	
			< 1 Year	1-5 Years
Banker Acceptances	N/A	\$ 2,151,050	\$ 2,151,050	\$ —
U.S. Agency Obligations	*	63,478,364	—	63,478,364
Total		\$ 65,629,414	\$ 2,151,050	\$ 63,478,364

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

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 investment in banker's acceptance to domestic commercial banks possessing the highest rating issued by Moody's Investor Services or Standard & Poor's Corporation. Commercial paper is limited to domestic corporations that have received the highest rating issued by Moody's Investor Services or Standard & Poor's Corporation, and corporations having total assets in excess of five hundred million dollars. The University had no funds invested in commercial paper and \$2,151,050 invested in banker's acceptance at June 30, 2015.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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. The University maintains a depository contract and pledge agreement with its safekeeping bank that complies with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). The University had no investments exposed to custodial credit risk at June 30, 2015.

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.

The University's investments in U.S. Agency Obligations consist of Freddie Mac, Fannie Mac, Federal Farm Credit Bank, and Federal Home Loan Bank securities. Each of these agencies except Freddie Mac represents more than 5% of the University's total investments.

Foreign Currency Risk. This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. At June 30, 2015, the University had no exposure to foreign currency risk as there were no foreign investments in the University's portfolio.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Summary Of Fair Values:

The fair value of deposits and investments are as follows:

Deposits	
Repurchase agreements and cash in bank	\$ 9,429,581
Cash on hand	91,476
Money market deposit accounts	1,987,118
Insured cash sweep	2,004,177
Certificates of deposit	3,009,377
	<u>16,521,729</u>
Investments	
Bankers Acceptances	2,151,050
US Government Agency Obligations	63,478,364
	<u>65,629,414</u>
	<u>\$ 82,151,143</u>

Included in the following statement of net position captions:

Deposits	
Cash and cash equivalents	\$ 8,274,611
Restricted cash and cash equivalents	3,233,564
Short-term investments	4,113,598
Long-term investments	899,956
	<u>16,521,729</u>
Investments	
Short-term investments	2,151,050
Long-term investments	63,478,364
	<u>65,629,414</u>
	<u>\$ 82,151,143</u>

Investment Income

Investment income for the year ended June 30, 2015 consists of:

Interest and dividend income	\$ 2,398,340
Realized gain on investments	33,198
Net increase in fair value of investments	93,256
	<u>\$ 2,524,794</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

4. Accounts Receivable

The composition of accounts receivable at June 30, 2015 is summarized as follows:

Student billings	\$ 3,906,908
Departmental operations	816,345
State and private grants	362,991
Capital project funding	9,365
Auxiliary operations	102,743
Other	132,161
	<hr/>
	5,330,513
Less: Allowance for doubtful accounts	<hr/>
	742,135
	<hr/>
	\$ 4,588,378
	<hr/>

5. Notes Receivable

The composition of notes receivable at June 30, 2015 is summarized as follows:

Federal loan programs	\$ 4,963,312
Less: Allowance for doubtful accounts	<hr/>
	1,015,923
	<hr/>
	\$ 3,947,389
	<hr/>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

6. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance - June 30, 2014	Additions	Retirements	Balance - June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 4,217,138	\$ —	\$ —	\$ 4,217,138
Library books	5,364,028	—	(21,196)	5,342,832
Construction in progress	24,383,016	13,115,813	(33,428,076)	4,070,753
Total capital assets not being depreciated	33,964,182	13,115,813	(33,449,272)	13,630,723
Capital assets, being depreciated:				
Building and improvements	442,577,402	31,938,283	(6,277,874)	468,237,811
Infrastructure	37,105,507	679,532	—	37,785,039
Leasehold improvements	618,321	18,657	—	636,978
Equipment	43,642,953	2,404,769	(996,855)	45,050,867
Library books	19,846,645	399,868	—	20,246,513
Total capital assets being depreciated	543,790,828	35,441,109	(7,274,729)	571,957,208
Less accumulated depreciation for:				
Building and improvements	93,315,464	9,237,788	(2,367,357)	100,185,895
Infrastructure	6,090,810	725,468	—	6,816,278
Leasehold improvements	103,910	44,314	—	148,224
Equipment	30,988,225	2,218,325	(894,484)	32,312,066
Library books	7,699,017	637,086	—	8,336,103
depreciation	138,197,426	12,862,981	(3,261,841)	147,798,566
Total capital assets being depreciated, net	405,593,402	22,578,128	(4,012,888)	424,158,642
Capital assets, net	\$ 439,557,584	\$ 35,693,941	\$ (37,462,160)	\$ 437,789,365

The estimated cost to complete construction in progress at June 30, 2015 is \$14,704,910 of which the majority is available from bond proceeds, federal grants, state appropriations and other local sources. Projects in progress include Show Me Center Upgrades, New Student Housing, Athletic Facility Upgrades, and Classroom Renovations.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

7. Accounts Payable

The composition of accounts payable at June 30, 2015 is summarized as follows:

Equipment purchases	\$ 196,948
Supplies and operating expenses	2,765,879
Capital improvements	5,366,955
Retainage - capital projects	<u>427,543</u>
	<u>\$ 8,757,325</u>

8. Capital Lease

The University entered into a capital lease for Athletic equipment during fiscal year 2013. The following is an analysis of the leased property:

Equipment	\$ 43,667
Less: Accumulated amortization	<u>19,408</u>
	<u>\$ 24,259</u>

The following is a schedule by years of future minimum lease payments under capital leases as of June 30, 2015.

<u>Year</u>	<u>Amount</u>
<u>2016</u>	<u>\$ 12,862</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

9. Bonds Payable

Bonds payable at June 30, 2015 are summarized as follows:

	Balance - June 30, 2014	Principal Payments	Balance - June 30, 2015
Education Facilities Revenue Bonds Series 2003A - Fixed Rate	\$ 1,020,000	\$ (1,020,000)	\$ —
Educational Facilities Revenue Bonds Series 2010A	1,280,000	(1,280,000)	—
Educational Facilities Taxable Revenue Bonds Series 2010B	54,495,000	—	54,495,000
System Facilities Refunding Revenue Bonds Series 2011	25,320,000	(1,765,000)	23,555,000
System Facilities Revenue Bonds Series 2011B	28,340,000	(650,000)	27,690,000
System Facilities Revenue Bonds Series 2013A	78,580,000	(1,750,000)	76,830,000
<u>System Facilities Revenue Bonds Series 2013B</u>	<u>2,050,000</u>	<u>(540,000)</u>	<u>1,510,000</u>
	<u>\$ 191,085,000</u>	<u>\$ (7,005,000)</u>	184,080,000
Less: Current maturities (due within one year)			6,125,000
Less: Discount on bond payable			1,628,508
Add: Premium on bond payable			<u>2,083,775</u>
			<u>\$ 178,410,267</u>

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 \$7,805,000 of System Facilities Revenue bonds Series 2006A and \$51,615,000 of 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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

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 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 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 1.30% to 1.90% 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.

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, 2019 - April 1, 2042	100%

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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 1.75% to 4.4% and mature serially through fiscal year 2042.

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 2.55% 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 deferred outflow of resources, is being charged to operating through 2032 using the bonds outstanding method.

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. 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 shall pay interest semiannually on April 1 and October 1, and are not subject to optional redemption. 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, and 7.3% in March 2015. The University anticipates a 7.3% reduction in the September 2015 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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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 3.375% to 6.875% and mature serially through fiscal year 2041. The true interest cost after the federal subsidy averages 4.316%.

On December 13, 2002, the Board of Regents approved the planning, design and construction of a School of Visual and Performing Arts at the River Campus, and the issuance of Series A fixed-rate bonds and Series B variable-rate bonds through the Missouri Development Finance Board. On October 1, 2003, the Missouri Development Finance Board issued \$9,975,000 Educational Facilities Revenue Bonds (Southeast Missouri State University River Campus Project) Series 2003A and \$26,360,000 Variable Rate Demand Educational Facilities Revenue Bonds (Southeast Missouri State University River Campus Project) Series 2003B. The Series 2003A bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2003A bonds maturing October 1, 2012, and thereafter shall be subject to redemption on or after October 1, 2012 at a redemption price of 100% of the principal amount. During fiscal year 2014, the University redeemed \$1,115,000 of the Series 2003A bonds. The Series 2003A bonds are collateralized by an annual appropriation by the University. The University, subject to annual appropriation, will receive amounts from the City of Cape Girardeau, Missouri's hotel/motel tax to pay debt service on the Series 2003A bonds. The Series 2003A bonds bear interest at rates varying from 3.750% to 3.875% and mature serially through fiscal year 2016. On August 18, 2014, the remaining 2003A bonds were fully redeemed. On August 5, 2008, the Series 2003B bonds were paid off.

The System Facilities is composed of the Housing System, the Student Union Facility (University Center), 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 2011, 2011B, 2013A and 2013B 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 year 2015.

Interest expense on bonded debt was \$8,751,304 for 2015.

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>
2016	\$ 6,125,000	\$ 8,110,314
2017	6,325,000	7,908,688
2018	6,525,000	7,687,513
2019	6,740,000	7,437,610
2020	7,015,000	7,151,540
2021-2025	33,790,000	31,561,518
2026-2030	38,685,000	24,459,931
2031-2035	35,095,000	15,828,866
2036-2040	33,400,000	7,198,178
2041-2043	10,380,000	618,106
	<u>\$ 184,080,000</u>	<u>\$ 117,962,264</u>

10. Notes Payable

Notes payable at June 30, 2015 are summarized as follows:

	<u>Balance - June 30, 2014</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Balance - June 30, 2015</u>
<u>Chartwell's-Olive's and Skylight Terrace Expansion</u>	<u>\$ 427,528</u>	<u>\$ —</u>	<u>\$ (35,081)</u>	<u>\$ 392,447</u>
	<u>\$ 427,528</u>	<u>\$ —</u>	<u>\$ (35,081)</u>	<u>392,447</u>
Less: Current maturities (due within one year)				<u>36,374</u>
				<u>\$ 356,073</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. The note is noninterest bearing. Interest has been imputed using a rate of 3.625%.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Interest expense was \$14,919 for 2015. Scheduled fiscal year maturities on notes payable and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 36,374	\$ 13,626
2017	37,715	12,285
2018	39,105	10,895
2019	40,546	9,454
2020	42,041	7,959
2021-2025	196,666	15,835
	<u>\$ 392,447</u>	<u>\$ 70,054</u>

11. 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 starting on page 30.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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, 2015, was 16.97% 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, 2014 was 16.98%, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$7,800,768 for the year ended June 30, 2014.

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

At June 30, 2015, the University reported a liability of \$56,354,914 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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, 2014. At June 30, 2014, the University's proportion was 2.3902%, which remained unchanged from the percentage used to allocate the liability as of June 30, 2013, since this was the initial implementation year.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2014, that affected the measurement of total pension liability.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

For the year ended June 30, 2015, the University recognized pension expense of \$5,297,700. At June 30, 2015, 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	\$ 219,591	\$ —
Net difference between projected and actual earnings on pension plan investments	—	16,431,701
University contributions subsequent to the measurement date of June 30, 2014	8,029,825	—
	<u>\$ 8,249,416</u>	<u>\$ 16,431,701</u>

Deferred outflows of resources of \$8,029,825 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, 2016. 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:

Amortization Schedule

Plan Year Ending June 30:	Amount
2016	\$ (4,031,705)
2017	(4,031,705)
2018	(4,040,775)
2019	(4,107,925)
	<u>\$ (16,212,110)</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 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:

Inflation	2.5%, approximate
Salary increases	3% to 5.9% annually, average, including inflation
Investment rate of return	8% per year, compounded annually, net after investment expenses and including inflation

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Mortality rates were based on the RP-2000 combined healthy mortality table projected to 2016 with Scale AA. The pre-retirement mortality rates used were 100% of the post-retirement mortality rates for males and 80% of the post-retirement mortality for females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.5 percent to 8 percent.

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 each major asset class included in MOSERS target asset allocation as of June 30, 2014 are summarized in the following table:

<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>
Beta Balanced	76.6%	5.7%	4.4%
Illiquids **	19.2%	7.3%	1.4%
Old Portfolio ***	4.2%	6.0%	0.2%
	<u>100.0%</u>		<u>6.0%</u>

* Represent best estimates of geometric rates of return for each major asset class included.

** Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%

*** As of June 30, 2014, MOSERS was in the final stages of transitioning from a portfolio allocation consisting of 45% public equities, 30% public debt, and 25% alternative investments (old portfolio) to a new target allocation of 80% beta-balanced and 20% illiquids.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Discount rate. The discount rate used to measure the total pension liability was 8%. 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 was applied to all periods of projected benefit payments to determine the total pension liability.

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 8%, 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 (7%) or 1-percentage-point higher (9%) than the current rate:

Sensitivity of the University's proportionate share of the NPL

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
University's proportionate share of the net pension liability	\$ 87,408,656	\$56,354,914	\$ 30,161,446

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

The University had payables of \$761,999 to MOSERS because legally required contributions to the plan for June 2015 were not paid until July 2015.

12. 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. MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF 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 200 (MSEP 200). After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute to CURP at an actuarially determined rate; the rate was 6.16% and 6.38% of annual covered payroll for 2015 and 2014, respectively. The University’s contributions to CURP for the years ended June 30, 2015, 2014 and 2013 were \$896,102, \$823,330 and \$793,449, respectively, which equaled the required contributions for those years.

13. 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 based on 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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Funding Policy. 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, 2015 the University's obligations are unfunded. For more information see the Schedule of Funding Progress in the Required Supplementary Information section.

Annual Other Post Employment Benefit (OPEB) Cost and Net OPEB Obligation. The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation to the plan:

Annual required contribution	\$ 599,579
Interest on OPEB obligation	78,182
Adjustment to annual required contribution	<u>(101,717)</u>
Annual OPEB cost	576,044
Contributions made	<u>428,126</u>
Increase in OPEB obligation	147,918
Net OPEB obligation - beginning of year	<u>1,563,637</u>
Net OPEB obligation - end of year	<u><u>\$ 1,711,555</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the previous two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/15	\$ 576,044	74.3%	\$ 1,711,555
6/30/14	568,659	60.9%	1,563,637
6/30/13	678,340	54.3%	1,341,158

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the plan had no assets since the University does not fund the plan. The unfunded actuarial accrued liability (UAAL) for benefits was \$4.59 million. The covered payroll (annual payroll of active employees covered by the plan) was \$57.0 million, and the ratio of the UAAL to the covered payroll was 8.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 5% discount rate, an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 5% after six years, and a 3% annual increase in salaries. 40% of participants are assumed to continue under the same coverage they are currently electing for their lifetime. It is also assumed that all retirees will continue coverage for their lifetime. The UAAL is being amortized as a level dollar amount over a 30-year open period. The amortization period at July 1, 2013 was 30 years and is restarted with each valuation.

14. 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 2014-2015 were \$288,108.

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, 2015, the University is not aware of any environmental liability.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

15. Net Position

Restricted - Net position is restricted when constraints placed are either externally imposed, or are imposed by law or legislation. The composition of restricted net position at June 30, 2015 was:

Nonexpendable	
Scholarships	\$ 2,171,076
Expendable	
Capital projects	2,520,694
Debt service	1,757,548
Grants and other	1,310,410
	<u>5,588,652</u>
Total Restricted	<u>\$ 7,759,728</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. Substantially all unrestricted net position is internally designated for academic programs and initiatives, investment in inventories and capital programs. Designated unrestricted net position was \$46,512,869 at June 30, 2015. Undesignated unrestricted net position, including those of auxiliary operations, was \$(43,194,287) at June 30, 2015.

Undesignated unrestricted net position at June 30, 2015 consists of the following:

Net pension liability at June 30, 2015, offset by pension-related deferred inflows and outflows	\$ (64,537,199)
All other operations of the University, including auxiliary operations	<u>21,342,912</u>
Total undesignated unrestricted net position	<u>\$ (43,194,287)</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

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, 2015, the University's outstanding bond debt consists of System Facilities Revenue Bonds. The System Facilities is composed of the Housing System, the Student Union facility, the Student Recreation Center, the Aquatic Center, the Parking and Transit System, and the Outdoor Recreation Fields. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding Series 2011, Series 2011B, and Series 2013A & 2013B bonds and payment of interest thereon semi-annually on April 1 and October 1.

The condensed financial information for the System Facilities Revenue Bond Fund as of June 30, 2015 is as follows:

Condensed Statement Of Net Position

Current Assets	\$ 12,740,424
Noncurrent Assets	
Capital assets, net of depreciation	<u>168,439,762</u>
Total Assets	<u>181,180,186</u>
Deferred Outflows Of Resources	<u>6,358,003</u>
Current Liabilities	7,494,553
Noncurrent Liabilities	<u>126,417,541</u>
Total Liabilities	<u>133,912,094</u>
Net Position	
Net investment in capital assets	43,523,850
Restricted	1,539,879
Unrestricted	<u>8,562,366</u>
Total Net Position	<u>\$ 53,626,095</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

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

Operating Revenue

Housing contracts, net of scholarship allowance	\$ 21,917,805
Bookstore/textbook sales and rentals	2,184,137
Student recreation center fees	2,542,516
Parking fees and fines	1,180,854
Student union building fees	267,000
Other operating revenues	2,217,067
Total Operating Revenue	<u>30,309,379</u>

Operating Expenses

Personal service	5,241,543
Contract food service	7,088,733
Utilities and maintenance	3,628,284
Book purchases	1,540,827
Depreciation	3,730,955
Other operating expenses	3,226,490
Total Operating Expenses	<u>24,456,832</u>

Operating Income

5,852,547

Nonoperating Revenue (Expenses)

Investment income	125,585
Disposal of plant facilities	(178,749)
Interest on capital asset related debt	(5,315,332)
Net Nonoperating Expenses	<u>(5,368,496)</u>

Increase In Net Position

484,051

Net Position Beginning Of Year

53,142,044

Net Position End Of Year

\$ 53,626,095

Condensed Statement Of Cash Flows

Net cash provided by operating activities	\$ 6,123,471
Net cash used in capital and related financing activities	(11,953,966)
Net cash provided by investing activities	128,865
Net decrease in cash and cash equivalents	<u>(5,701,630)</u>
Cash and cash equivalents - beginning of year	<u>17,034,995</u>
Cash and cash equivalents - end of year	<u><u>\$ 11,333,365</u></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 consisted of the following:

Cash and money market funds	\$ 1,915,277
Certificates of deposit	282,990
Equities	
Domestic	26,951,015
Developing international	5,680,431
Mutual funds	
Domestic	4,895,958
Developing international	5,334,836
Emerging market	6,879,747
International fixed income	3,898,892
Other	7,782,616
Corporate Bonds	8,290,947
U.S. Treasury securities	1,910,429
U.S. government obligations	5,213,367
Municipal securities	13,913
Alternative strategies	1,677,878
	<u>80,728,296</u>
Less: short-term investments	<u>17,959,228</u>
	<u>\$ 62,769,068</u>

Total investment return is comprised of the following:

Interest and dividends, net of fees	\$ 1,838,502
Unrealized and realized investment gains (losses)	<u>(1,218,411)</u>
	<u>\$ 620,091</u>

Contributions Receivable

Contributions receivable at June 30 consists of:

Pledges receivable, due in less than one year	\$ 199,789
Allowance for doubtful accounts	<u>(3,995)</u>
	<u>\$ 195,794</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Property And Equipment

Property and equipment at June 30 consists of:

Land	\$ 6,671,230
Buildings and improvement	8,307,513
Vehicles and equipment	<u>270,483</u>
	15,249,226
Less: Accumulated depreciation	<u>3,835,201</u>
	<u>\$ 11,414,025</u>

Notes Receivable

Notes receivable at June 30 consists of:

City of Cape Girardeau	\$ 3,927,020
APG Limited	<u>607,913</u>
	4,534,933
Less: current maturities due within one year	<u>486,800</u>
	<u>\$ 4,048,133</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%.

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.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

Aggregate annual maturities of notes receivable at June 30, 2015 are:

<u>Year</u>	<u>Amount</u>
2016	\$ 486,800
2017	487,409
2018	488,032
2019	488,669
2020	489,321
Thereafter	2,767,682
	<u>5,207,913</u>
Less: Imputed interest on loan	672,980
	<u>\$ 4,534,933</u>

Notes Payable To Bank

Notes payable to bank at June 30 consists of:

First Missouri State Bank - University Farm	\$ 468,878
Montgomery Bank - South Lorimier	279,163
Bank of Missouri - 4193 Bainbridge Road	191,002
Montgomery Bank - 334 Morgan Oak	471,058
First Missouri State Bank - 315 South Lorimier	252,140
Gary W. Rust Rev Trust - 612-613 Broadway	84,375
	<u>1,746,616</u>
Less: Current maturities due within one year	<u>195,692</u>
	<u>\$ 1,550,924</u>

Aggregate annual maturities of notes payable at June 30, 2015 are:

<u>Year</u>	<u>Amount</u>
2016	\$ 195,692
2017	201,912
2018	382,593
2019	736,375
2020	97,956
Thereafter	132,088
	<u>\$ 1,746,616</u>

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

On May 17, 2005, the Foundation purchased a 254.67-acre farm which is being used as the University Demonstration Farm. To finance the purchase, the Foundation entered into a promissory note with First Missouri State Bank in the amount of \$1,462,500. On May 17, 2015, a second change in terms agreement was signed. There will be 60 regular payments of \$8,920 with a maturity date of May 18, 2020. The interest rate of the promissory note is 0.5 percentage points above the prime rate. As of June 30, 2015, the prime rate was 3.25% resulting in an interest rate of 3.75%.

On February 1, 2008, the Foundation purchased three adjacent properties on South Lorimier Street in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with Montgomery Bank in the amount of \$340,500. After a three-month extension dated May 1, 2013, which reduced the interest from 5.85% to 3.95%, a five-year promissory note was executed on August 1, 2013. Current payments on the note are regular payments of \$6,069 and one irregular last payment estimated at \$236,434. The interest rate of the promissory note is 3.95% with a maturity date of August 1, 2018.

On October 8, 2008, the Foundation purchased property at 4193 Bainbridge Road, County Road 306 in Jackson, Missouri. To finance the purchase, the Foundation entered into a five-year fixed rate promissory note with Bank of Missouri in the amount of \$220,000. On November 1, 2013, the loan was refinanced with a maturity date of November 1, 2028. Current payments on the note are regular payments of \$1,573 with an interest rate of 4.29%.

On December 30, 2008, the Foundation purchased property at 334 Morgan Oak and additional lots nearby in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with Montgomery Bank in the amount of \$600,000. On March 19, 2014, a change in terms agreement was signed, which changed the collateral held on this loan. Current payments on the note are regular payments of \$3,794 and one irregular last payment estimated at \$383,768 due on November 30, 2016, and an interest rate of 3.95%.

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. Current payments on the note are regular payments of \$2,136 and one irregular last payment estimated at \$206,659. The interest rate of the promissory note is 3.92%.

SOUTHEAST MISSOURI STATE UNIVERSITY

Notes To Financial Statements (Continued)

On September 4, 2013, the Foundation purchased property located at 612-616 Broadway in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a promissory note with Gary W. Rust Revocable Trust u/a/d June 1, 1992, Gary W. Rust and Wendy K. Rust, Trustees, in the amount of \$150,000 with a maturity date of September 30, 2017. Current payments on the note are paid quarterly in the amount of \$9,375. The interest rate will be adjusted quarterly to equal the prime rate. As of June 30, 2015, the prime rate was 3.25%.

Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes or periods:

Scholarships	\$ 12,494,908
Loans	148,272
Other	<u>7,979,613</u>
	<u>\$ 20,622,793</u>

Permanently Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to:

Scholarships	\$ 49,010,833
Other	<u>2,071,485</u>
	<u>\$ 51,082,318</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.

Scholarships	\$ 1,921,063
Loans	1,500
Other purpose restrictions accomplished	<u>2,373,179</u>
	<u>\$ 4,295,742</u>

Annuity Obligations

The Foundation has been the recipient of several gift annuities, 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 \$1,783,043 at June 30, 2015, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging between 3.2% and 5.6%.

Operating Leases

The Foundation leases certain plant assets to the University. Minimum future rentals receivable under noncancellable operating leases at June 30, 2015 were \$4,958,399, including \$718,035 due within the next year.

Required Supplementary Information

SOUTHEAST MISSOURI STATE UNIVERSITY

SCHEDULES OF SELECTED PENSION INFORMATION MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

June 30, 2015
(In Thousands)

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

University's proportion of the net pension liability	2.3902%
University's proportionate share of the net pension liability	\$ 56,354,914
University's covered-employee payroll	46,027,547
University's proportionate share of net pension liability as a percentage of its covered-employee payroll	122.44%
Plan fiduciary net position as a percentage of the total pension liability	79.49%

Schedule Of University's Contributions

Required contribution	\$ 7,800,768
Contributions in relation to the required contribution	7,800,768
Contribution deficiency	—
Commission's covered-employee payroll	46,027,547
Contributions as a percentage of covered-employee payroll	16.97%

Notes:

Above schedules are 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.

Changes Of Benefit Terms Or Assumptions

There were no changes to benefit terms in the plan or changes to assumptions in valuation reports for the year ended June 30, 2014.

SOUTHEAST MISSOURI STATE UNIVERSITY

**SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT
HEALTHCARE PLAN**

June 30, 2015

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b - a) / c)
7/1/2013	\$ —	\$ 4,585,382	\$ 4,585,382	0%	\$ 56,950,964	8.10%
7/1/2011	—	4,953,439	4,953,439	0%	50,594,736	9.80%
7/1/2009	—	2,649,824	2,649,824	0%	45,422,753	5.83%