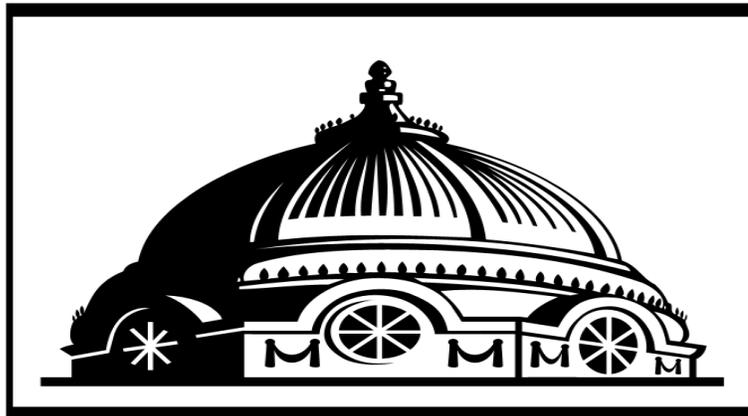


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**SOUTHEAST MISSOURI  
STATE UNIVERSITY**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2011*

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**Southeast**  
Missouri State University

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## Independent Auditors' Report

Board of Regents  
Southeast Missouri State University  
Cape Girardeau, Missouri

We have audited the accompanying financial statements of Southeast Missouri State University (the University), a component unit of the state of Missouri, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Southeast Missouri State University Foundation, a discretely presented component unit of the University. Those financial statements were audited by other auditors whose report dated September 29, 2011 thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southeast Missouri State University Foundation, is based on the report of the other auditors.

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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other accountants provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Missouri State University and of its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in, conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, on our consideration of the University's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and Schedule of Funding Progress for Postemployment Healthcare Plan as listed in the table of contents are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*RubinBrown LLP*

October 18, 2011 (except for Note 14,  
which is dated November 18, 2011)

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## 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, 2011. The Management's Discussion and Analysis is designed to focus on current activities and resulting changes, and should be read in conjunction with the 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 Assets includes the assets, liabilities, and net assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point of time financial statement. It is prepared under the accrual basis of accounting, whereby assets are recognized when the service is provided and liabilities are recognized when others provide the service, regardless of when cash is exchanged. The University's net assets (the difference between assets and liabilities) is one indicator of the University's financial health. Over time, increases or decreases in net assets 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 Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either 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

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## Management's Discussion And Analysis (Continued)

### Financial Analysis of the University

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

#### Condensed Statement of Net Assets As of June 30, 2011 And 2010

	<u>2011</u>	<u>2010</u>
<b>Current Assets</b>	\$ 42,028,777	\$ 32,824,344
<b>Noncurrent Assets</b>		
Capital assets, net of depreciation	336,753,170	330,394,752
Other	<u>103,904,625</u>	<u>48,407,422</u>
<b>Total Assets</b>	<u>482,686,572</u>	<u>411,626,518</u>
<b>Current Liabilities</b>	28,070,147	21,688,742
<b>Noncurrent Liabilities</b>	<u>158,306,159</u>	<u>107,964,781</u>
<b>Total Liabilities</b>	<u>186,376,306</u>	<u>129,653,523</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	232,112,922	233,539,534
Restricted	17,790,392	8,368,630
Unrestricted	<u>46,406,952</u>	<u>40,064,831</u>
<b>Total Net Assets</b>	<u>\$ 296,310,266</u>	<u>\$ 281,972,995</u>

Current assets consist primarily of unrestricted and restricted cash and cash equivalents, unrestricted and restricted short-term investments, accounts receivable, accrued interest receivable and inventory. Current assets totaled \$42.03 million at June 30, 2011 and \$32.82 million at June 30, 2010. The increase in current assets of approximately \$9.21 million from June 30, 2010, is the net effect of an increase in cash and cash equivalents, investments and accounts receivable and a decrease in due from federal government (federal grants). The increase in restricted short-term investments was the result of approximately \$10.20 million of bond proceeds that will be used for renovation of Academic Hall, Magill Hall, power plant conversion and campus wide deferred maintenance projects being invested into agency obligations with a maturity of less than one year and a \$700,000 increase in accounts receivable. Due from federal government (federal grants) decreased approximately \$2.0 million from June 30, 2010 to 2011.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### 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 in the footnotes 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 \$92.36 million of noncurrent assets at June 30, 2011. Long-term investments comprised \$37.85 million of noncurrent assets at June 30, 2010. Approximately \$40.10 million of the long term investments as of June 30, 2011 are related to the investment of the 2010 bond proceeds discussed above.

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 \$28.07 million at June 30, 2011 and \$21.69 million at June 30, 2010. The increase in current liabilities was approximately \$6.38 million from June 30, 2010.

Noncurrent liabilities which totaled \$158.31 million at June 30, 2011 and \$107.96 million at June 30, 2010, primarily consist of long term debt. During fiscal year 2011, bonds of \$59.26 million were issued for the renovation of Academic Hall, Magill Hall, power plant conversion and campus wide deferred maintenance projects. Additionally, bonds of \$30.42 million were issued to refund the 2001 and 2002 bond issues due to favorable interest rates. The current refunding will result in an economic gain of \$1.57 million. There were no bonds issued during fiscal year 2010. There was a note payable issued in 2010 in the amount of \$578,000 for additional dining space in the University center.

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

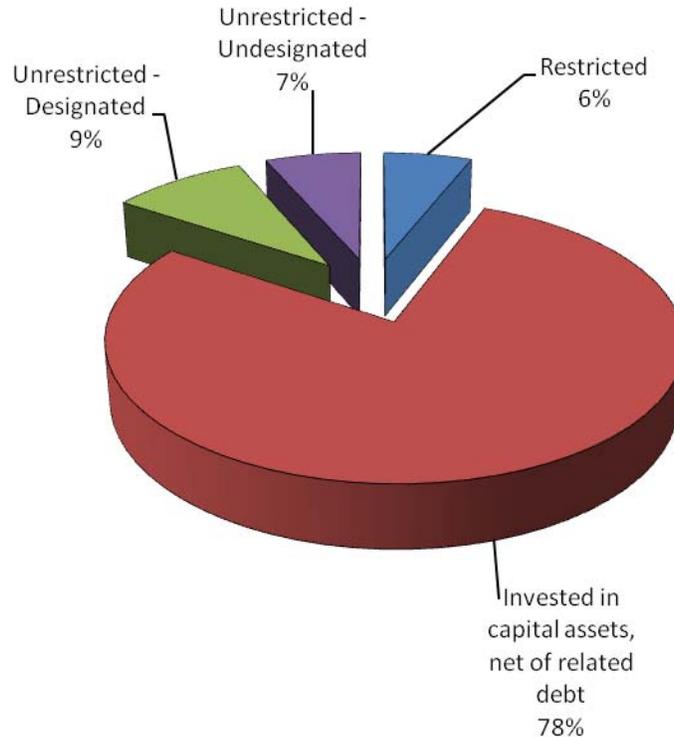
	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	\$ 232,112,922	\$ 233,539,534
<b>Restricted:</b>		
Nonexpendable	2,202,936	2,246,514
Expendable	15,587,456	6,122,116
Total Restricted	<u>249,903,314</u>	<u>241,908,164</u>
<b>Unrestricted:</b>		
Designated	27,150,189	26,193,601
Undesignated	19,256,763	13,871,230
Total Unrestricted	<u>46,406,952</u>	<u>40,064,831</u>
<b>Total Net Assets</b>	<u>\$ 296,310,266</u>	<u>\$ 281,972,995</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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



Net assets invested in capital assets, net of related debt represent the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Net assets invested in capital assets decreased approximately \$1.43 from \$233.54 million at June 30, 2010 to \$232.11 million at June 30, 2011.

Restricted net assets include the University's permanent endowment, managed by the Southeast Missouri University Foundation, which totaled \$2.20 and \$2.25 million at June 30, 2011 and 2010, respectively. The decrease in the permanent endowment is due to fluctuations in market value of investments. Although unrestricted net assets are not subject to externally imposed stipulations, approximately 58% has been internally designated as of June 30, 2011.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

	<u>2011</u>	<u>2010</u>
<b>Unrestricted-Designated Net Assets</b>		
Investment in inventories	\$ 2,914,056	\$ 2,606,817
Future operations (including capital projects)	22,147,236	21,429,907
Quasi-endowment	<u>2,088,897</u>	<u>2,156,877</u>
Total	<u>\$ 27,150,189</u>	<u>\$ 26,193,601</u>

The total unrestricted-undesignated net assets of the University of \$19.26 million at June 30, 2011 includes balances accumulated from the operations of the auxiliary enterprises, such as the residence hall system and bookstore, which totaled \$8.41 million, from loan programs which totaled \$0.65 million, and from general operations which totaled \$10.20 million. The total unrestricted-undesignated net assets of the University of \$13.87 million at June 30, 2010 included balances accumulated from the operations of the auxiliary enterprises such as the residence hall system and bookstore, which totaled \$6.19 million, from loan programs which totaled \$0.97 million and from general operations which totaled \$6.71 million.

# SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

### Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2011</u>	<u>2010</u>
<b>Operating Revenues:</b>		
Student tuition and fees, net of scholarship allowance	\$ 62,341,263	\$ 54,649,748
Grants and contracts	12,099,061	16,499,991
Auxiliary services	26,812,243	23,797,928
Other operating revenues	6,073,432	6,134,769
Total Operating Revenues	<u>107,325,999</u>	<u>101,082,436</u>
<b>Operating Expenses:</b>		
Personal service	82,085,860	84,262,031
Utilities and supplies	40,375,368	34,141,647
Scholarships	24,617,933	26,246,897
Depreciation	9,148,438	9,155,837
Other Post-employment benefits (OPEB) expense	116,780	108,357
Total Operating Expenses	<u>156,344,379</u>	<u>153,914,769</u>
<b>Operating loss</b>	<u>(49,018,380)</u>	<u>(52,832,333)</u>
<b>Nonoperating revenues (expenses)</b>		
State Appropriations	45,832,484	48,587,885
Federal Grants - restricted	14,945,438	12,748,893
Investment income	2,137,655	2,883,641
Gifts	2,711,378	2,747,335
Nonoperating expenses	(4,963,251)	(5,322,242)
Net Nonoperating Revenues	<u>60,663,704</u>	<u>61,645,512</u>
<b>Other revenues</b>	<u>2,691,947</u>	<u>4,415,341</u>
<b>Increase in net assets</b>	14,337,271	13,228,520
<b>Net assets beginning of year</b>	<u>281,972,995</u>	<u>268,744,475</u>
<b>Net assets end of year</b>	<u>\$ 296,310,266</u>	<u>\$ 281,972,995</u>

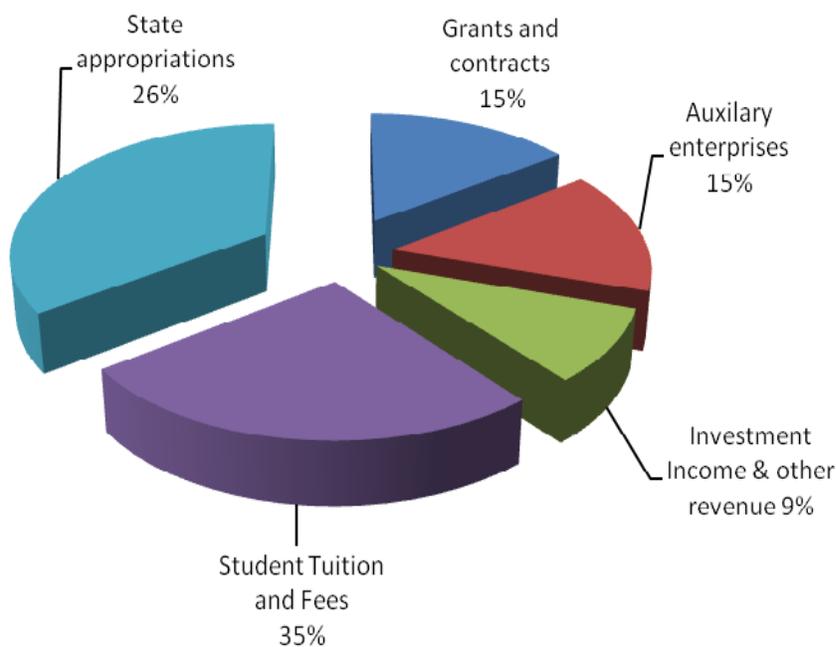
## SOUTHEAST MISSOURI STATE UNIVERSITY

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

Total revenues for fiscal year 2011 were \$175.64 million, which consisted of operating revenues of \$107.32 million, nonoperating revenues of \$65.63 million and other revenues of \$2.69 million. Total revenues for fiscal year 2010 were \$172.47 million, which consisted of operating revenues of \$101.08 million, nonoperating revenues of \$66.97 million and other revenues of \$4.42 million. The most significant sources of revenue for the University are state appropriations, student tuition and fees, grants and contracts, and auxiliary services.

Following is a graphic illustration of total revenue by source for the year ended June 30, 2011:



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 26% in fiscal year 2011. The University's state appropriation for fiscal year 2012, net of the 3% governor's reserve withholding, is \$41.60 million which is below fiscal year 1999 funding levels. The fiscal year 2012 state appropriation was reduced \$3.13 million, net of the 3% governor's reserve from the fiscal year 2011 level. The University received \$.38 million in capital appropriations in fiscal year 2011.

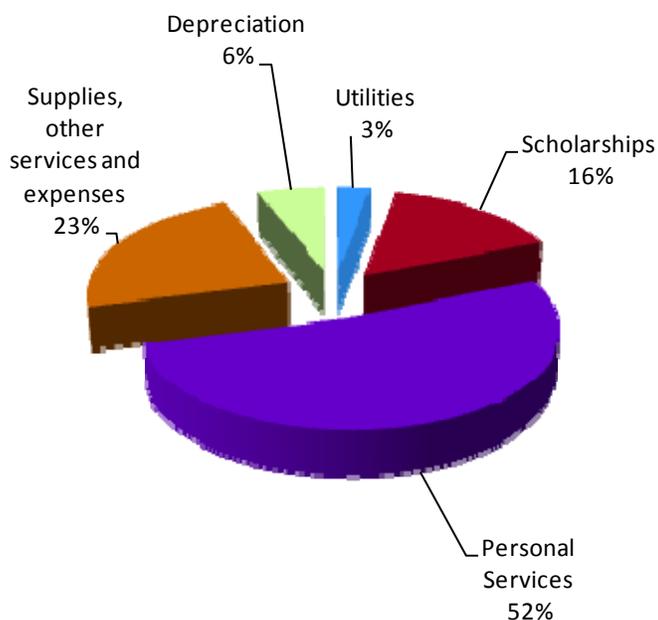
## SOUTHEAST MISSOURI STATE UNIVERSITY

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

Operating expenses of the University totaled \$156.34 million for the fiscal year ended June 30, 2011. Personal service costs, including the costs related to faculty, staff and student labor, accounted for 52.5% of the total operating expenses at June 30, 2011. Operating expenses of the University totaled \$153.91 million for the fiscal year ended June 30, 2010. Personal service costs, including the costs related to faculty, staff and student labor, accounted for 54.7% of the total operating expenses at June 30, 2010.

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



### **Bonds and Notes Payable**

The University had outstanding bonds of approximately \$157.80 million and \$101.51 million at June 30, 2011 and 2010, respectively. During fiscal year 2011, bonds of \$59.26 million were issued for the renovation of Academic Hall, Magill Hall, power plant conversion and campus wide deferred maintenance projects. Additionally, bonds of \$30.42 million were issued to refund the 2001 and 2002 bond issues due to favorable interest rates. The current refunding will result in an economic gain of \$1.57 million. The University issued no new bonds in fiscal year 2010. The University made all regularly scheduled debt service payments. Please refer to the bonds payable footnote (Note 8) in the notes to the basic financial statements for additional disclosures.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

At June 30, 2011, the University had outstanding notes payable of approximately \$5.33 million, a decrease of approximately \$1.78 million from June 30, 2010. During fiscal year 2010, the University entered into an agreement for up to \$750,000 with Chartwell's for the construction of dining facilities in the new residence hall and expansion of the University Center dining space. Please refer to the notes payable footnotes (Note 9) in the notes to the basic financial statements for additional disclosures.

### Capital Assets

At June 30, 2011 and 2010, the University's investment in capital assets was as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 4,217,138	\$ 4,217,138
Buildings and improvements	344,779,458	305,749,277
Infrastructure	27,918,814	27,723,964
Leasehold improvements	336,276	—
Equipment	39,066,816	37,956,761
Library books	23,305,608	22,583,870
Construction in progress	7,995,732	34,447,733
	<u>447,619,842</u>	<u>432,678,743</u>
Less: Accumulated depreciation	<u>110,866,672</u>	<u>102,283,991</u>
	<u>\$ 336,753,170</u>	<u>\$ 330,394,752</u>

At June 30, 2011, 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 \$62.19 million at June 30, 2011 and are to be funded from bond proceeds, state appropriations, federal grants, or other University and local funds. These projects included approximately \$6.67 million for power plant conversion, \$22.05 for Academic Hall renovations, \$18.93 for Magill Hall construction and renovation and \$6.45 for campus wide deferred maintenance projects.

At June 30, 2010, 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 \$6.29 million at June 30, 2010 and are to be funded from bond proceeds, state appropriations, federal grants, or other University and local funds. These projects included approximately \$3.67 million for construction and renovation of residential housing and improvements and \$0.63 million for Magill renovations. Please refer to capital asset footnote (Note 6) in the notes to the basic financial statements for additional disclosures.

#### **Economic Outlook**

While the University has experienced reductions of more than 12% in state appropriations the last two fiscal years, the University was well positioned to meet this fiscal challenge. In March 2010 the Board of Regents approved a strategic plan that would address anticipated budget needs through fiscal year 2015. Since then the University has made decisions that eliminated or consolidated academic and nonacademic programs; consolidated or reduced positions; reduced operating costs; and increased revenues. The University anticipates meeting the remainder of their budget goals by continuing to emphasize quality academic programs and growing enrollments.

In spite of reduced state appropriations, the Board of Regents approved a \$96.7 million operating budget for fiscal year 2012 which contained faculty and staff merit increases, post professorial merit, promotions, tenure approvals and a number of new academic programs including an undergraduate certificate in English Speakers of Other Languages and new minors in Health Management Entrepreneurship and Fashion Entrepreneurship.

Fall 2011 census enrollments confirm the 11<sup>th</sup> straight year of record breaking enrollments with more than 11,510 students and the second consecutive year of more than 1,900 beginning freshman. This enrollment included over 750 international students from 51 countries.

Increasing enrollment has led to no occupancy in the University's residence halls for Fall 2011. Admissions for students that live further than 50 miles from the University were deferred during summer 2011. The University is considering additional housing to accommodate student demand, and emphasizing on-line degree programs as a way to meet educational demand without taxing the campus physical plant.

With the support of Student Government, the University issued \$59.3 million of Education Revenue bonds in 2010 to renovate major academic and science facilities, convert the central boiler plant from coal fired to natural gas, and complete numerous campus deferred maintenance projects such as HVAC and roof replacements. These campus infrastructure improvements will continue through 2015.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF NET ASSETS

Page 1 Of 2  
June 30, 2011

### Assets

	<u>University</u>	<u>Component Unit - Foundation</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 8,488,787	\$ 2,123,230
Restricted cash and cash equivalents	3,625,727	—
Short-term investments	2,826,724	11,347,658
Restricted short-term investments	17,706,361	—
Accrued interest receivable	262,124	81,740
Due from component unit - Foundation	202,383	—
Accounts receivable (net of allowance of \$608,243)	3,705,863	—
Notes receivable	358,909	—
Due from federal government	1,409,582	—
Inventory	2,914,063	—
Prepaid expenses	247,811	6,730
Bond and note issuance costs	280,443	—
Pledges receivable (net of allowance of \$890)	—	9,297
<b>Total Current Assets</b>	<u>42,028,777</u>	<u>13,568,655</u>
<b>Noncurrent Assets</b>		
Investments	49,876,148	45,118,709
Restricted long-term investments	42,482,514	—
Real estate held for sale	—	1,339,175
Other	—	313,310
Due from component unit - Foundation	4,293,533	—
Notes receivable (net of allowance of \$724,598)	4,060,093	—
Bond and note issuance costs	3,192,337	—
Capital assets, net - depreciable	319,011,422	10,255,434
Capital assets, net - non-depreciable	17,741,748	—
Pledges receivable	—	25,442
<b>Total Noncurrent Assets</b>	<u>440,657,795</u>	<u>57,052,070</u>
<b>Total Assets</b>	<u>482,686,572</u>	<u>70,620,725</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF NET ASSETS

Page 2 Of 2  
June 30, 2011

	<u>University</u>	<u>Component Unit - Foundation</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 5,284,342	\$ 157,474
Accrued compensation	7,092,707	4,892
Bond interest payable	1,914,971	—
Due to primary institution - University	—	202,383
Funds held for others	161,676	—
Unearned income	4,079,980	—
Bonds payable	4,700,000	—
Notes payable	4,836,471	741,439
<b>Total Current Liabilities</b>	<b>28,070,147</b>	<b>1,106,188</b>
<b>Noncurrent Liabilities</b>		
Accounts payable	—	737,964
Due to primary institution - University	—	4,293,533
Unearned income	—	180,764
Bonds payable	153,104,444	—
Notes payable	497,101	1,284,421
Net postretirement employee benefit obligation	639,057	—
Due to federal government	4,065,557	—
Funds held for others	—	67,119
<b>Total Noncurrent Liabilities</b>	<b>158,306,159</b>	<b>6,563,801</b>
<b>Total Liabilities</b>	<b>186,376,306</b>	<b>7,669,989</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	232,112,922	8,229,574
Restricted for:		
Nonexpendable -		
Scholarships	2,202,936	41,968,510
Other	—	705,421
Expendable -		
Capital projects	3,076,695	—
Debt service	11,273,377	—
Scholarships	—	6,736,409
Loans	—	111,979
Other	1,237,384	5,422,962
Unrestricted	46,406,952	(224,119)
<b>Total Net Assets</b>	<b>\$ 296,310,266</b>	<b>\$ 62,950,736</b>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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

	University	Component Unit - Foundation
<b>Operating Revenues</b>		
Student tuition and fees (net of scholarship allowance of \$4,335,950)	\$ 62,341,263	\$ —
Federal grants - restricted	6,723,734	—
State grants and contracts - restricted	5,007,113	—
Nongovernmental grants and contracts - restricted	368,214	—
Sales and services of educational departments	2,206,307	—
Auxiliary enterprises:		
Residence life (net of scholarship allowance of \$4,944,978; revenues are used as security for revenue bonds Series 2006, 2008 and 2011)	15,542,629	—
Other auxiliary (net of scholarship allowance of \$314,712; revenues are used as security for revenue bonds Series 2006, 2008 and 2011)	11,269,614	—
Contributions and gifts	—	1,716,100
Other operating revenues	3,867,125	—
Total Operating Revenues	<u>107,325,999</u>	<u>1,716,100</u>
<b>Operating Expenses</b>		
Personal service	82,085,860	160,519
Scholarships	24,617,933	—
Utilities	4,212,277	3,944
Supplies and other services	36,163,091	1,320,207
Depreciation	9,148,438	199,339
Other post-employment benefit (OPEB) expense	116,780	—
Donations	—	2,586,771
Total Operating Expenses	<u>156,344,379</u>	<u>4,270,780</u>
<b>Operating Loss</b>	<u>(49,018,380)</u>	<u>(2,554,680)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	45,832,484	—
Federal grants - restricted	14,945,438	—
Investment income	2,137,655	9,769,574
Contributions and gifts	2,711,378	—
Interest on capital asset-related debt	(4,830,872)	(117,372)
Loss on disposal of plant facilities	(132,379)	—
Other income	—	1,374,973
Net Nonoperating Revenues (Expenses)	<u>60,663,704</u>	<u>11,027,175</u>
<b>Income Before Other Revenues, Expenses And Gains</b>	<u>11,645,324</u>	<u>8,472,495</u>
Capital appropriations	377,573	—
Capital grants and gifts	2,314,374	2,115,773
Total other revenues, expenses and gains	<u>2,691,947</u>	<u>2,115,773</u>
<b>Change In Net Assets</b>	<u>14,337,271</u>	<u>10,588,268</u>
<b>Net Assets - Beginning Of Year</b>	<u>281,972,995</u>	<u>52,362,468</u>
<b>Net Assets - End Of Year</b>	<u>\$ 296,310,266</u>	<u>\$ 62,950,736</u>

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# SOUTHEAST MISSOURI STATE UNIVERSITY

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## STATEMENT OF CASH FLOWS

Page 1 Of 2

For The Year Ended June 30, 2011

<b>Cash Flows From Operating Activities</b>	
Tuition and fees	\$ 61,884,958
Grants and contracts	13,935,064
Auxiliary enterprises	26,814,972
Other receipts	6,445,859
Payments to vendors and suppliers	(63,596,978)
Payments to employees	(81,189,922)
<b>Net Cash Used In Operating Activities</b>	<u>(35,706,047)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
State appropriations	44,735,315
Nonoperating federal grants	14,945,438
Gifts received for other than capital purposes	2,578,810
<b>Net Cash Provided By Noncapital Financing Activities</b>	<u>62,259,563</u>
<b>Cash Flows From Capital And Related Financing Activities</b>	
Capital appropriations	377,573
Capital gifts received	2,314,374
Purchases of capital assets and payments to contractors	(15,807,873)
Proceeds from issuance of capital debt	89,675,000
Payment of bond issuance costs	(1,670,134)
Proceeds from sale of capital assets	6,980
Principal paid on capital debt and notes	(34,825,351)
Interest paid on capital debt and notes	(3,984,372)
<b>Net Cash Provided By Capital And Related Financing Activities</b>	<u>36,086,197</u>
<b>Cash Flows From Investing Activities</b>	
Proceeds from sales and maturities of investments	142,283,672
Interest on investments	2,374,921
Purchase of investments	(203,610,677)
<b>Net Cash Used In Investing Activities</b>	<u>(58,952,084)</u>
<b>Net Increase In Cash And Cash Equivalents</b>	3,687,629
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<u>8,426,885</u>
<b>Cash And Cash Equivalents - End Of Year</b>	<u>\$ 12,114,514</u>
<b>Supplemental Disclosure Of Cash Flow Information</b>	
Noncash transactions:	
Capital asset purchases included in accounts payable	<u>\$ 2,707,191</u>

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# SOUTHEAST MISSOURI STATE UNIVERSITY

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## STATEMENT OF CASH FLOWS

Page 2 Of 2

For The Year Ended June 30, 2011

### Reconciliation Of Operating Loss To Net Cash

#### Used In Operating Activities:

Operating loss	\$ (49,018,380)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	9,148,438
Other post-employment benefit (OPEB) expense	116,780
Workers compensation and unemployment expenses paid by state	1,097,169
Gifts in kind from Southeast Missouri University Foundation	132,568
Changes in assets and liabilities:	
Receivables, net	1,465,651
Inventories	(197,263)
Prepaid expenses	15,807
Accounts payable	1,577,779
Deferred revenues	111,185
Accrued compensation	(201,231)
Deposits held for others	45,450

#### Net Cash Used In Operating Activities

\$ (35,706,047)

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### 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 business-type activity requirements 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

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### Notes To Financial Statements (*Continued*)

Revenues, expenses, gains, losses, assets and liabilities 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 assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

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

#### **Reporting Entity:**

GASB Statement No. 14, *The Financial Reporting Entity*, 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 Research Corporation and the Missouri Research 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. 14 or GASB Statement No. 39. However, both are considered related entities.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

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. The Foundation's significant notes are summarized in Note 15.

During the year ended June 30, 2011, the Foundation distributed \$2,586,771 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 established by major securities markets. Fair value is determined using quoted market prices. Investment income consists of interest and dividend income and changes in unrealized gain (loss) in the carrying value of investments.

***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.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

**Inventories** - Inventories consist of office, farm and physical plant supplies and are recorded at cost using the first-in, first-out method. Bookstore resale inventories are recorded at the lower of cost (using the first-in, first-out method) or market (net realizable value). Textbooks available for rental are recorded at cost and amortized over their estimated useful lives.

**Capital Assets** - Physical properties are recorded at cost or, when donated, at fair market value at date of gift. All financially significant building and infrastructure additions and improvements are capitalized if the life of the 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 one thousand dollars or greater are capitalized. Depreciation on equipment is computed using the straight line method with depreciation beginning in the month after acquisition and through the month 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 none in the year of disposal. Capital assets are depreciated over the estimated useful lives as follows:

	<u>Years</u>
<b>Capital Assets</b>	
Buildings and site improvements	10 to 50
Leasehold improvements	15
Infrastructure	10 to 50
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

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

**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 Assets***

GASB Statement No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- ***Invested In Capital Assets, Net Of Related Debt:*** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- ***Restricted:***

***Nonexpendable*** - Net assets subject to externally imposed stipulations that the University maintain them permanently. Such assets include the University's permanent endowment funds.

***Expendable*** - Net assets 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 assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives, and capital programs.

***Operating And Nonoperating Revenues*** - The University's policy for defining operating activities as reported on the Statement of Revenues, Expenses, and Changes in Net Assets are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Operating revenues include 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.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

***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 Assets. 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.

***Debt Issuance Costs*** - These costs are amortized over the life of the bond or note liability based on a method that approximates the effective interest rate method. For the year ended June 30, 2011, total charges to net assets balances related to the amortization of such costs were \$199,030.

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

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

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

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

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

### 3. Deposits And Investments

#### Deposits:

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

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

*Foreign Currency Risk.* The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. At June 30, 2011, the 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, 2011, the University had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities (In Years)	
			< 1 Year	1-5 Years
U.S. Agency Obligations	*	\$ 96,787,703	\$ 6,133,041	\$ 90,654,662

\*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.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

*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 or banker's acceptance at June 30, 2011.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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).

*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 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, 2011, the University had no exposure to foreign currency risk as there were no foreign investments in the University's portfolio.

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

### Summary Of Fair Values:

The fair value of deposits and investments are as follows:

	<u>Fair Value</u>
<b>Deposits</b>	
Repurchase agreements and cash in bank	\$ 9,994,311
Cash on hand	84,669
Money market deposit accounts	30,806
Certificate of deposit	<u>18,108,722</u>
	28,218,508
<b>Investments - U.S. Government Agency Obligations</b>	<u>96,787,703</u>
	<u>\$ 125,006,211</u>

Included in the following statement of net assets captions:

<b>Deposits</b>	
Cash and cash equivalents	\$ 8,488,787
Cash and cash equivalents restricted	3,625,727
Short-term investments	400,044
Restricted short-term investments	14,000,000
Long-term investments	100,000
Restricted long-term investments	<u>1,604,000</u>
	28,218,558
<b>Investments</b>	
Short-term investments	2,426,680
Restricted short-term investments	3,706,361
Long-term investments	49,776,148
Restricted long-term investments	<u>40,878,514</u>
	96,787,703
	<u>\$ 125,006,261</u>

### Investment Income

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

Interest and dividend income	\$ 2,456,531
Realized gain on investments	191,617
Net decrease in fair value of investments	<u>(510,493)</u>
	<u>\$ 2,137,655</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements *(Continued)*

### 4. Accounts Receivable

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

Student billings	\$ 3,190,610
Departmental operations	533,311
State and private grants	280,273
Capital project funding	121,514
Auxiliary operations	167,951
Other	20,447
	<hr/>
	4,314,106
Less: allowance for doubtful accounts	<hr/>
	608,243
	<hr/>
	\$ 3,705,863
	<hr/>

### 5. Notes Receivable

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

Federal Loan Programs	\$ 5,143,600
Less: allowance for doubtful accounts	<hr/>
	724,598
	<hr/>
	\$ 4,419,002
	<hr/>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### 6. Capital Assets

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

	Balance - June 30, 2010	Additions	Retirements	Balance - June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 4,217,138	\$ —	\$ —	\$ 4,217,138
Library books	5,619,628	—	(90,750)	5,528,878
Construction in progress	34,447,733	8,149,069	(34,601,070)	7,995,732
Total capital assets not being depreciated	44,284,499	8,149,069	(34,691,820)	17,741,748
Capital assets, being depreciated:				
Building and improvements	305,749,277	39,033,961	(3,780)	344,779,458
Infrastructure	27,723,964	194,850	—	27,918,814
Leasehold improvements	—	336,276	—	336,276
Equipment	37,956,761	1,720,641	(610,586)	39,066,816
Library books	16,964,242	812,488	—	17,776,730
Total capital assets being depreciated	388,394,244	42,098,216	(614,366)	429,878,094
Less accumulated depreciation for:				
Building and improvements	66,627,190	5,996,627	—	72,623,817
Infrastructure	3,716,835	532,600	—	4,249,435
Equipment	26,621,491	2,053,736	(565,757)	28,109,470
Library books	5,318,475	565,475	—	5,883,950
Total accumulated depreciation	102,283,991	9,148,438	(565,757)	110,866,672
Total capital assets being depreciated, net	286,110,253	32,949,778	(48,609)	319,011,422
Capital assets, net	\$ 330,394,752	\$ 41,098,847	\$ (34,740,429)	\$ 336,753,170

The estimated cost to complete construction in progress at June 30, 2011 is \$62,188,438 of which the majority is available from bond proceeds, federal grants, state appropriations and other local sources. Projects in progress include conversion of boiler, Academic Hall, campus wide deferred maintenance projects, Memorial Hall renovations, campus wide HVAC renovations, and Magill Science renovations.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### 7. Accounts Payable

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

Equipment purchases	\$ 253,516
Supplies and operating expenses	2,302,308
Capital improvements	2,449,467
Retainage - capital projects	279,051
	<u>\$ 5,284,342</u>

### 8. Bonds Payable

Bonds payable at June 30, 2011 are summarized as follows:

	<u>Balance - June 30, 2010</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Balance - June 30, 2011</u>
System Facilities Revenue Bonds Series 2001	\$ 25,435,000	\$ —	\$ (25,435,000)	\$ —
System Facilities Revenue Bonds Series 2002 Educational Facilities	5,615,000	—	(5,615,000)	—
Education Facilities Revenue Bonds Series 2003A - Fixed Rate	7,950,000	—	(425,000)	7,525,000
System Facilities Revenue Bonds Series 2006A	8,395,000	—	(185,000)	8,210,000
System Facilities Revenue Bonds Series 2008	54,425,000	—	(1,390,000)	53,035,000
Educational Facilities Revenue Bonds Series 2010A	—	4,760,000	—	4,760,000
Educational Facilities Taxable Revenue Bonds Series 2010B	—	54,495,000	—	54,495,000
System Facilities Refunding Revenue Bonds Series 2011	—	30,420,000	—	30,420,000
	<u>\$ 101,820,000</u>	<u>\$ 89,675,000</u>	<u>\$ (33,050,000)</u>	158,445,000
Less: Current maturities (due within one year)				4,700,000
Less: Deferred amounts on refunding				644,700
Add: Premium on bond payable				4,144
				<u>\$ 153,104,444</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

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

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 bear interest at rates varying from 1.125% to 1.9% and mature serially through fiscal year 2015. 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. 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%.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

On April 22, 2008, the Board of Regents approved the issuance of \$56,650,000 of System Facilities Revenue Bond Series 2008 for the acquiring, constructing, expanding, renovating, improving, furnishing and equipping a student housing facility and related improvements, providing funds to refund the \$8,655,000 original principal amount of System Facilities Revenue Bonds Series 1998A and \$10,605,000 original principal amount of System Facilities Revenue Bonds Series 1998B and funding capitalized interest on the Series 2008 Bonds. The Series 2008 bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2008 bonds maturing April 1, 2016 and thereafter shall be subject to redemption on or after April 15 at a redemption price of 100% of the principal amount. The Series 2008 bonds bear interest at rates varying from 2.65% to 4.75% and mature serially through fiscal year 2038.

On April 24, 2006, the Board of Regents issued \$8,915,000 of System Facilities Revenue Bond Series 2006A for the construction and furnishing of an Aquatic Center, swimming pool and related improvements. The Series 2006A bonds shall pay interest semiannually on April 1 and October 1. At the option of the University, the Series 2006A bonds maturing April 1, 2015 and thereafter shall be subject to redemption on or after April 1, 2014 at a redemption price of 100% of the principal amount. The Series 2006A bonds bear interest at rates varying from 4.0% to 4.6% and mature serially through fiscal year 2036.

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. 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 3.0% to 4.625% and mature serially through fiscal year 2024. On August 5, 2008, the Series 2003B bonds were paid off.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

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 2006A, 2008 and 2011 Series Bonds and 2011 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.

Interest expense was \$4,564,438 for 2011, net of capitalized interest of \$1,902,456.

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

	<u>Principal</u>	<u>Interest</u>
2012	\$ 4,700,000	\$ 7,427,728
2013	5,065,000	7,326,477
2014	5,190,000	7,213,944
2015	5,320,000	7,084,904
2016	5,460,000	6,929,919
2017-2021	30,145,000	31,563,414
2022-2026	28,120,000	25,087,154
2027-2031	29,590,000	17,820,889
2032-2036	24,905,000	10,323,417
2037-2041	19,950,000	3,066,144
	<u>\$ 158,445,000</u>	<u>\$ 123,843,989</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### 9. Notes Payable

Notes payable at June 30, 2011 are summarized as follows:

	Balance - June 30, 2010	Principal Additions	Principal Payments	Balance - June 30, 2011
Chartwell's-Olive's and Skylight Terrace Expansion	\$ 555,816	\$ —	\$ (30,351)	\$ 525,465
Installment Payment Contract Certificates Series 2002	6,550,000	—	(1,745,000)	4,805,000
	<u>\$ 7,105,816</u>	<u>\$ —</u>	<u>\$ (1,775,351)</u>	5,330,465
Less: Current maturities (due within one year)				4,836,471
Add: Premium on notes payable				<u>3,107</u>
				<u>\$ 497,101</u>

On May 1, 2002, the University issued \$15,635,000 Installment Payment Contract Certificates Series 2002 for various energy savings measures. The certificates pay interest semiannually on April 1 and October 1 in each year. The certificates maturing October 1, 2010 and thereafter shall be subject to redemption at the option of the University on or after October 1, 2009 at a redemption price of 100% of the principal amount. The Series 2002 certificates bear interest at varying rates from 4.1% to 4.75% and mature serially through fiscal year 2012.

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.

Interest expense was \$266,434 for 2011. Scheduled fiscal year maturities on notes payable and related interest are as follows:

Year	Principal	Interest
2012	\$ 4,836,471	\$ 198,032
2013	32,631	17,369
2014	33,834	16,166
2015	35,081	14,919
2016	36,374	13,626
2017-2021	202,997	47,003
2022-2026	153,077	9,425
	<u>\$ 5,330,465</u>	<u>\$ 316,540</u>

## **10. Retirement Plan**

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

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

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

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

State statutes require the state of Missouri to fund all contributions to MOSERS. These actuarially determined contributions are computed as a level percentage of covered payroll. The percentage for fiscal year 2011 and 2010 was set at 13.81% and 12.75%, respectively. Beginning in January 2011, newly hired MOSERS eligible employees contribute 4% of gross earnings each payroll. Contributions to MOSERS were \$6,192,472, \$5,935,271, and \$6,008,069 for the fiscal years ended June 30, 2011, 2010, and 2009, respectively, which were equal to the required contributions each year. The MOSERS funded status ratio was 80% and 83% as of June 30, 2010 and 2009, respectively.

**CURP**

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an “education employee” participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-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 7.77% and 7.71% of annual covered payroll for 2011 and 2010, respectively. The University’s contributions to CURP for the years ended June 30, 2011, 2010, and 2009 were \$804,761, \$789,659, and \$722,506, respectively, which equaled the required contributions for those years.

**11. Postemployment Healthcare Plan**

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

*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, 2011 the University’s obligations are unfunded. For more information see the Schedule of Funding Progress in the Required Supplementary Information section.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

*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	\$ 285,790
Interest on OPEB obligation	26,114
Adjustment to annual required contribution	<u>(33,975)</u>
Annual OPEB cost	277,929
Contributions made	<u>161,149</u>
Increase in OPEB obligation	116,780
Net OPEB obligation - beginning of year	<u>522,277</u>
Net OPEB obligation - end of year	<u><u>\$ 639,057</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the previous two years are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage Of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/11	\$ 277,929	56.5%	\$ 639,057
6/30/10	272,511	60.2%	522,277
6/30/09	383,210	64.1%	413,920

*Funded Status and Funding Progress.* As of July 1, 2009, 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 \$2.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$45.4 million, and the ratio of the UAAL to the covered payroll was 5.8%.

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, 2009, 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 10% initially, reduced by decrements to an ultimate rate of 5% after six years, and a 4% 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 30 years. The amortization period at July 1, 2009 was 30 years and is restarted with each valuation.

## **12. 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.

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursements to the grantor agencies. It is the opinion of management that such reimbursements, if any, will not have a material effect on the 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 in behalf of the University. Total claims paid for the University employees for fiscal year 2010-2011 were approximately \$1,101,827.

The majority of 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.

### 13. Net Assets

**Restricted** - In accordance with GASB Statement No. 34, net assets are restricted when constraints placed are either externally imposed, or are imposed by law or legislation. The composition of restricted net assets at June 30, 2011 were:

<b>Nonexpendable</b>	
Scholarships	\$ 2,202,936
<b>Expendable</b>	
Capital projects	3,076,695
Debt service	11,273,377
Grants, loans and other	1,237,384
	<u>15,587,456</u>
Total Restricted	<u>\$ 17,790,392</u>

**Unrestricted** - Unrestricted net assets, as defined in GASB Statement No. 34, are not subject to externally imposed stipulations; however, they may be subject to internal designations. For example, unrestricted net assets may be designated for specific purposes by action of the Board of Regents or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are internally designated for academic programs and initiatives, investment in inventories and capital programs. Designated unrestricted net assets were \$27,150,189 at June 30, 2011. Undesignated unrestricted net assets, including those of auxiliary operations, were \$19,256,763 at June 30, 2011.

#### **14. 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, 2011, 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, and the Outdoor Recreation fields. The resolution of the System Facilities Revenue Bonds Series 2002 added the Parking and Transit system to the System Facilities. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding Series 2006A, Series 2008, and Series 2011 bonds and payment of interest thereon semi-annually on April 1 and October 1.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

The condensed financial information for the System Facilities Revenue Bond Fund as of June 30, 2011 is as follows:

#### Condensed Statement Of Net Assets

<b>Current Assets</b>	\$ 20,590,982
<b>Noncurrent Assets</b>	
Capital assets, net of depreciation	122,763,021
Other	<u>2,037,558</u>
<b>Total Assets</b>	<u>145,391,561</u>
<b>Current Liabilities</b>	5,838,581
<b>Noncurrent Liabilities</b>	<u>88,229,291</u>
<b>Total Liabilities</b>	<u>94,067,872</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	31,172,251
Restricted	8,176,286
Unrestricted	<u>11,975,152</u>
<b>Total Net Assets</b>	<u>\$ 51,323,689</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

### Condensed Statement Of Revenues, Expenses, And Changes In Net Assets

<b>Operating Revenue</b>	
Housing contracts, net of scholarship allowance	\$ 18,326,814
Bookstore/textbook sales and rentals	4,370,801
Student recreation center fees	2,250,685
Parking fees and fines	1,252,542
Student union building fees	237,000
Other operating revenues	2,066,090
<b>Total Operating Revenue</b>	<u>28,503,932</u>
<b>Operating Expenses</b>	
Personal service	4,854,801
Contract food service	5,570,697
Utilities and maintenance	3,983,155
Book purchases	3,061,007
Depreciation	2,225,243
Other operating expenses	1,659,559
<b>Total Operating Expenses</b>	<u>21,354,462</u>
Operating income	<u>7,149,470</u>
<b>Nonoperating Revenue (Expenses)</b>	
Investment income	367,212
Interest on capital asset related debt	(3,955,972)
<b>Net Nonoperating Expenses</b>	<u>(3,588,760)</u>
<b>Increase In Net Assets</b>	3,560,710
<b>Net Assets Beginning Of Year</b>	<u>47,762,979</u>
<b>Net Assets End Of Year</b>	<u>\$ 51,323,689</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

### Condensed Statement Of Cash Flows

Net cash provided by operating activities	\$ 7,541,471
Net cash used in capital and related financing activities	(11,112,399)
Net cash provided by investing activities	<u>4,511,095</u>
Net increase in cash and cash equivalents	<u>940,167</u>
Cash and cash equivalents - beginning of year	<u>13,965,892</u>
Cash and cash equivalents - end of year	<u>\$ 14,906,059</u>

## 15. Southeast Missouri University Foundation

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

**Accrual Basis** - The Foundation's financial statements are prepared on the accrual basis of accounting.

**Capital Assets** - Land, buildings and equipment are stated at cost if purchased and fair market value at the time of donation if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the buildings and equipment which range from 5 to 40 years and 2 to 5 years, respectively. At retirement or sale, the cost of the assets and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in operations.

**Pledges Receivable** - The Foundation records pledges in accordance with GASB Statement No. 33, *Exchange and Nonexchange Transactions*. Revenue from pledges is recognized when all time and purpose restrictions have been met.

**Real Estate Held For Sale** - Land and other real estate held as investments by endowments are reported at the fair value at the reporting date in accordance with *GASB Statement No. 52, Land and Other Real Estate Held as Investment by Endowments*. Changes in fair value during the period are reported as revenue.

**Deposits And Investments**

**Deposits**

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

At June 30, 2011 none of the Foundation's bank balances held by the current depository, a United States financial institution having a branch in the State of Missouri, were exposed to custodial credit risk. All of these deposits were fully collateralized at the end of fiscal year 2011.

*Foreign Currency Risk.* The risk related to adverse affects on the fair value of a deposit from changes in exchange rates. The Foundation's exposure to foreign currency risk did not exist at June 30, 2011 because the Foundation had no deposits held by international banks.

**Pooled Investments**

Funds treated as endowment by the Foundation are managed as a pooled investment fund. The various subsidiary accounts hold a percentage of the portfolio based on the principal value of the endowment as a percentage of the market value of the pool. The following schedule summarizes data related to the investment pool for the year ended June 30, 2011:

Pooled investments at market value	\$ 56,191,367
Number of subsidiary accounts	588
Interest and dividend earnings	997,841
Net realized losses	698,861

*Interest Rate Risk.* As a means of ensuring the safety of principal invested, the Foundation's investment policy is to diversify investments within established ranges by asset class. The fixed income and equity portions of the portfolio shall be diversified in order to provide reasonable assurance that a single security (investment) or class of securities (investments) will not have a disproportionate or material impact on the total portfolio.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (*Continued*)

*Credit Risk.* Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligations. It is the Foundation's policy that equity investments will be based with companies with an above average return over a three to five year period. No more than fifteen percent of the net assets of the funds shall be invested in securities of issues having a record of less than three years of operation. Concentration in any single industry and in any company shall not exceed fifteen percent and five percent respectively of the market value of the fund at the time of investment without prior written approval of the Foundation. The portfolio should be comprised of high quality issues consisting of Moody's investment grade rating and above or equivalent. The credit risk ratings of the fixed income securities that the Foundation holds as of June 30, 2011, ranges between Moody's ratings BAA3 and AAA. The average credit quality of the fixed income portfolio is AA.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Collateralization equal to at least 100% of the market value (including accrued interest) is required for certificates of deposit and repurchase agreements. The Foundation 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).

*Concentration of Credit Risk.* According to the Foundation'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 investment policy of the Foundation establishes an asset mix (excluding real estate) that will range within the following limits: large cap equity, 25% - 35%; small cap equity, 5% - 15%; developed international equity, 10% - 20%; emerging markets international equity, 5% - 10%; core alternatives, 7% - 13%; international fixed income, 3% - 7%; core fixed income, 16% - 24%; and cash 0% - 5%.

*Foreign Currency Risk.* This risk relates to adverse affects on the fair value of an investment from changes in exchange rates. At June 30, 2011, the Foundation had no exposure to foreign currency risk as there were no foreign investments in the Foundation's portfolio.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### Summary Of Fair Values

The fair value of deposits and investments are included in the statement of net assets as follows:

	<u>Fair Value</u>
Deposits	\$ 2,123,230
Investments	<u>56,466,367</u>
	<u>\$ 58,589,597</u>

Included in the following statement of net assets captions:

Cash and cash equivalents	\$ 2,123,230
Short-term investments	11,347,658
Long-term investments	<u>45,118,709</u>
	<u>\$ 58,589,597</u>

At June 30, 2011, the Foundation investments are summarized below.

Certificates of Deposit	\$ 275,000
U.S. Government Obligations	3,234,448
U.S. Government Agency Obligations	4,310,580
Common Stocks	22,084,092
Corporate Bonds	3,244,172
International/Other	1,348,260
Investments in Mutual Funds	<u>21,969,815</u>
	<u>\$ 56,466,367</u>

At June 30, 2011, maturities on the investments having a stated period were as follows:

Investment Type	Fair Value	Investment Maturities (In Years)			
		< 1 Year	1-5 Years	6-10 Years	> 10 Years
U.S. Government Obligations	\$ 3,234,448	\$ 590,920	\$ 1,194,170	\$ 788,009	\$ 661,349
U.S. Government Agency Obligations	4,310,580	142,394	361,813	575,605	3,230,768
Corporate bonds	3,244,172	91,466	1,010,855	1,301,910	839,941
Certificates of deposit	275,000	275,000	—	—	—
	<u>\$ 11,064,200</u>	<u>\$ 1,099,780</u>	<u>\$ 2,566,838</u>	<u>\$ 2,665,524</u>	<u>\$ 4,732,058</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

The Foundation manages the University's \$2,204,636 true endowment funds and \$2,088,897 quasi endowment funds as of June 30, 2011 with other Foundation endowment funds. All interest earned from these funds has been recorded in the accounting records of the Foundation and is periodically remitted to the University. The University endowments are included in due to Southeast Missouri State University in the Foundation's statement of net assets.

### Capital Assets

A summary of changes in capital assets in 2011 follows:

	Balance - June 30, 2010	Additions	Retirements	Balance - June 30, 2011
Land and improvements	\$ 6,447,823	\$ —	\$ 5,000	\$ 6,442,823
Buildings	6,857,108	—	55,467	6,801,641
Infrastructure	127,083	—	—	127,083
Equipment	335,648	—	—	335,648
	13,767,662	—	60,467	13,707,195
Less: Accumulated depreciation	3,262,223	199,229	9,691	3,451,761
	\$ 10,505,439	\$ (199,229)	\$ 50,776	\$ 10,255,434

### Long Term Obligations

Following is a summary of notes payable transactions of the Foundation for the year ended June 30, 2011:

	Balance - June 30, 2010	Principal Additions	Principal Payments	Balance - June 30, 2011
<u>General obligations</u>	<u>\$ 2,159,662</u>	<u>\$ —</u>	<u>\$ (133,802)</u>	<u>\$ 2,025,860</u>

On May 17, 2005, the Foundation purchased a 254.67 acre farm to be used as the University Demonstration Farm. The Foundation plans to convert the existing demonstration farm into a research park. To finance the purchase, the Foundation entered into a promissory note with First Missouri State Bank in the amount of \$1,462,500. This is a five year variable interest rate note that matured on May 17, 2010. On May 17, 2010, a change in terms agreement was signed modifying the original promissory note. There will be 59 regular payments of \$12,149 and one irregular last payment estimated at \$499,879 with a maturity date of May 17, 2015. The interest rate of the Promissory Note is 1.125 percentage points above the prime rate. As of June 30, 2010, the prime rate was 3.25% resulting in an interest rate of 4.375%.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

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 two-year fixed rate promissory note with Montgomery Bank in the amount of \$340,500 with a maturity of May 1, 2010. On May 1, 2010, a change in terms agreement was signed modifying the original promissory note. There will be 11 regular payments of \$6,933 and one irregular last payment estimated at \$302,540. The interest rate of the Promissory Note is 5.85% with a maturity date of May 1, 2013.

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 Security Bank & Trust Company in the amount of \$220,000 with a maturity of October 8, 2013. There will be 59 regular payments of \$1,478 and one final payment consisting of the remaining principal and accrued interest. The interest rate of the Promissory Note is 7.00%.

On December 30, 2008, the Foundation purchased property of 334 Morgan Oak and additional lots nearby in Cape Girardeau, Missouri. To finance the purchase, the Foundation entered into a three-year fixed rate promissory note with Montgomery Bank in the amount of \$600,000 with a maturity of December 30, 2011. There will be 35 regular payments of \$4,596 and one irregular last payment estimated at \$557,778. The interest rate of the Promissory Note is 6.75%.

On January 7, 2010, the Foundation financed the purchase of a vehicle with First Missouri State Bank. The principal amount of the promissory note is \$17,075 with an interest rate of 5.90% and a maturity of January 7, 2015. There will be 60 payments of \$330.

Scheduled principal payments on notes payable and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 741,439	\$ 90,319
2013	367,021	60,582
2014	329,125	33,675
2015	588,275	21,554
	<u>\$ 2,025,860</u>	<u>\$ 206,130</u>

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## Supplemental Schedule

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**SOUTHEAST MISSOURI STATE UNIVERSITY**

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

**June 30, 2011**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value Of Assets ( a )</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age ( b )</b>	<b>Unfunded AAL (UAAL) ( b - a )</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL As A Percentage Of Covered Payroll ((b - a) / c)</b>
7/1/2009	\$ —	\$ 2,649,824	\$ 2,649,824	0%	\$ 45,422,753	5.83%
7/1/2007	—	3,388,612	3,388,612	0%	48,502,603	6.99%