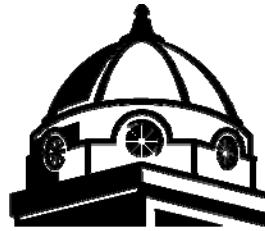


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**SOUTHEAST MISSOURI  
STATE UNIVERSITY**  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2022*

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**SOUTHEAST MISSOURI  
STATE UNIVERSITY • 1873**

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## Independent Auditors' Report

Board of Governors  
Southeast Missouri State University  
Cape Girardeau, Missouri

### Report On The Audit Of The Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of Southeast Missouri State University, (the University), a component unit of the State of Missouri, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis For Opinions*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Emphasis Of A Matter Relating To Restatement*

As described in Note 19, the 2021 financial statements have been restated to correct various items related to capital assets, unearned income, and the presentation of revenues and expense. Our opinion is not modified related to this matter.

#### *Emphasis Of A Matter Relating To Change In Accounting Principle*

As described in Notes 16 and 19, in 2022 the University adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Emphasis Of A Matter Relating To Restatement of Previously Issued Financial Statements***

In our report dated January 10, 2023, we expressed an opinion that the financial statements presented fairly the financial position of the business-type activities and discretely presented component unit of the University as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. As described in Note 17, the University restated Note 17 in order to correct the condensed financial information presented for the System Facilities Revenue Bond Fund. Our opinion is not modified with respect to this matter.

### ***Responsibilities Of Management For The Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities For The Audit Of The Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Other Reporting Required By Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*RubinBrown LLP*

January 10, 2023 (except for Note 17,  
which is dated February 24, 2023)

# 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 years ended June 30, 2022, 2021 and 2020. The Management's Discussion and Analysis is designed to focus on current activities and resulting changes, and should be read in conjunction with the University's basic financial statements and footnotes.

### **Using this Report**

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. These basic financial statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as operating, nonoperating or other. All things being equal, a public University's dependency on state appropriations and gifts will result in operating deficits. That is because the financial reporting model prescribed by GASB No. 34 classifies state appropriations and gifts as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the basic financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Management's Discussion And Analysis (Continued)

### Financial Analysis of the University

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

#### Condensed Statement of Net Position As of June 30, 2022, 2021 and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Current Assets</b>	\$ 91,644,169	\$ 92,244,553	\$ 66,623,218
<b>Noncurrent Assets</b>			
Capital assets, net of depreciation and amortization	404,082,490	419,212,824	441,991,391
Other	<u>27,983,433</u>	<u>7,918,642</u>	<u>22,373,857</u>
<b>Total Assets</b>	<u>523,710,092</u>	<u>519,376,019</u>	<u>530,988,466</u>
<b>Deferred Outflows of Resources</b>	<u>26,757,068</u>	<u>28,259,043</u>	<u>33,726,188</u>
<b>Current Liabilities</b>	27,078,200	23,159,747	36,126,084
<b>Noncurrent Liabilities</b>	<u>283,756,742</u>	<u>306,785,252</u>	<u>296,688,611</u>
<b>Total Liabilities</b>	<u>310,834,942</u>	<u>329,944,999</u>	<u>332,814,695</u>
<b>Deferred Inflows of Resources</b>	<u>27,081,323</u>	<u>8,999,546</u>	<u>10,331,604</u>
<b>Net Position</b>			
Net investment in capital assets	239,704,165	254,269,815	275,846,627
Restricted	3,657,489	3,898,875	3,946,194
Unrestricted	<u>(30,810,759)</u>	<u>(49,478,173)</u>	<u>(58,224,466)</u>
<b>Total Net Position</b>	<u>\$ 212,550,895</u>	<u>\$ 208,690,517</u>	<u>\$ 221,568,355</u>

The University's current assets consist primarily of cash and cash equivalents, short-term investments, accounts and grants receivable, and inventories. Current assets totaled \$91.6 million, \$92.2 million, and \$66.6 million for June 30, 2022, 2021, and 2020, respectively. The increase in current assets in the two most recent years is primarily reflective of economic conditions, particularly the interest rate environment.

Noncurrent assets are comprised primarily of capital assets (net of accumulated depreciation) and long-term investments. The University has recently impaired some of its assets and changed its capital asset policy resulting in a reduction to net capital asset values of \$37.9 million, from \$442.0 million at June 30, 2020 to \$404.1 million at June 30, 2022.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

These changes are further detailed in Note 6. Long-term investments have varied over the past three years due to the economic environment. Long-term investments at June 30, 2020 were \$15.5 million, decreased to \$0.9 million at June 30, 2021, and rebounded to \$24.8 million at June 30, 2022.

Deferred outflows of resources include deferred amounts related to refunding on bonds payable, postretirement employee benefits, employee pension plan, and pension contributions. Per GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*, deferred outflows related to debt refundings were \$7.4 million, \$8.2 million, and \$9.2 million at June 30, 2022, 2021 and 2020, respectively. Per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, deferred outflows were \$19.1 million, \$19.8 million, and \$24.2 million at June 30, 2022, 2021 and 2020, respectively, for amounts related to pension plan and pension plan contributions.

The University's current liabilities consist primarily of accounts payable, accrued compensation, accrued claims payable, and bond interest payable. Current liabilities also consist of the current (payable within one year) portion of unearned income, bonds payable, and notes payable. Current liabilities totaled \$27.1 million, \$23.2 million and \$36.1 million at June 30, 2022, 2021 and 2020, respectively. Current liabilities in fiscal years 2021 and 2022 were adjusted for a restatement of unearned income as discussed in Note 19.

Noncurrent liabilities consist primarily of long-term debt, pension and other postretirement employee benefits (OPEB) liabilities, and unearned income, and totaled \$283.8 million, \$306.8 million, and \$296.7 million at June 30, 2022, 2021 and 2020, respectively. Prior to the 2021 restatement, unearned income had not been separated between current and noncurrent portions. Detailed activity for long-term bond debt can be found in Note 8. The liabilities for pension and OPEB have been adjusted based on actuarial valuations as required under GASB Statement Nos. 68 and 75. Long-term unearned income is comprised of advances from Chartwells, the University's contracted food service provider, for capital investments which are being amortized through 2036.

As required by GASB Statement Nos. 68 and 71, deferred inflows related to pension plans were \$25.1 million, \$7.1 million and \$10.3 million at June 30, 2022, 2021 and 2020, respectively.



## SOUTHEAST MISSOURI STATE UNIVERSITY

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

The University's net position, which represents the residual interest in the University's assets after liabilities are deducted, remains strong even after the required restatement.

	<b>June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Net Position:</b>			
Net investment in capital assets	\$ 239,704,165	\$ 254,269,815	\$ 275,846,627
<b>Restricted:</b>			
Nonexpendable	1,970,860	2,206,602	2,284,871
Expendable	1,686,629	1,692,273	1,661,323
Total Restricted	<u>243,361,654</u>	<u>258,168,690</u>	<u>279,792,821</u>
<b>Unrestricted:</b>			
Designated	58,914,961	46,155,678	31,666,706
Undesignated	<u>(89,725,720)</u>	<u>(95,633,851)</u>	<u>(89,891,172)</u>
Total Unrestricted	<u>(30,810,759)</u>	<u>(49,478,173)</u>	<u>(58,224,466)</u>
<b>Total Net Position</b>	<u><u>\$ 212,550,895</u></u>	<u><u>\$ 208,690,517</u></u>	<u><u>\$ 221,568,355</u></u>

Net position invested in capital assets represents the University capital assets (net of accumulated depreciation and amortization) less any outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net investment in capital assets decreased \$36.1 million from \$275.8 million at June 30, 2020 to \$239.7 million at June 30, 2022. This reduction is in part due to the changes discussed in Note 6.

Restricted net position includes the University's permanent endowment, which is managed by the Southeast Missouri University Foundation, funds held for loan operations, and the accrual of debt-related interest obligations.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

Although unrestricted net position is not subject to externally imposed stipulations, the University has chosen to internally designate a portion of unrestricted funds for various University initiatives and purposes. These can be broken down into the following categories as held at June 30:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Unrestricted-Designated Net Position</b>			
Investment in inventories	\$ 2,075,388	\$ 2,130,908	\$ 2,332,855
Future operations (including capital projects)	43,790,532	34,014,255	21,383,526
Funds held for auxiliary operations	7,205,380	3,549,267	2,542,297
Funds held for university related operations	5,843,661	4,138,004	3,025,522
Quasi-endowment	<u>—</u>	<u>2,323,244</u>	<u>2,382,506</u>
Total	<u>\$ 58,914,961</u>	<u>\$ 46,155,678</u>	<u>\$ 31,666,706</u>

The University's remaining unrestricted-undesignated net position has been negative since the implementation of GASB Statement Nos. 68 and 71. The total unrestricted-undesignated net position of the University totaled (\$89.7 million), (\$95.6 million), and (\$89.9 million) at June 30, 2022, 2021, and 2020, respectively, and includes approximately \$120 million in net pension liabilities. Excluding these liabilities, the University has a reserve at June 30, 2022 of \$28.5 million for planned and unplanned one-time needs. Based on its fiscal year 2022 operating expenses of \$167.8 million, the reserve is equivalent to nearly 62 days of expenses, a metric that the University is monitoring, improving, and seeking to improve further. Additional category details may be found in Note 15.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Management's Discussion And Analysis (Continued)

The following schedule reflects the condensed revenues and expenses of the University for fiscal years 2022, 2021 and 2020:

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Operating Revenues:</b>			
Student tuition and fees, net of scholarship allowance	\$ 53,517,484	\$ 50,062,405	\$ 55,747,358
Grants and contracts	10,983,009	9,349,830	10,556,779
Auxiliary services	24,977,154	21,877,232	22,651,054
Other operating revenues	10,685,615	10,882,496	10,795,023
Total Operating Revenues	<u>100,163,262</u>	<u>92,171,963</u>	<u>99,750,214</u>
<b>Operating Expenses:</b>			
Personal service	87,871,772	94,120,046	102,983,044
Utilities and supplies	38,946,967	33,734,155	35,186,672
Scholarships	9,193,608	10,059,482	20,990,860
Depreciation and amortization	21,323,059	15,362,658	15,090,045
Emergency COVID-19 student relief	10,415,698	4,803,912	2,026,302
Other post-employment benefits (OPEB) expense	88,371	142,913	163,208
Total Operating Expenses	<u>167,839,475</u>	<u>158,223,166</u>	<u>176,440,131</u>
<b>Operating Loss</b>	<u>(67,676,213)</u>	<u>(66,051,203)</u>	<u>(76,689,917)</u>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	46,149,698	41,442,772	39,414,435
Federal grants - restricted	13,064,770	13,906,096	14,443,893
Emergency COVID-19 governmental assistance	20,198,032	12,756,044	7,305,623
Investment income	(227,676)	154,769	4,083,493
Gifts	1,424,610	1,686,200	3,512,561
Nonoperating expenses	(10,018,898)	(5,122,015)	(6,939,918)
Net Nonoperating Revenues	<u>70,590,536</u>	<u>64,823,866</u>	<u>61,820,087</u>
<b>Other Revenues</b>	<u>946,055</u>	<u>4,417,500</u>	<u>1,005,456</u>
<b>Increase (Decrease) In Net Position</b>	3,860,378	3,190,163	(13,864,374)
<b>Net Position - Beginning Of Year</b>	208,690,517	221,568,355	235,432,729
Restatement	—	(16,068,001)	—
As restated	<u>208,690,517</u>	<u>205,500,354</u>	<u>235,432,729</u>
<b>Net Position - End Of Year</b>	<u>\$ 212,550,895</u>	<u>\$ 208,690,517</u>	<u>\$ 221,568,355</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

Operating revenues for the University totaled \$100.2 million, \$92.2 million, and \$99.8 million for the years ended June 30, 2022, 2021 and 2020, respectively. The most significant sources of operating revenue for the University are student tuition and fees, auxiliary services, and grants and contracts. Student tuition and fees, net of scholarship allowance, has decreased by \$2.2 million from fiscal year 2020 to 2022 despite increasing tuition rates. As with most higher education institutions, the University has experienced declining student enrollments. These declines adversely affect both gross and net tuition and fee revenues as the University grows its discount rate in an effort to stabilize enrollment. Declining enrollments also impact Auxiliary Services, especially the Residence Life system and Parking and Transit. However, others more insulated from enrollment trends, such as the Show Me Center, have seen revenues increase with post-pandemic stabilization. Grants and contracts have remained stable since 2020.

Operating expenses of the University totaled \$167.8 million, \$158.2 million and \$176.4 million for the fiscal years ended June 30, 2022, 2021 and 2020, respectively. Personnel service costs, which includes salary plus benefits for faculty, staff and students, accounts for over half of the University's operating expenses. Although the University cannot control the cost of retirement benefits, the University has changed to a self-funded health insurance model and has reduced staffing where appropriate to reduce costs. This has helped the University to realize a \$15 million reduction in personnel service costs for fiscal year 2022 as compared to fiscal year 2020. Unfortunately, other required operating expenses such as utilities, property insurance, and software licensing, continue to rise. As mentioned previously, the University has reviewed its capital assets which has resulted in an accelerated depreciation schedule for some assets, increasing depreciation expense.

The University has experienced operating losses of \$67.7 million, \$66.1 million and \$76.7 million for the fiscal years ended June 30, 2022, 2021 and 2020, respectively. The reduction in operating loss reflects the rebound from COVID-19 as well as the University's intentional attempt to reduce operating expenses within its control.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

Non-operating revenues and expenses totaled \$70.6 million, \$64.8 million and \$61.8 million for the fiscal years ended June 30, 2022, 2021 and 2020, respectively. Although state appropriations are a significant source of revenue for the University, they ceased to be the largest source of revenue in fiscal year 2007. In recent years, state appropriations have been volatile. In 2020, the University experienced a one-time withholding of \$5.8 million. Fiscal year 2021 state appropriations were below the level of funding that was to have been received in 2020. State appropriations increased in fiscal years 2022 and 2023, and there is reason for optimism in terms of another increase for 2024, but concerns linger about the possibility that funding levels could begin to fall once again as state revenues continue to stabilize from the influx of COVID-19 funding and as a potential recession looms. The University has also directly benefitted from COVID-19 relief funding in the amounts of \$20.2 million, \$12.8 million and \$7.3 million for fiscal years ended June 30, 2022, 2021 and 2020, respectively. Of these funds, \$10.4 million, \$4.8 million and \$2.0 million, respectively, were distributed to students as emergency relief funds.

### **Bonds and Notes Payable**

The University had outstanding bonds of approximately \$158.7 million, \$162.6 million and \$168.3 million at June 30, 2022, 2021 and 2020, respectively. During all fiscal years, the University made all regularly scheduled debt service payments. During fiscal year 2021, the University issued its Series 2020 bonds for the purpose of refunding its Series 2013A bonds. During fiscal year 2020, the University issued its Series 2019 bonds for the purpose of partially refunding its Series 2010B bonds. More detailed information may be found in Note 8.

The University had outstanding notes payable of approximately \$531 thousand, \$646 thousand, and \$299 thousand at June 30, 2022, 2021 and 2020, respectively. No new notes were issued in 2022. However, new loans were issued to finance a \$458 thousand purchase of pianos in 2021 and a \$97.5 thousand purchase/installation of energy efficient lighting in 2020. More detailed information may be found in Note 9.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

#### Capital Assets

At June 30, 2022, 2021 and 2020, the University's investment in capital assets was as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$ 4,212,638	\$ 4,217,138	\$ 4,217,138
Buildings and improvements	492,315,368	497,525,859	528,401,742
Leasehold improvements	13,553,502	13,584,161	4,416,323
Infrastructure	39,444,110	38,387,410	39,615,395
Equipment	39,954,577	42,436,188	47,249,851
Library books	26,254,728	26,403,575	26,714,703
Construction in progress	4,622,044	4,190,574	5,450,305
Lease intangible asset	7,515,280	3,340,116	—
	<u>627,872,247</u>	<u>630,085,021</u>	<u>656,065,457</u>
Less: Accumulated depreciation and amortization	<u>223,789,757</u>	<u>210,872,197</u>	<u>214,074,066</u>
	<u>\$ 404,082,490</u>	<u>\$ 419,212,824</u>	<u>\$ 441,991,391</u>

In addition, at June 30, 2022, 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 \$21.7 million and include \$9.7 million for the south stadium phase of the Houck Project and \$8.8 million for various utility tunnel repairs. These projects are being funded by state and federal dollars as well as donations and University funds.

#### Economic Outlook

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

## **SOUTHEAST MISSOURI STATE UNIVERSITY**

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

The University's fiscal health is a reflection of its operational health and its ability to identify and execute its most strategic priorities. In an environment as challenging as the one currently faced, complex decisions lie ahead, a reality with which the University is acquainted. During fiscal year 2020, Southeast identified a budget need of nearly \$21 million and created a three-year plan to address it through a combination of budget reductions and revenue enhancements. Although that need has been met, others are always on the horizon. Southeast continues to monitor its fiscal health, and during 2022 adopted a strategic action plan that is intended to guide decisions that will bolster the institution's long-term sustainability. Anticipating continued challenges due to the changing economic landscape, decline in college aged students, and change in perception of a higher education, the University must and will respond to these challenges by focusing more than ever on maximizing its net tuition and fee revenues, continuing to identify opportunities for additional cost efficiencies and growth in other revenue streams, pursuing financially advantageous partnerships, and ensuring that its expenditures reflect its highest priority - student success.

### **Contacting the University's Financial Management**

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

# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF NET POSITION

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	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
	<u>(As Restated)</u>	
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 37,363,374	\$ 40,320,870
Restricted cash and cash equivalents	1,473,814	1,479,458
Short-term investments	41,821,566	36,861,664
Accrued interest receivable	133,128	35,513
Due from component unit - Foundation	809,982	804,756
Accounts receivable (net of allowance of \$638,224 in 2022 and \$667,413 in 2021)	4,586,925	4,374,054
Notes receivable	517,936	512,280
Lease receivable	730,405	791,655
Due from federal government	1,578,773	4,484,231
Inventory	2,075,388	2,130,908
Prepaid expenses	552,878	449,164
<b>Total Current Assets</b>	<b>91,644,169</b>	<b>92,244,553</b>
<b>Noncurrent Assets</b>		
Investments	24,795,544	900,000
Due from component unit - Foundation	1,970,863	4,554,275
Notes receivable (net of allowance of \$1,149,847 and \$1,053,510 in 2022 and 2021, respectively)	1,077,252	1,612,000
Lease receivable	139,774	852,367
Capital assets - non-depreciable	13,159,208	12,912,538
Capital assets, net - depreciable	385,115,897	403,626,145
Lease intangible asset, net	5,807,385	2,674,141
<b>Total Noncurrent Assets</b>	<b>432,065,923</b>	<b>427,131,466</b>
<b>Total Assets</b>	<b>523,710,092</b>	<b>519,376,019</b>
<b>Deferred Outflows Of Resources</b>		
Deferred amounts on refunding of bonds payable	7,424,702	8,195,169
Deferred amounts related to other postretirement employee benefit plan	201,514	238,087
Deferred amounts related to pension plan	9,642,723	10,562,815
Deferred amounts related to pension contributions	9,488,129	9,262,972
<b>Total Deferred Outflows Of Resources</b>	<b>26,757,068</b>	<b>28,259,043</b>



# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF NET POSITION

Page 2 Of 2

	June 30,	
	2022	2021 (As Restated)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,696,537	\$ 3,141,023
Accrued compensation	8,027,938	7,468,209
Accrued claims liability	1,297,616	1,227,639
Bond interest payable	1,479,459	1,479,459
Funds held for others	77,186	217,726
Unearned income	7,003,782	4,662,236
Current portion of bonds payable	4,300,000	2,370,000
Current portion of notes payable	118,660	114,593
Current portion of lease payable	919,022	2,208,862
Current portion of other postretirement benefit liability	158,000	270,000
<b>Total Current Liabilities</b>	<b>27,078,200</b>	<b>23,159,747</b>
<b>Noncurrent Liabilities</b>		
Due to federal government	1,943,968	2,380,356
Bonds payable	154,388,270	160,198,141
Notes payable	412,673	531,334
Lease payable	5,084,766	714,911
Unearned income	6,033,903	6,501,043
Total other postretirement employee benefit liability	3,619,052	4,322,245
Net pension liability	112,274,110	132,137,222
<b>Total Noncurrent Liabilities</b>	<b>283,756,742</b>	<b>306,785,252</b>
<b>Total Liabilities</b>	<b>310,834,942</b>	<b>329,944,999</b>
<b>Deferred Inflows Of Resources</b>		
Deferred amounts related to other postretirement employee benefit plan	1,146,943	279,952
Deferred amounts related to pension plan	25,064,201	7,075,572
Deferred amounts on lease revenues	870,179	1,644,022
<b>Total Deferred Inflows Of Resources</b>	<b>27,081,323</b>	<b>8,999,546</b>
<b>Net Position</b>		
Net investment in capital assets	239,704,165	254,269,815
Restricted for:		
Nonexpendable -		
Scholarships	1,970,860	2,206,602
Expendable -		
Debt service	1,473,814	1,479,458
Loans	212,815	212,815
Unrestricted	(30,810,759)	(49,478,173)
<b>Total Net Position</b>	<b>\$ 212,550,895</b>	<b>\$ 208,690,517</b>

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

**STATEMENT OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,740,669	\$ 4,694,447
Short-term investments	2,413,933	1,582,728
Receivables:		
Pledges receivable (net of allowance of \$15,967 and \$24,934 in 2022 and 2021, respectively)	112,594	178,940
Notes receivable	491,367	490,670
Accrued interest receivable	77,525	78,656
<b>Total Current Assets</b>	<b>10,836,088</b>	<b>7,025,441</b>
<b>Noncurrent Assets</b>		
Investments:		
Endowment investments	107,737,003	127,337,911
Cash surrender value of life insurance	780,090	755,840
Pledges receivable (net of allowance of \$10,954 and \$10,939 in 2022 and 2021, respectively)	77,242	78,507
Long term notes receivable, net of imputed interest	2,032,117	2,450,067
Property held for resale and development	1,259,315	1,245,715
Property and equipment, net of accumulated depreciation	10,733,733	10,954,474
<b>Total Noncurrent Assets</b>	<b>122,619,500</b>	<b>142,822,514</b>
<b>Total Assets</b>	<b>\$ 133,455,588</b>	<b>\$ 149,847,955</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 24,243	\$ 71,807
Due to primary institution - University	809,982	804,756
Note payable to bank	182,477	64,877
Funds held for others	59,516	61,544
Annuity obligations	179,767	211,222
<b>Total Current Liabilities</b>	<b>1,255,985</b>	<b>1,214,206</b>
<b>Noncurrent Liabilities</b>		
Deferred revenue	1,069	10,150
Note payable to bank	413,062	595,046
Annuity obligations	963,031	943,499
Due to primary institution - University	1,970,859	4,554,275
<b>Total Noncurrent Liabilities</b>	<b>3,348,021</b>	<b>6,102,970</b>
<b>Total Liabilities</b>	<b>4,604,006</b>	<b>7,317,176</b>
<b>Net Assets</b>		
Without donor restriction	26,150,660	24,094,295
With donor restriction	102,700,922	118,436,484
<b>Total Net Assets</b>	<b>128,851,582</b>	<b>142,530,779</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 133,455,588</b>	<b>\$ 149,847,955</b>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2022	2021 (As Restated)
<b>Operating Revenues</b>		
Student tuition and fees (net of scholarship allowance of \$28,116,586 in 2022 and \$23,239,962 in 2021)	\$ 53,517,484	\$ 50,062,405
Federal grants - restricted	2,662,349	2,055,309
State grants and contracts - restricted	7,486,242	6,535,662
Nongovernmental grants and contracts - restricted	834,418	758,859
Sales and services of educational departments	2,916,132	2,472,050
Auxiliary enterprises:		
Residence life (net of scholarship allowance of \$5,597,164 in 2022 and \$4,490,375 in 2021; revenues are used as security for revenue bonds Series 2016A, 2016B, 2016C, and 2020)	17,275,088	15,948,921
Other auxiliary (net of scholarship allowance of \$167,883 in 2022 and \$142,054 in 2021; revenues are used as security for revenue bonds Series 2016A, 2016B, 2016C and 2020)	7,702,066	5,928,311
Other operating revenues	7,769,483	8,410,446
<b>Total Operating Revenues</b>	<b>100,163,262</b>	<b>92,171,963</b>
<b>Operating Expenses</b>		
Personnel services	87,871,772	94,120,046
Scholarships	9,193,608	10,059,482
Utilities	5,073,443	4,274,467
Supplies and other services	33,873,524	29,459,688
Depreciation and amortization	21,323,059	15,362,658
Other post-employment benefit (OPEB) expense	88,371	142,913
Emergency COVID-19 student relief	10,415,698	4,803,912
<b>Total Operating Expenses</b>	<b>167,839,475</b>	<b>158,223,166</b>
<b>Operating Loss</b>	<b>(67,676,213)</b>	<b>(66,051,203)</b>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	46,149,698	41,442,772
Federal grants - restricted	13,064,770	13,906,096
Emergency COVID-19 governmental assistance	20,198,032	12,756,044
Investment income (loss)	(227,676)	154,769
Contributions and gifts	1,424,610	1,686,200
Interest on capital asset-related debt	(5,201,879)	(4,570,143)
Loss on disposal of plant facilities	(4,817,019)	(551,872)
<b>Net Nonoperating Revenues</b>	<b>70,590,536</b>	<b>64,823,866</b>
<b>Loss Before Other Revenues, Expenses And Gains</b>	<b>2,914,323</b>	<b>(1,227,337)</b>
State capital appropriations	681,487	4,094,371
Capital grants and gifts	264,568	323,129
<b>Total Other Revenues, Expenses And Gains</b>	<b>946,055</b>	<b>4,417,500</b>
<b>Change In Net Position</b>	<b>3,860,378</b>	<b>3,190,163</b>
<b>Net Position - Beginning Of Year (As Originally Stated)</b>	<b>208,690,517</b>	<b>221,568,355</b>
<b>Restatement (Note 19)</b>	<b>—</b>	<b>(16,068,001)</b>
<b>Net Position - Beginning Of Year (As Restated)</b>	<b>208,690,517</b>	<b>205,500,354</b>
<b>Net Position - End Of Year</b>	<b>\$ 212,550,895</b>	<b>\$ 208,690,517</b>

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

**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2022**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Totals</b>
<b>Support And Revenue</b>			
Contributions of cash and other assets, net of discount	\$ 3,827,332	\$ 5,860,670	\$ 9,688,002
Contributions of nonfinancial assets	4,099	347,728	351,827
Investment return	510,879	(18,855,014)	(18,344,135)
Rental income	376,356	5,270	381,626
Special events, net of expense	580	39,006	39,586
Gain on annuity and trust obligations	—	11,449	11,449
Other revenues and transfers	(1,524,343)	1,963,196	438,853
Net assets released from restrictions	5,107,867	(5,107,867)	—
<b>Total Support And Revenue</b>	<b>8,302,770</b>	<b>(15,735,562)</b>	<b>(7,432,792)</b>
<b>Expenses And Losses</b>			
Program expenses	4,823,212	—	4,823,212
Management and general	1,227,080	—	1,227,080
Fundraising	196,113	—	196,113
<b>Total Expenses And Losses</b>	<b>6,246,405</b>	<b>—</b>	<b>6,246,405</b>
<b>Change In Net Assets</b>	<b>2,056,365</b>	<b>(15,735,562)</b>	<b>(13,679,197)</b>
<b>Net Assets - Beginning Of Year</b>	<b>24,094,295</b>	<b>118,436,484</b>	<b>142,530,779</b>
<b>Net Assets - End Of Year</b>	<b>\$ 26,150,660</b>	<b>\$ 102,700,922</b>	<b>\$ 128,851,582</b>

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

**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support And Revenue</b>			
Contributions, net of discount	\$ 456,775	\$ 6,525,247	\$ 6,982,022
Investment return	95,179	27,553,856	27,649,035
Rental income	376,356	25,951	402,307
Special events, net of expense	—	34,620	34,620
Loss on annuity and trust obligations	—	548,749	548,749
Other revenues and transfers	495,582	(138,860)	356,722
Net assets released from restrictions	4,771,041	(4,771,041)	—
<b>Total Support And Revenue</b>	<b>6,194,933</b>	<b>29,778,522</b>	<b>35,973,455</b>
<b>Expenses And Losses</b>			
Program expenses	4,647,744	—	4,647,744
Management and general	886,848	—	886,848
Fundraising	179,181	—	179,181
<b>Total Expenses And Losses</b>	<b>5,713,773</b>	<b>—</b>	<b>5,713,773</b>
<b>Change In Net Assets</b>	<b>481,160</b>	<b>29,778,522</b>	<b>30,259,682</b>
<b>Net Assets - Beginning Of Year</b>	<b>23,613,135</b>	<b>88,657,962</b>	<b>112,271,097</b>
<b>Net Assets - End Of Year</b>	<b>\$ 24,094,295</b>	<b>\$ 118,436,484</b>	<b>\$ 142,530,779</b>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF CASH FLOWS

Page 1 Of 2

	For The Years Ended June 30,	
	2022	2021 (As Restated)
<b>Cash Flows From Operating Activities</b>		
Tuition and fees	\$ 56,335,942	\$ 49,438,236
Grants and contracts	11,902,444	9,938,270
Auxiliary enterprises	24,938,176	22,352,491
Other receipts	13,125,609	11,232,364
Payments to vendors and suppliers	(48,156,554)	(46,331,579)
Emergency COVID-19 student relief	(10,415,698)	(4,803,912)
Payments to employees	(88,276,565)	(89,002,107)
<b>Net Cash Used In Operating Activities</b>	<b>(40,546,646)</b>	<b>(47,176,237)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State appropriations	46,004,649	40,531,545
Nonoperating federal grants	13,064,770	13,906,096
Emergency COVID-19 governmental assistance	21,698,109	15,596,592
Gifts received for other than capital purposes	1,319,355	1,600,761
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>82,086,883</b>	<b>71,634,994</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Capital appropriations	681,487	4,094,371
Capital gifts received	264,568	323,129
Purchases of capital assets and payments to contractors	(6,747,669)	(4,641,933)
Proceeds from issuance of note payable	—	457,908
Proceeds from issuance of capital debt	—	57,480,000
Proceeds from disposal of capital assets	—	68,232
Principal paid on capital debt, notes and leases	(3,579,743)	(70,756,649)
Premium from issuance of capital debt	—	8,000,446
Interest paid on capital debt, notes and leases	(5,941,283)	(4,781,775)
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(15,322,640)</b>	<b>(9,756,271)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales and maturities of investments	24,796,439	28,122,768
Interest on investments	276,283	310,157
Purchase of investments	(54,253,459)	(35,011,664)
<b>Net Cash Used In Investing Activities</b>	<b>(29,180,737)</b>	<b>(6,578,739)</b>
<b>Net Increase In Cash And Cash Equivalents</b>	<b>(2,963,140)</b>	<b>8,123,747</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>41,800,328</b>	<b>33,676,581</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 38,837,188</b>	<b>\$ 41,800,328</b>
<b>Supplemental Disclosure Of Cash Flow Information</b>		
Noncash transactions:		
Capital asset purchases included in accounts payable	\$ 905,656	\$ 818,745
Unrealized gain (loss) on investments	(648,208)	(132,531)

# SOUTHEAST MISSOURI STATE UNIVERSITY

## STATEMENT OF CASH FLOWS

Page 2 Of 2

	<b>For The Years</b>	
	<b>Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>(As Restated)</b>	
<b>Reconciliation Of Operating Loss To Net Cash</b>		
<b>From Operating Activities:</b>		
Operating loss	\$ (67,676,213)	\$ (66,051,203)
Adjustments to reconcile operating loss to net cash		
from operating activities:		
Depreciation and amortization expense	21,323,059	15,362,658
Workers compensation and unemployment expenses		
paid by state	145,049	911,227
Gifts in kind from Southeast Missouri University		
Foundation	105,255	85,439
Changes in deferred outflows related to other		
postretirement benefit plan	36,573	36,573
Changes in deferred outflows related to pension plan	920,092	4,627,561
Changes in deferred outflows related to pension contributions	(225,157)	(211,034)
Changes in deferred inflows related to pension plan	17,988,629	(2,933,077)
Changes in deferred inflows related to other		
postretirement benefit plan	866,991	(43,003)
Changes in assets and liabilities:		
Receivables, net	4,299,788	2,399,744
Inventories	55,520	201,947
Prepaid expenses	(103,714)	(107,082)
Accounts payable	32,215	(2,632,807)
Unearned income	1,874,406	(1,738,321)
Accrued compensation	559,729	(744,604)
Accrued claims liability	69,977	(491,203)
Deposits held for others	(140,540)	42,536
Net other postretirement employee benefit liability	(815,193)	149,343
Net pension liability	(19,863,112)	3,959,069
<b>Net Cash Used In Operating Activities</b>	<b>\$ (40,546,646)</b>	<b>\$ (47,176,237)</b>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2022 And 2021

### 1. Organization

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

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

#### **Basis Of Accounting And Presentation:**

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

The basic financial statements of the University have been prepared using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for public colleges and universities and is presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements - Management's Discussion and Analysis for Public Colleges and Universities*.

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



#### **Reporting Entity**

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

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

The Foundation is a private nonprofit organization that reports under generally accepted accounting principles set forth by the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences. The Foundation's significant notes are summarized in Note 18.

During the years ended June 30, 2022 and 2021, the Foundation distributed \$4,364,578 and \$4,260,222, respectively, to the University for both restricted and unrestricted purposes.

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

**Summary Of Significant Accounting Policies**

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

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

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

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

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

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

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

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

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

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

***Net Position***

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

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

- ***Restricted:***

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

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

- ***Unrestricted:*** Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Governors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and research programs and initiatives and capital projects, excluding the effects of the pension obligation and related deferrals.

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

***Unearned Income*** - Unearned income consists primarily of the University's dining services vendor's investment in facilities. Although the current contract runs through fiscal year 2031, the amortization schedule for the \$6.0 million balance at June 30, 2022 runs through fiscal year 2036. Short term unearned income includes summer school tuition, housing, and other revenues received but not earned during the current year.

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

***Deferred Outflows And Inflows Of Resources*** - In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and therefore will not be recognized as an outflow of resources until then. At June 30, 2022 and 2021, the University's deferred outflows of resources consist of deferred amounts on refunding of bonds payable, which results from the difference between the reacquisition price of refunded debt and its carrying value. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. Deferred inflows of resources consist of the acquisition of net position that is applicable to a future reporting period or periods and so will not be recognized as inflow of resources until then.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

As of June 30, 2022 and 2021, the University's deferred inflows include the University's proportionate share of the collective deferred inflows of resources for the MOSERS retirement plan and the deferred inflows for the other postretirement benefit plan. Deferred inflows also include payments to be received under leasing transactions where the University is the lessor; these will be recorded as revenue in future years.

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

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

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

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

### 3. Deposits And Investments

#### Deposits

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. Agencies or instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University maintains a depository contract and pledge agreement with its safekeeping bank that complies with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA).

As of June 30, 2022 and 2021, the University had no deposits exposed to custodial credit risk.

*Foreign Currency Risk.* This represents the risk related to adverse effects on the fair value of a deposit from changes in exchange rates. As of June 30, 2022 and 2021, the University had no exposure to foreign currency risk as the University had no deposits held by international banks.

### **Investments**

The University may invest in United States Treasury Securities, United States Agency Securities, repurchase agreements, collateralized public deposits (certificates of deposits) and banker's acceptances. At June 30, 2021, the University held no investments in securities.

At June 30, 2022, the University had the following investments and maturities:

<b>Investment Type</b>	<b>Credit Rating</b>	<b>Fair Value</b>	<b>Investment Maturities (In Years)</b>	
			<b>&lt; 1 Year</b>	<b>1-5 Years</b>
U.S. Treasury Obligations	*	\$ 53,867,110	\$ 29,671,610	\$ 24,195,500
<b>Total</b>		<b>\$ 53,867,110</b>	<b>\$ 29,671,610</b>	<b>\$ 24,195,500</b>

\*U.S. Treasury and Agency obligations are rated AAA by Moody's Investor Services and AAA 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 credit risk by:

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

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Collateralization equal to at least 100% of the market value (including accrued interest) is required for repurchase agreements. In accordance with the investment policy, the University addresses custodial credit risk by diversifying its investment portfolio and maintaining a standard of quality for its investments. The University had no investments exposed to custodial credit risk at June 30, 2022 or 2021.

*Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government investment in a single issuer. According to the University's investment policy, investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. The types of investments that can be held in the University's portfolio include U.S. Treasury and Agency securities, repurchase agreements, collateralized public deposits, commercial paper and banker's acceptances. No more than 5% of the total market value of the portfolio may be invested in banker's acceptances issued by any one commercial bank and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.



## SOUTHEAST MISSOURI STATE UNIVERSITY

### Notes To Financial Statements (Continued)

The University's investments in U.S. Agency Obligations consist of Freddie Mac, Federal Farm Credit Bank, and Federal Home Loan Bank securities. The concentration in each category at June 30, 2022 was as follows:

U.S. Treasury Obligations	100.00%
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*Foreign Currency Risk.* This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. As of June 30, 2022 and 2021, the University had no exposure to foreign currency risk as there were no foreign investments in the University's portfolio.

### Summary Of Fair Values

The fair value of deposits and investments are as follows:

	<u>2022</u>	<u>2021</u>
<b>Deposits</b>		
Cash in bank	\$ 9,400,058	\$ 9,483,740
Cash on hand	182,294	194,798
Repurchase agreement	29,254,836	32,121,790
Certificates of deposit	12,750,000	37,761,664
	<u>51,587,188</u>	<u>79,561,992</u>
<b>Investments</b>		
US Government Treasury Obligations	53,867,110	—
	<u>\$ 105,454,298</u>	<u>\$ 79,561,992</u>

Included in the following statement of net position captions:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 37,363,374	\$ 40,320,870
Restricted cash and cash equivalents	1,473,814	1,479,458
Short-term investments	41,821,566	36,861,664
Long-term investments	24,795,544	900,000
	<u>\$ 105,454,298</u>	<u>\$ 79,561,992</u>

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

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

The University has the following recurring fair value measurements as of June 30, 2022:

- U.S. Government Treasury Obligations of \$53,867,110 valued using a matrix pricing model (Level 2 inputs).

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

### Investment Income

Investment income for the years ended June 30, 2022 and 2021 consists of:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 373,898	\$ 290,783
Realized gain (loss) on investments	46,634	(3,483)
Net increase (decrease) in fair value of investments	(648,208)	(132,531)
	<u>\$ (227,676)</u>	<u>\$ 154,769</u>

## 4. Accounts Receivable

The composition of accounts receivable at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Student billings	\$ 3,592,720	\$ 4,036,869
Departmental operations	361,539	238,195
State and private grants	682,237	560,051
Capital project funding	363,760	—
Auxiliary operations	198,704	159,726
Other	26,189	46,626
	<u>5,225,149</u>	<u>5,041,467</u>
Less: Allowance for doubtful accounts	638,224	667,413
	<u>\$ 4,586,925</u>	<u>\$ 4,374,054</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### 5. Notes Receivable

The composition of notes receivable at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Federal loan programs	\$ 2,745,035	\$ 3,177,790
Less: Allowance for doubtful accounts	1,149,847	1,053,510
	<u>\$ 1,595,188</u>	<u>\$ 2,124,280</u>

### 6. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance - June 30, 2021 (As Restated)	Additions	Retirements	Balance - June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 4,217,138	\$ —	\$ (4,500)	\$ 4,212,638
Library books	4,504,826	—	(180,300)	4,324,526
Construction in progress	4,190,574	5,260,179	(4,828,709)	4,622,044
Total capital assets not being depreciated	<u>12,912,538</u>	<u>5,260,179</u>	<u>(5,013,509)</u>	<u>13,159,208</u>
Capital assets, being depreciated:				
Building and improvements	497,525,859	2,973,745	(8,184,236)	492,315,368
Infrastructure	38,387,410	1,823,088	(766,388)	39,444,110
Leasehold improvements	13,584,161	—	(30,659)	13,553,502
Equipment	42,436,188	1,641,632	(4,123,243)	39,954,577
Library books	21,898,749	31,453	—	21,930,202
Total capital assets being depreciated	<u>613,832,367</u>	<u>6,469,918</u>	<u>(13,104,526)</u>	<u>607,197,759</u>
Less accumulated depreciation for:				
Building and improvements	149,955,462	13,623,610	(4,318,014)	159,261,058
Infrastructure	11,012,842	921,998	(198,307)	11,736,533
Leasehold improvements	3,663,008	3,614,021	(20,433)	7,256,596
Equipment	33,342,532	1,475,441	(3,868,745)	30,949,228
Library books	12,232,378	646,069	—	12,878,447
Total accumulated depreciation	<u>210,206,222</u>	<u>20,281,139</u>	<u>(8,405,499)</u>	<u>222,081,862</u>
Total capital assets being depreciated, net	<u>403,626,145</u>	<u>(13,811,221)</u>	<u>(4,699,027)</u>	<u>385,115,897</u>
Capital assets, net	<u>\$ 416,538,683</u>	<u>\$ (8,551,042)</u>	<u>\$ (9,712,536)</u>	<u>\$ 398,275,105</u>
Lease intangible asset:				
Building and improvements	2,755,563	3,934,419	—	6,689,982
Equipment	29,549	240,745	—	270,294
Land	539,107	—	—	539,107
Other	15,897	—	—	15,897
Total lease intangible asset	<u>3,340,116</u>	<u>4,175,164</u>	<u>—</u>	<u>7,515,280</u>
Less accumulated amortization for:				
Building and improvements	560,374	832,923	—	1,393,297
Equipment	11,882	115,278	—	127,160
Land	93,350	93,350	—	186,700
Other	369	369	—	738
Total accumulated depreciation	<u>665,975</u>	<u>1,041,920</u>	<u>—</u>	<u>1,707,895</u>
Lease intangible asset, net	<u>2,674,141</u>	<u>3,133,244</u>	<u>—</u>	<u>5,807,385</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

During fiscal year 2022, the University completed a full review of its capital assets. The Additions shown above include the completion of several projects that were begun in fiscal year 2021, including Towers North elevator upgrade, utility tunnel repairs, and Residence Life flooring replacement. The estimated cost to complete construction in progress at June 30, 2022 was \$21,749,837, for which funds are available from auxiliary funds, state appropriations, and other local sources. Projects in progress include upgrades to Residence Life and Athletic facilities as well as renovations and infrastructure improvements to academic buildings.

Retirements shown above include the impairment of four buildings that were taken out of service in 2022 due to structural integrity issues. Retirements also include assets that had previously been included in the University's depreciable assets that have been replaced or removed from service or that no longer meet the University's policy threshold for depreciable capital assets.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements *(Continued)*

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

	Balance - June 30, 2020 (As Restated)	Additions	Retirements	Balance - June 30, 2021 (As Restated)
Capital assets, not being depreciated:				
Land	\$ 4,217,138	\$ —	\$ —	\$ 4,217,138
Library books	4,944,177	—	(439,351)	4,504,826
Construction in progress	5,450,305	2,975,106	(4,234,837)	4,190,574
Total capital assets not being depreciated	14,611,620	2,975,106	(4,674,188)	12,912,538
Capital assets, being depreciated:				
Building and improvements	493,633,213	3,892,646	—	497,525,859
Infrastructure	38,327,666	59,744	—	38,387,410
Leasehold improvements	13,301,714	282,447	—	13,584,161
Equipment	47,249,851	904,847	(5,718,510)	42,436,188
Library books	21,770,526	128,223	—	21,898,749
Total capital assets being depreciated	614,282,970	5,267,907	(5,718,510)	613,832,367
Less accumulated depreciation for:				
Building and improvements	138,848,231	11,107,231	—	149,955,462
Infrastructure	10,257,207	755,635	—	11,012,842
Leasehold improvements	3,191,364	471,644	—	3,663,008
Equipment	37,167,518	1,712,770	(5,537,756)	33,342,532
Library books	11,582,975	649,403	—	12,232,378
Total accumulated depreciation	201,047,295	14,696,683	(5,537,756)	210,206,222
Total capital assets being depreciated, net	413,235,675	(9,428,776)	(180,754)	403,626,145
Capital assets, net	\$ 427,847,295	\$ (6,453,670)	\$ (4,854,942)	\$ 416,538,683
Lease intangible asset:				
Building and improvements	\$ 2,105,689	\$ 649,874	\$ —	\$ 2,755,563
Equipment	15,083	14,466	—	29,549
Land	277,729	261,378	—	539,107
Other	—	15,897	—	15,897
Total lease intangible asset	2,398,501	941,615	—	3,340,116
Less accumulated amortization for:				
Building and improvements	—	560,374	—	560,374
Equipment	—	11,882	—	11,882
Land	—	93,350	—	93,350
Other	—	369	—	369
Total accumulated depreciation	—	665,975	—	665,975
Lease intangible asset, net	\$ 2,398,501	\$ 275,640	\$ —	\$ 2,674,141

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

The estimated cost to complete construction in progress at June 30, 2021 was \$7,342,801 of which funds are available from auxiliary funds and other local sources. Projects in progress included upgrades to Residence Life and Athletic facilities as well as renovations and infrastructure improvements to academic buildings.

### 7. Accounts Payable

The composition of accounts payable at June 30, 2022 and 2021 is summarized as follows:

	<u>2022</u>	<u>2021</u>
Equipment purchases	\$ 151,738	\$ 122,292
Supplies and operating expenses	2,639,143	2,199,986
Capital improvements	827,062	786,588
Retainage - capital projects	78,594	32,157
	<u>\$ 3,696,537</u>	<u>\$ 3,141,023</u>

### 8. Bonds Payable

Bonds payable at June 30, 2022 are summarized as follows:

	<u>Balance - June 30, 2021</u>	<u>Principal Additions</u>	<u>Principal Payments</u>	<u>Balance - June 30, 2022</u>
System Facilities Revenue Bonds Series 2016A	\$ 12,525,000	\$ —	\$ (990,000)	\$ 11,535,000
System Facilities Taxable Revenue Bonds Series 2016B	8,070,000	—	(220,000)	7,850,000
System Facilities Revenue Bonds Series 2016C	25,025,000	—	—	25,025,000
Educational Facilities Refunding Revenue Bonds Series 2019	44,595,000	—	—	44,595,000
System Facilities Refunding Revenue Bonds Series 2020	57,480,000	—	(1,160,000)	56,320,000
	<u>\$ 147,695,000</u>	<u>\$ —</u>	<u>\$ (2,370,000)</u>	145,325,000
Less: Current maturities (due within one year)				4,300,000
Less: Discount on bond payable				10,134
Add: Premium on bond payable				13,373,404
				<u>\$ 154,388,270</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

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

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

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

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

Series 2020 Bonds Maturing April 1, 2040	
<u>Years</u>	<u>Amount</u>
2038-2040	\$5,330,000
Series 2020 Bonds Maturing April 1, 2043	
<u>Years</u>	<u>Amount</u>
2041-2043	\$2,691,000

The Series 2020 bonds, collateralized by a pledge of the gross income and revenues derived from the ownership or operation of the System Facilities bear interest at rates varying from 2.00% to 5.00% and mature serially through fiscal year 2043.

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

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

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

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



## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

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

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

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

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

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

The Series 2016C bonds, collateralized by a pledge of the gross income and revenues derived from the ownership or operation of the System Facilities bear interest at rates varying from 2.00% to 4.00% and mature serially through fiscal year 2042.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

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

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

Series 2016B Bonds Maturing April 1, 2031	
<u>Years</u>	<u>Amount</u>
2027-2031	\$1,350,000

Series 2016B Bonds Maturing April 1, 2036	
<u>Years</u>	<u>Amount</u>
2032-2036	\$1,625,000

Series 2016B Bonds Maturing April 1, 2045	
<u>Years</u>	<u>Amount</u>
2037-2045	\$3,935,000

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

The Series 2016A bonds, collateralized by a pledge of the gross income and revenues derived from the ownership or operation of the System Facilities bear interest at rates varying from 3.00% to 5.00% and mature serially through fiscal year 2032. The Series 2016B bonds also collateralized by a pledge of the gross income and revenues derived from the ownership or operation of the System Facilities bear interest at rates varying from 1.375%-4.37% and mature serially through 2045.

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. Until fiscal year 2022, System Facilities also included Textbook Services.

Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding 2016A, 2016B and 2016C and 2020 Series Bonds. Under the provisions of these bond resolutions, the University covenants to establish rates for the use and services of the System Facilities sufficient to fund operations, maintain reserves, and provide revenues to pay principal and interest on the bonds. Refer to Note 17 for a summary of System Facilities pledged revenue and segment information for fiscal years 2022 and 2021.

Interest expense on bonded debt was \$5,181,842 and \$4,546,188 for 2022 and 2021, respectively.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 4,300,000	\$ 5,805,658
2024	6,000,000	5,595,615
2025	7,110,000	5,289,102
2026	7,435,000	4,957,077
2027	7,765,000	4,620,977
2028-2032	41,335,000	17,682,575
2033-2037	37,865,000	9,881,879
2038-2042	30,720,000	3,177,301
2043-2045	2,795,000	183,937
	<u>\$ 145,325,000</u>	<u>\$ 57,194,121</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### 9. Notes Payable

Notes payable at June 30, 2022 are summarized as follows:

	Balance - June 30, 2021	Principal Additions	Principal Payments	Balance - June 30, 2022
Chartwell's-Olive's and Skylight Terrace Expansion	\$ 187,667	\$ —	\$ (17,691)	\$ 169,976
Department of Natural Resources Energy Loan	84,826	—	(9,015)	75,811
KS StateBank - Pianos	373,434	—	(87,888)	285,546
	<u>\$ 645,927</u>	<u>\$ —</u>	<u>\$ (114,594)</u>	<u>531,333</u>
Less: Current maturities (due within one year)				<u>118,660</u>
				<u>\$ 412,673</u>

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

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

On July 1, 2009, the University entered into an agreement with Chartwells, the University's contracted food service provider, for the construction of dining facilities in the new residence hall and expansion of the University Center to provide additional dining space. The University will make monthly principal payments, totaling \$577,870 through fiscal year 2031. The note is noninterest bearing. Interest has been imputed using a rate of 1.429%.

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

### Notes To Financial Statements (Continued)

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

Interest expense was \$20,037 and \$23,955 for 2022 and 2021, respectively. Scheduled fiscal year maturities on notes payable and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 118,660	\$ 15,972
2024	122,880	11,751
2025	127,260	7,370
2026	28,834	2,822
2027	29,394	2,262
2028 - 2031	104,305	3,445
	<u>\$ 531,333</u>	<u>\$ 43,622</u>

## 10. Unearned Income

Over the life of the contract with the University's contracted food service provider, the University has entered into several agreements for the construction, expansion, and improvement of dining facilities across the campus. These investments are considered advances (unearned income) from Chartwells that are being amortized through fiscal year 2036. Advances at June 30, 2022 are summarized as follows:

	<u>Balance - June 30, 2021</u>	<u>Additions</u>	<u>Amortization</u>	<u>Balance - June 30, 2022</u>
Original investment	\$ 1,127,815	\$ —	\$ (75,608)	\$ 1,052,207
2009 Investment	274,588	—	(18,408)	256,180
2012 Investment	1,061,533	—	(71,164)	990,369
2013 Investment	324,081	—	(21,726)	302,355
2015 Investment	3,432,186	—	(230,091)	3,202,095
2018 Investment	747,981	—	(50,144)	697,837
	<u>\$ 6,968,184</u>	<u>\$ —</u>	<u>\$ (467,141)</u>	<u>6,501,043</u>
Less: Current maturities (within one year)				<u>467,140</u>
				<u>\$ 6,033,903</u>

## 11. Retirement Plan - Missouri State Employees' Retirement System (MOSERS)

### *General Information About The Pension Plan*

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

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

*Contributions.* Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP2011 Plan are required to contribute 4% of their annual pay. The University's required contribution rate for the year ended June 30, 2022, was 25.31% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2021 was 22.88%, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$9,488,129 and \$9,262,972 for the years ended June 30, 2022 and 2021, respectively.

## SOUTHEAST MISSOURI STATE UNIVERSITY

### Notes To Financial Statements (Continued)

#### ***Pension Liabilities, Pension Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions***

At June 30, 2022 and 2021, the University reported a liability of \$112,274,110 and \$132,137,222, respectively, for its proportionate share of the net pension liability. The net pension liability at June 30, 2022 and 2021 was measured as of June 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2021. At June 30, 2021, the University's proportion was 2.00802%, a decrease from its proportion measured using 2.08169% as of the June 30, 2020 measurement date.

During the MOSERS plan year ended June 30, 2020, there were changes to reduce the long-term expected rate of return on investments from 7.10% to 6.95%, which increased the total pension liability. The long-term expected rate of return remained 6.95% during the plan year ended June 30, 2021.

For the years ended June 30, 2022 and 2021, the University recognized pension expense of \$8,311,384 and \$14,705,491, respectively.

At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ 1,790,245	\$ 496,736
Changes of assumptions	7,852,478	—
Net difference between projected and actual earnings on pension plan investments	—	20,241,824
Changes in proportion and differences between University contributions and proportionate share of contributions	—	4,325,641
University contributions subsequent to the measurement date of June 30, 2021	9,488,129	—
	<u>\$ 19,130,852</u>	<u>\$ 25,064,201</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

Deferred outflows of resources of \$9,488,129 resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the University's fiscal year following MOSERS' fiscal year as follows:

<b>Plan Year Ending June 30:</b>	<b>Amount</b>
2022	\$ (2,359,271)
2023	(1,623,638)
2024	(5,423,251)
2025	(6,015,318)
	<u>\$ (15,421,478)</u>



## SOUTHEAST MISSOURI STATE UNIVERSITY

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

*Actuarial assumptions.* The total pension liability in the June 30, 2021 actuarial valuation, which is also the date of measurement for financial reporting purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%, approximate
Salary increases	2.75% - 10.00% annually including inflation
Wage inflation	2.25 annually
Investment rate of return	6.95% per year, compounded annually, net after investment expenses and including inflation

Pre-retirement mortality rates were based on the Pub-2010 General Members Below Median Employee mortality table, set back two years for males and set forward one year for females. Mortality was projected generationally from 2010 to 2020 using Scale MP-2020 and 75% of Scale MP-2020 for years after 2020.

Post-retirement mortality rates for retirees were based on the Pub-2010 General Members Below Median Healthy Retiree mortality table, scaled by 104%, set back two years for males and set forward one year for females. Mortality projected generationally from 2010 to 2020 using Scale MP-2020 and 75% of Scale MP-2020 for years after 2020.

Post-retirement mortality rates for beneficiaries were based on the Pub-2010 General Members Below Median Contingent Survivor mortality table, set back two years for males and set forward one year for females. Mortality was projected generationally from 2010 to 2020 using Scale MP-2020 and 75% of Scale MP-2020 for years after 2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

*Long-term investment rate of return.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for both the old and new portfolios for each major asset class included in MOSERS target asset allocation as of June 30, 2021 is summarized in the following table:

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

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

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

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

	<b>1% Decrease (5.95%)</b>	<b>Current Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
University's proportionate share of the net pension liability	\$ 147,982,461	\$ 112,274,110	\$ 82,461,714

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

#### ***Payables To The Pension Plan***

As of June 30, 2022 and 2021, the University had payables of \$891,153 and \$859,532, respectively, due to MOSERS for legally required contributions to the plan.

## **12. Retirement Plan - College And University Retirement Plan**

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

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

The University is required to contribute to CURP at a statutorily determined rate; the rate was 6.00% of annual covered payroll for 2022 and 2021, respectively. The University's contributions to CURP for the years ended June 30, 2022 and 2021 were \$926,756 and \$1,019,656, respectively, which equaled the required contributions for those years.

#### ***Payables To The CURP Plan***

As of June 30, 2022 and 2021, the University had payables of \$122,044 and \$108,463, respectively, due to CURP for legally required contributions to the plan.

### **13. Postemployment Healthcare Plan**

*Plan Description.* The University provides a one-time opportunity for retirees to continue medical insurance coverage until age 65. Retirees after October 22, 2010 who elect to continue medical insurance are required to pay monthly premiums determined by plan type elected and Medicare eligibility. Financial statements for the plan are not available.

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

*Employees Covered by Benefit Terms.* As of June 30, 2021, the following employees were covered by the benefit terms:

Active employees eligible for coverage	948
Inactive employees or beneficiaries currently receiving benefits	28
	<hr/>
	976
	<hr/> <hr/>

*Total OPEB Liability.* The University's total OPEB liability of \$3,777,052 and \$4,592,245 were measured as of June 30, 2021 and 2020, respectively, and were determined by an actuarial valuation as of July 1, 2021 and 2019, respectively.

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

*Actuarial Assumptions and Methods.* The total OPEB liabilities in the July 1, 2021 actuarial valuation were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.18% (2019), 3.36% (2021), 4.09% (2022)*
Annual Wage Increases	3.00%
Price Inflation	2.50%
Healthcare Cost Trend Rates	8% for 2020, decreasing 0.25% per year

\*From the valuation date of July 1, 2021 to the fiscal years ended June 30, 2021 and 2022, the municipal bond yield used in GASB 75 measurements increased from 2.18% to 3.36% and 4.06%, respectively. These were material changes to inputs, and thus the valuation updated to June 30, 2021 and 2022 reflect these changes.

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

Mortality rates were based on Pub-2010 General Headcount - Weighted Mortality with Scale MP-2021.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements *(Continued)*

### *Changes in the Net OPEB Liability:*

Balance at June 30, 2021	\$ 4,592,245
Service cost	272,733
Interest cost	96,349
Net benefits paid by employer	(157,914)
Difference between expected and actual experience	(469,809)
Changes in assumptions	(556,552)
Net Change	(815,193)
Balance at June 30, 2022	\$ 3,777,052
Balance at June 30, 2020	\$ 4,442,902
Service cost	265,840
Interest cost	153,675
Net benefits paid by employer	(270,172)
Net Change	149,343
Balance at June 30, 2021	\$ 4,592,245

*Sensitivity Results.* The following presents the total OPEB liability of the University as of June 30, 2022 and 2021, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>June 30, 2022</b>		
	<b>1% Decrease (3.09%)</b>	<b>Current Discount Rate (4.09%)</b>	<b>1% Increase (5.09%)</b>
University's total OPEB liability	\$ 4,107,142	\$ 3,777,052	\$ 3,478,930
	<b>June 30, 2021</b>		
	<b>1% Decrease (2.36%)</b>	<b>Current Discount Rate (3.36%)</b>	<b>1% Increase (4.36%)</b>
University's total OPEB liability	\$ 4,983,535	\$ 4,592,245	\$ 4,238,237

## SOUTHEAST MISSOURI STATE UNIVERSITY

### Notes To Financial Statements (Continued)

The following presents the total OPEB liability of the University as of June 30, 2022 and 2021, as well as what the University's total OPEB liability would be if it were calculated using a health care trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

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

	<b>June 30, 2022</b>		
	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
University's total OPEB liability	\$ 3,384,971	\$ 3,777,052	\$ 4,234,945

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

For the years ended June 30, 2022 and 2021, the University recognized OPEB expense of \$246,285 and \$142,913, respectively. At June 30, 2022, the University reported deferred inflows of resources or deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ —	\$ 653,492
Changes of assumptions	201,514	493,451
	<u>\$ 201,514</u>	<u>\$ 1,146,943</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense in the University's future fiscal years as follows:

<u>Year Ending June 30:</u>	<u>Amount</u>
2023	\$ (122,797)
2024	(122,797)
2025	(122,797)
2026	(122,797)
2027	(122,797)
2028 and after	(331,444)
	<u>\$ (945,429)</u>

#### 14. Contingencies And Risk Management

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

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

University employees are covered under Worker's Compensation by the State of Missouri. Claims are submitted to the State and paid by the State on behalf of the University. Total claims paid for the University employees for fiscal year 2022 and fiscal year 2021 were \$145,049 and \$911,227, respectively.

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.



## SOUTHEAST MISSOURI STATE UNIVERSITY

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

The University has purchased property on occasion that requires monitoring for environmental issues that could result in liability. As of June 30, 2022 and 2021, the University is not aware of any material environmental liability.

Effective January 1, 2020, the University established a self-insured medical program covering substantially all employees. The University's liability has been limited by the purchase of specific (\$250,000 individual deductible limit in calendar year 2022 and 2021) and aggregate (\$1,000,000 deductible in calendar year 2022 and 2021) reinsurance. The University has recorded a liability for expenses incurred but not reported of \$1,297,616 and \$1,227,639 as of June 30, 2022 and 2021, respectively, which is included in the accrued claims liability on the statement of net position.

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

Changes in the balance of the insurance reserve liability during the years ended June 30, 2022 and 2021 were as follows:

Liability, July 1, 2020	\$ 1,718,842
Current year claims and changes in estimates	8,509,706
Claim payments	<u>9,000,909</u>
Liability, June 30, 2021	<u>\$ 1,227,639</u>
Current year claims and changes in estimates	\$ 8,657,809
Claim payments	<u>8,587,832</u>
Liability, June 30, 2022	<u>\$ 1,297,616</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

### 15. Net Position

**Restricted** - Net position is restricted when constraints placed are either externally imposed, or are imposed by law or enabling legislation. The composition of restricted net position at June 30, 2022 and 2021 was:

	<u>2022</u>	<u>2021</u>
<b>Nonexpendable</b>		
Scholarships	\$ 1,970,860	\$ 2,206,602
<b>Expendable</b>		
Debt service	1,473,814	1,479,458
Loans	212,815	212,815
	<u>1,686,629</u>	<u>1,692,273</u>
Total Restricted	<u>\$ 3,657,489</u>	<u>\$ 3,898,875</u>

**Unrestricted** - Unrestricted net position is not subject to externally imposed stipulations; however, it may be subject to internal designations. For example, unrestricted net position may be designated for specific purposes by action of the Board of Governors or may otherwise be limited by contractual agreements with outside parties. Unrestricted net position excluding the effects of the pension obligation and related deferrals is internally designated for academic programs and initiatives, investment in inventories and capital programs. Designated unrestricted net position was \$58,914,961 and \$46,155,678 at June 30, 2022 and 2021, respectively. Undesignated, unrestricted net position, including those of auxiliary operations, was \$(89,725,720) and \$(95,633,851) at June 30, 2022 and 2021, respectively.

Undesignated unrestricted net position at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
<b>Undesignated Unrestricted</b>		
Net pension liability at June 30, offset by pension-related deferred inflows and outflows, net of amounts included in restricted net position	\$ (118,207,459)	\$ (119,382,225)
All other operations of the University, including auxiliary operations	28,481,739	23,748,374
	<u>28,481,739</u>	<u>23,748,374</u>
Total undesignated unrestricted net position	<u>\$ (89,725,720)</u>	<u>\$ (95,633,851)</u>

As of June 30, 2022, University operations undesignated unrestricted net position consists of \$347,747 US Government Loan Programs, \$6,445,744 Auxiliary Undesignated and Unrestricted Undesignated of \$21,688,248.

As of June 30, 2021, University operations undesignated unrestricted net position consists of \$306,524 US Government Loan Programs, \$2,695,161 Auxiliary Undesignated and Unrestricted Undesignated of \$16,954,883.

## **16. Leases**

During 2022, the University implemented GASB Statement No. 87, *Leases*, which modified the financial reporting and disclosures for the University's transactions as lessee and lessor. The Statement requires retroactive application. As of July 1, 2020, the University's right to use intangible assets and lease liabilities were restated by \$2,398,501 and \$2,689,476, respectively, and lease receivables and related deferred inflows were restated by \$1,644,022. Refer to Note 19 for further detail regarding this restatement.

### ***Lessee***

For arrangements where the University is the lessee, a lease liability and a right to use (RTU) intangible asset are recognized at the commencement of the lease term. RTU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. RTU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The University uses the implicit rate in the lease to calculate the present value of the lease payments if available. Otherwise, the University's incremental borrowing rate at the date the agreement is entered into is used. The University includes lease extension and termination options in the lease term if, after considering other economic factors, it is reasonably certain the University will exercise the option. The University has not recognized RTU assets and lease liabilities for leases with terms for 12 months or less.

The University has entered into 89 contracts as lessee for land, building, and equipment. The lease contracts expire at various dates through 2063. The right to use the leased assets are intangible assets and are further disclosed in the capital asset footnote disclosure at Note 6.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

During 2022 and 2021, the University had the following activity under contracts where it is the lessee:

	<b>Balance - June 30, 2021</b>	<b>Principal Additions</b>	<b>Principal Payments</b>	<b>Balance - June 30, 2022</b>
Lease payable	\$ 2,923,773	\$ 4,175,164	\$ (1,095,149)	\$ 6,003,788
	<u>\$ 2,923,773</u>	<u>\$ 4,175,164</u>	<u>\$ (1,095,149)</u>	6,003,788
Less: Current maturities (due within one year)				919,022
				<u>\$ 5,084,766</u>
	<b>Balance - June 30, 2021</b>	<b>Principal Additions</b>	<b>Principal Payments</b>	<b>Balance - June 30, 2022</b>
Lease payable	\$ 2,689,476	\$ 941,570	\$ (707,273)	\$ 2,923,773
	<u>\$ 2,689,476</u>	<u>\$ 941,570</u>	<u>\$ (707,273)</u>	2,923,773
Less: Current maturities (due within one year)				2,208,862
				<u>\$ 714,911</u>

The following represents the future minimum lease payments required under the lease arrangements as of June 30, 2022:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 919,022	\$ 105,510
2024	748,505	92,949
2025	671,848	80,350
2026	670,990	67,991
2027	598,429	55,727
2028 - 2032	2,184,374	135,838
2033 - 2037	199,649	17,991
2038 - 2042	1,682	1,068
2043 - 2047	1,864	886
2048 - 2052	2,065	685
2053 - 2057	2,287	463
2058 - 2062	2,535	215
2063 - 2067	538	11
	<u>\$ 6,003,788</u>	<u>\$ 559,684</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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

#### ***Lessor***

For arrangements where the University is the lessor, a lease receivable and a deferred inflow of resources is recognized at the commencement of the lease term. The lease receivable is measured at the present value of the lease payments expected to be received during the term. The deferred inflows of resources should be measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relates to future periods.

The University has entered into 13 contracts as lessor for land and buildings. The lease contracts expire at various dates through 2034. The following represents the future minimum lease revenue under the lease arrangements as of June 30, 2022:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>
2023	\$ 730,405	\$ 4,027
2024	54,314	1,745
2025	13,769	1,411
2026	7,811	1,189
2027	7,949	1,051
2028 - 2032	41,886	3,114
2033 - 2037	14,045	205
	<b>\$ 870,179</b>	<b>\$ 12,742</b>

## **17. 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, 2022 and 2021, the University's outstanding bond debt includes System Facilities Revenue Bonds. System Facilities is composed of the Housing System, the Student Union facility, the Student Recreation and Aquatic Center, and the Parking and Transit System. Revenue derived from the operation of these facilities is pledged for the retirement of the outstanding Series 2016A, Series 2016B, Series 2016C, & Series 2020 bonds and payment of interest thereon semi-annually on April 1 and October 1.

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements *(Continued)*

The condensed financial information for the System Facilities Revenue Bond Fund as of June 30, 2022 and 2021 is as follows:

### Condensed Statement Of Net Position

	<u>2022</u>	<u>2021</u>
<b>Current Assets</b>	\$ 12,263,560	\$ 9,538,407
<b>Noncurrent Assets</b>		
Capital assets, net of depreciation	167,334,182	175,666,078
<b>Total Assets</b>	<u>179,597,742</u>	<u>185,204,485</u>
<b>Deferred Outflows Of Resources</b>	<u>4,213,944</u>	<u>4,674,536</u>
<b>Current Liabilities</b>	6,827,129	4,999,654
<b>Noncurrent Liabilities</b>	111,665,394	117,567,345
<b>Total Liabilities</b>	<u>118,492,523</u>	<u>122,566,999</u>
<b>Deferred Inflows Of Resources</b>	<u>662,272</u>	<u>1,283,167</u>
<b>Net Position</b>		
Net investment in capital assets	55,097,635	64,319,435
Unrestricted	9,559,256	1,709,420
<b>Total Net Position</b>	<u>\$ 64,656,891</u>	<u>\$ 66,028,855</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

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

	<u>2022</u>	<u>2021</u>
<b>Operating Revenue</b>		
Housing contracts, net of scholarship allowance	\$ 19,175,213	\$ 18,757,237
Student recreation center fees	2,049,704	2,302,539
Parking fees and fines	1,148,761	1,057,540
Food services	244,417	260,581
Other operating revenues	1,285,735	1,122,769
<b>Total Operating Revenue</b>	<b>23,903,830</b>	<b>23,500,666</b>
<b>Operating Expenses</b>		
Personnel service	3,963,622	4,283,518
Contract food service	6,601,355	6,688,934
Utilities and maintenance	2,341,786	2,866,530
Depreciation and amortization	6,160,619	5,353,277
Other operating expenses	1,082,484	2,431,130
<b>Total Operating Expenses</b>	<b>20,149,866</b>	<b>21,623,389</b>
<b>Operating Income</b>	<b>3,753,964</b>	<b>1,877,277</b>
<b>Nonoperating Revenue (Expenses)</b>		
Investment income	51,661	33,836
Disposal of plant facilities	(3,138,299)	—
Interest on capital asset related debt	(3,434,476)	(2,891,146)
Contribution revenue from food service vendor	1,395,186	467,141
Emergency COVID-19 governmental assistance	—	677,853
<b>Net Nonoperating Expenses</b>	<b>(5,125,928)</b>	<b>(1,712,316)</b>
<b>Increase In Net Position</b>	<b>(1,371,964)</b>	<b>164,961</b>
<b>Net Position Beginning Of Year, As Restated</b>	<b>66,028,855</b>	<b>65,863,894</b>
<b>Net Position End Of Year</b>	<b>\$ 64,656,891</b>	<b>\$ 66,028,855</b>

### Condensed Statement Of Cash Flows

	<u>2022</u>	<u>2021</u>
Net cash provided by operating activities	\$ 10,731,673	\$ 6,590,108
Net cash used in capital and related financing activities	(7,431,353)	(7,847,695)
Net cash provided by investing activities	51,661	33,836
Net decrease in cash and cash equivalents	3,351,981	(1,223,751)
Cash and cash equivalents - beginning of year	8,095,514	9,319,265
Cash and cash equivalents - end of year	<b>\$ 11,447,495</b>	<b>\$ 8,095,514</b>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (Continued)

Subsequent to the issuance of the financial statements, an error was discovered related to the presentation of the condensed financial information for the System Facilities Revenue Bond Fund in Note 17. The condensed financial information has been corrected within Note 17 in order to agree to the separately issued financial statements for the System Facilities Revenue Bond Fund. This restatement of Note 17 had no impact on the financial position, results of operations, and cash flows of the University as a whole.

### 18. Southeast Missouri University Foundation

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

#### Investments And Investment Return

Investments at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Cash and money market funds	\$ 1,360,209	\$ 1,139,302
Certificates of deposit	299,851	298,954
Equities:		
Domestic	22,421,309	25,509,765
Developing international	3,021,179	4,429,533
Mutual funds:		
Domestic	29,442,503	31,250,539
Developing international	24,177,620	14,433,067
Emerging market	4,326,405	13,101,368
International fixed income	4,382,516	17,763,383
Other	8,975,734	7,902,566
Corporate bonds	5,936,269	6,825,966
Asset back securities	289,664	564,881
U.S. Treasury securities	1,788,643	1,425,376
U.S. government obligations	2,174,986	2,454,865
Municipal securities	1,035,493	1,085,883
Alternative strategies	518,555	735,191
	<u>110,150,936</u>	<u>128,920,639</u>
Less: short-term investments	2,413,933	1,582,728
	<u>\$ 107,737,003</u>	<u>\$ 127,337,911</u>



# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

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

	<u>2022</u>	<u>2021</u>
Interest and dividends, net of fees	\$ 2,951,352	\$ 1,647,594
Unrealized and realized investment gains (losses)	(21,295,487)	26,001,441
	<u>\$ (18,344,135)</u>	<u>\$ 27,649,035</u>

### Pledges Receivable

Pledges receivable at June 30 consists of:

	<u>2022</u>	<u>2021</u>
Pledges receivable	\$ 216,758	\$ 293,319
Allowance for doubtful accounts	(26,922)	(35,872)
	<u>\$ 189,836</u>	<u>\$ 257,447</u>

### Property And Equipment

Property and equipment at June 30 consists of:

	<u>2022</u>	<u>2021</u>
Land	\$ 7,620,564	\$ 7,620,564
Buildings and improvement	8,246,149	8,246,149
Vehicles and equipment	216,083	257,071
	<u>16,082,796</u>	<u>16,123,784</u>
Less: Accumulated depreciation	5,349,063	5,169,310
	<u>\$ 10,733,733</u>	<u>\$ 10,954,474</u>

### Notes Receivable

Notes receivable at June 30 consists of:

	<u>2022</u>	<u>2021</u>
City of Cape Girardeau	\$ 2,116,460	\$ 2,503,044
APG Limited	407,024	437,693
	<u>2,523,484</u>	<u>2,940,737</u>
Less: Current maturities due within one year	491,367	490,670
	<u>\$ 2,032,117</u>	<u>\$ 2,450,067</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

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

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

Aggregate annual maturities of notes receivable at June 30, 2022 are:

<u>Year</u>	<u>Amount</u>
2023	\$ 491,367
2024	835,657
2025	460,000
2026	460,000
2027	460,000
	<u>2,707,024</u>
Less: Imputed interest on loan	<u>183,540</u>
	<u>\$ 2,523,484</u>

### Notes Payable To Bank

Notes payable to bank at June 30 consists of:

	<u>2022</u>	<u>2021</u>
First Missouri State Bank - 315 South Lorimier	\$ 134,242	\$ 153,035
Montgomery Bank - South Lorimier & 334 Morgan Oak	461,297	506,888
	<u>595,539</u>	<u>659,923</u>
Less: Current maturities due within one year	<u>182,477</u>	<u>64,877</u>
	<u>\$ 413,062</u>	<u>\$ 595,046</u>

# SOUTHEAST MISSOURI STATE UNIVERSITY

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## Notes To Financial Statements (*Continued*)

Aggregate annual maturities of notes payable at June 30, 2022 are:

<u>Year</u>	<u>Amount</u>
2023	\$ 182,477
2024	413,062
	<u>\$ 595,539</u>

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

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

### **Net Assets**

#### ***Net Assets With Donor Restrictions***

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

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 90,961,736	\$ 106,359,582
Loans	177,962	175,990
Other	11,561,224	11,900,912
	<u>\$ 102,700,922</u>	<u>\$ 118,436,484</u>

## SOUTHEAST MISSOURI STATE UNIVERSITY

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### Notes To Financial Statements (Continued)

#### ***Net Assets Released From Restrictions***

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

	<u>2022</u>	<u>2021</u>
Scholarships	\$ 2,893,127	\$ 2,540,103
Loans	1,131	75
Other purpose restrictions accomplished	2,213,609	2,230,863
	<u>\$ 5,107,867</u>	<u>\$ 4,771,041</u>

#### **Annuity And Trust Obligations**

The Foundation has been the recipient of several gift annuities and charitable remainder trusts, which require future payments to the contributors or their named beneficiaries. The assets received from the donor are recorded at fair values. The Foundation has recorded a liability of \$1,031,176 and \$966,728 at June 30, 2022 and 2021, respectively, which represents the present value of the future gift annuity obligations. The liability has been determined using a discount rate of 10.52% and 2.97% at June 30, 2022 and 2021, respectively. Additionally, the Foundation has recorded a liability at June 30, 2022 and 2021, of \$111,622 and \$187,993, respectively, which represents the present value of the future obligations to make distributions to the designated beneficiaries of charitable remainder trusts.

#### **Operating Leases**

The Foundation leases certain plant assets to the University. These leases will expire on various dates through fiscal year 2033. Future minimum lease payments at June 30, 2022 were:

<u>Year</u>	<u>Amount</u>
2023	\$ 150,394
2024	101,933
2025	75,901
2026	66,148
2027	46,853
Thereafter	21,291
	<u>\$ 462,520</u>

## **19. Restatement**

The University has restated its financial statements for the year ended June 30, 2021, due to several items identified during fiscal year 2022, as follows:

- After a full review of capital assets, it was determined that certain capital assets recorded on its financial statements in fiscal year 2021 had been disposed of in fiscal years 2020 and prior. In part, these capital assets consisted of portions of buildings which had been subsequently remodeled or reconstructed, and thus the assets should have been considered disposed at that time.
- The University found that a prior extension of terms was not accounted for in its amortization schedules of unearned income (advances) previously received from its contracted food service provider, Chartwells. The extension, which occurred prior to fiscal year 2020, resulted in an overstatement of revenues earned and an understatement of the remaining liability.
- The University chose to modify its presentation of revenues and expenses associated with scholarships and other third-party payments on behalf of students to reflect more clearly the nature of these transactions. Although this modification resulted in corresponding changes to revenues and expenses, there was no net change to financial position.
- The University chose to modify its presentation of revenues related to the operations of System Facilities to represent more appropriately the source of certain revenues. Again, this modification resulted in reductions to revenue and expenses but no change in net position.
- The University adopted GASB Statement No, 87, *Leases*, as discussed in footnote 16.

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (Continued)

The tables that appear on the following pages reflect the impact which these adjustments had on the statement of net position and the statement of revenues, expenses, and changes in net position for fiscal year 2021:

### Impact On The Statement Of Net Position As Of June 30, 2021:

	Unadjusted	Capital Asset Adjustments	GASB 87 Adoption Adjustments	Unearned Income Adjustments	Adjusted
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 40,320,870	\$ —	\$ —	\$ —	\$ 40,320,870
Restricted cash and cash equivalents	1,479,458	—	—	—	1,479,458
Short-term investments	36,861,664	—	—	—	36,861,664
Accrued interest receivable	35,513	—	—	—	35,513
Due from component unit - Foundation	804,756	—	—	—	804,756
Accounts receivable	4,374,054	—	—	—	4,374,054
Notes receivable	512,280	—	—	—	512,280
Lease receivable	—	—	791,655	—	791,655
Due from federal government	4,484,231	—	—	—	4,484,231
Inventory	2,130,908	—	—	—	2,130,908
Prepaid expenses	449,164	—	—	—	449,164
<b>Total Current Assets</b>	<b>91,452,898</b>	<b>—</b>	<b>791,655</b>	<b>—</b>	<b>92,244,553</b>
<b>Noncurrent Assets</b>					
Investments	900,000	—	—	—	900,000
Due from component unit - Foundation	4,554,275	—	—	—	4,554,275
Notes receivable	1,612,000	—	—	—	1,612,000
Lease receivable	—	—	852,367	—	852,367
Lease intangible asset	—	—	2,674,141	—	2,674,141
Capital assets - non-depreciable	12,912,538	—	—	—	12,912,538
Capital assets, net - depreciable:					
Original cost	641,003,234	(27,170,867)	—	—	613,832,367
Accumulated depreciation	(223,779,068)	13,572,846	—	—	(210,206,222)
	417,224,166	(13,598,021)	—	—	403,626,145
<b>Total Noncurrent Assets</b>	<b>437,202,979</b>	<b>(13,598,021)</b>	<b>3,526,508</b>	<b>—</b>	<b>427,131,466</b>
<b>Total Assets</b>	<b>528,655,877</b>	<b>(13,598,021)</b>	<b>4,318,163</b>	<b>—</b>	<b>519,376,019</b>
<b>Deferred Outflows Of Resources</b>					
Deferred amounts on refunding of bonds payable	8,195,169	—	—	—	8,195,169
Deferred amounts related to other postretirement employee benefit plan	238,087	—	—	—	238,087
Deferred amounts related to pension plan	10,562,815	—	—	—	10,562,815
Deferred amounts related to pension contributions	9,262,972	—	—	—	9,262,972
<b>Total Deferred Outflows Of Resources</b>	<b>28,259,043</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>28,259,043</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	3,141,023	—	—	—	3,141,023
Accrued compensation	7,468,209	—	—	—	7,468,209
Accrued claims liability	1,227,639	—	—	—	1,227,639
Bond interest payable	1,479,459	—	—	—	1,479,459
Funds held for others	217,726	—	—	—	217,726
Unearned income	8,929,220	—	—	(4,266,984)	4,662,236
Current portion of bonds payable	2,370,000	—	—	—	2,370,000
Current portion of notes payable	114,593	—	—	—	114,593
Current portion of lease payable	—	—	2,208,862	—	2,208,862
Current portion of other post-retirement benefit liability	270,000	—	—	—	270,000
<b>Total Current Liabilities</b>	<b>25,217,869</b>	<b>—</b>	<b>2,208,862</b>	<b>(4,266,984)</b>	<b>23,159,747</b>
<b>Noncurrent Liabilities</b>					
Due to federal government	2,380,356	—	—	—	2,380,356
Bonds payable	160,198,141	—	—	—	160,198,141
Notes payable	531,334	—	—	—	531,334
Lease payable	—	—	714,911	—	714,911
Unearned income	—	—	—	6,501,043	6,501,043
Net other postretirement employee benefit liability	4,322,245	—	—	—	4,322,245
Net pension liability	132,137,222	—	—	—	132,137,222
<b>Total Noncurrent Liabilities</b>	<b>299,569,298</b>	<b>—</b>	<b>714,911</b>	<b>6,501,043</b>	<b>306,785,252</b>
<b>Total Liabilities</b>	<b>324,787,167</b>	<b>—</b>	<b>2,923,773</b>	<b>2,234,059</b>	<b>329,944,999</b>
<b>Deferred Inflows Of Resources</b>					
Deferred amounts related to other postretirement employee benefit plan	279,952	—	—	—	279,952
Deferred amounts related to pension plan	7,075,572	—	—	—	7,075,572
Deferred amount from lease revenues	—	—	1,644,022	—	1,644,022
<b>Total Deferred Inflows Of Resources</b>	<b>7,355,524</b>	<b>—</b>	<b>1,644,022</b>	<b>—</b>	<b>8,999,546</b>
<b>Net Position</b>	<b>\$ 224,772,229</b>	<b>\$ (13,598,021)</b>	<b>\$ (249,632)</b>	<b>\$ (2,234,059)</b>	<b>\$ 208,690,517</b>

# SOUTHEAST MISSOURI STATE UNIVERSITY

## Notes To Financial Statements (*Continued*)

### Impact On The Statement Revenues, Expenses, And Changes In Net Position For The Year Ended June 30, 2021:

	Unadjusted	Capital Asset Adjustments	Scholarships Reclassification	System Facilities Reclassification	GASB 87 Adoption Adjustments	Unearned Income Adjustments	Adjusted
<b>Operating Revenues</b>							
Student tuition and fees	\$ 52,193,241	\$ —	\$ (2,457,503)	\$ 326,667	\$ —	\$ —	\$ 50,062,405
Federal grants - restricted	2,055,309	—	—	—	—	—	2,055,309
State grants and contracts - restricted	6,535,662	—	—	—	—	—	6,535,662
Nongovernmental grants and contracts - restricted	758,859	—	—	—	—	—	758,859
Sales and services of educational departments	2,472,050	—	—	—	—	—	2,472,050
Auxiliary enterprises:							
Residence life	17,069,008	—	(494,172)	(24,787)	—	(601,128)	15,948,921
Other auxiliary	6,213,236	—	(17,384)	(267,541)	—	—	5,928,311
Other operating revenues	8,410,446	—	—	—	—	—	8,410,446
<b>Total Operating Revenues</b>	<b>95,707,811</b>	<b>—</b>	<b>(2,969,059)</b>	<b>34,339</b>	<b>—</b>	<b>(601,128)</b>	<b>92,171,963</b>
<b>Operating Expenses</b>							
Personnel services	93,821,306	—	298,740	—	—	—	94,120,046
Scholarships	17,390,043	—	(7,330,561)	—	—	—	10,059,482
Utilities	4,274,467	—	—	—	—	—	4,274,467
Supplies and other services	30,167,005	—	—	—	(707,317)	—	29,459,688
Depreciation and amortization	15,242,758	(546,075)	—	—	665,975	—	15,362,658
Other post-employment benefit (OPEB) expense	142,913	—	—	—	—	—	142,913
Emergency COVID-19 student relief	4,803,912	—	—	—	—	—	4,803,912
<b>Total Operating Expenses</b>	<b>165,842,404</b>	<b>(546,075)</b>	<b>(7,031,821)</b>	<b>—</b>	<b>(41,342)</b>	<b>—</b>	<b>158,223,166</b>
<b>Operating Loss</b>	<b>(70,134,593)</b>	<b>546,075</b>	<b>4,062,762</b>	<b>34,339</b>	<b>41,342</b>	<b>(601,128)</b>	<b>(66,051,203)</b>
<b>Nonoperating Revenues (Expenses)</b>							
State appropriations	41,442,772	—	—	—	—	—	41,442,772
Federal grants - restricted	13,906,096	—	—	—	—	—	13,906,096
Emergency COVID-19 governmental assistance	12,756,044	—	—	—	—	—	12,756,044
Investment income	2,305,183	—	(2,116,075)	(34,339)	—	—	154,769
Contributions and gifts	3,632,887	—	(1,946,687)	—	—	—	1,686,200
Interest on capital asset-related debt	(4,570,143)	—	—	—	—	—	(4,570,143)
Loss on disposal of plant facilities	(551,872)	—	—	—	—	—	(551,872)
<b>Net Nonoperating Revenues</b>	<b>68,920,967</b>	<b>—</b>	<b>(4,062,762)</b>	<b>(34,339)</b>	<b>—</b>	<b>—</b>	<b>64,823,866</b>
<b>Loss Before Other Revenues, Expenses And Gains</b>	<b>(1,213,626)</b>	<b>546,075</b>	<b>—</b>	<b>—</b>	<b>41,342</b>	<b>(601,128)</b>	<b>(1,227,337)</b>
State capital appropriations	4,094,371	—	—	—	—	—	4,094,371
Capital grants and gifts	323,129	—	—	—	—	—	323,129
<b>Total Other Revenues, Expenses And Gains</b>	<b>4,417,500</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,417,500</b>
<b>Change In Net Position</b>	<b>3,203,874</b>	<b>546,075</b>	<b>—</b>	<b>—</b>	<b>41,342</b>	<b>(601,128)</b>	<b>3,190,163</b>
<b>Net Position - Beginning Of Year</b>	<b>221,568,355</b>	<b>(14,144,096)</b>	<b>—</b>	<b>—</b>	<b>(290,974)</b>	<b>(1,632,931)</b>	<b>205,500,354</b>
<b>Net Position - End Of Year</b>	<b>\$ 224,772,229</b>	<b>\$ (13,598,021)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (249,632)</b>	<b>\$ (2,234,059)</b>	<b>\$ 208,690,517</b>

## 20. Subsequent Event

During the 2022-2023 winter break, the University experienced various degrees of flooding and water damage in several academic buildings (Magill, Rhodes, and Pacific Halls) and one residential building (Myers Hall). The University immediately opened a claim with its property insurer and is tracking recovery costs.

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**Required Supplementary Information**

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**SOUTHEAST MISSOURI STATE UNIVERSITY**

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**SCHEDULES OF SELECTED PENSION INFORMATION**  
**MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM**  
**June 30, 2022**  
**(In Thousands)**

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

	Measurement Date								
	As Of June 30:								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
University's proportion of the net pension liability	2.0817%	2.0817%	2.1217%	2.3112%	2.4578%	2.4563%	2.4420%	2.3902%	2.3902%
University's proportionate share of the net pension liability	\$ 112,274,110	\$ 132,137,222	\$ 128,178,153	\$ 128,922,744	\$ 127,976,381	\$ 114,021,149	\$ 78,422,893	\$ 56,354,914	\$ 56,354,914
University's covered-employee payroll	40,478,238	41,594,888	41,219,232	44,921,805	48,380,403	47,570,877	47,277,247	46,027,547	46,027,547
University's proportionate share of net pension liability as a percentage of its covered-employee payroll	277.37%	317.68%	310.97%	286.99%	264.52%	239.69%	165.88%	122.44%	122.44%
Plan fiduciary net position as a percentage of the total pension liability	63.00%	55.48%	56.72%	59.02%	60.41%	63.60%	72.62%	79.49%	79.49%

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

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

**Schedule Of University's Contributions**

	Fiscal Year End									
	As Of June 30:									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Required contribution	\$ 9,488,129	\$ 9,262,972	\$ 9,051,938	\$ 8,328,691	\$ 8,739,287	\$ 8,209,302	\$ 8,072,759	\$ 8,022,949	\$ 8,096,002	\$ 6,602,853
Contributions in relation to the required contribution	9,488,129	9,262,972	9,051,938	8,328,691	8,739,287	8,208,979	8,072,759	8,022,949	8,096,002	6,602,853
University's covered-employee payroll	40,362,131	40,478,238	41,594,888	44,921,805	44,921,805	47,570,877	47,277,247	47,249,405	56,027,696	47,264,517
Contributions as a percentage of covered-employee payroll	23.51%	22.88%	21.76%	19.45%	16.97%	17.26%	17.08%	16.98%	14.45%	13.97%

**SOUTHEAST MISSOURI STATE UNIVERSITY**  
**SCHEDULES OF SELECTED PENSION INFORMATION**  
**MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM**  
**June 30, 2022**  
**(In Thousands)**

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**Changes Of Benefit Terms Or Assumptions**

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

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

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

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

**SOUTHEAST MISSOURI STATE UNIVERSITY**

**SCHEDULES OF SELECTED POSTEMPLOYMENT  
HEALTHCARE PLAN INFORMATION**

**June 30, 2022**

	As of June 30,				
	2022	2021	2020	2019	2018
Service cost	\$ 272,733	\$ 265,840	\$ 258,097	\$ 271,452	\$ 263,545
Interest cost	96,349	153,675	148,277	126,667	123,611
Net benefits paid by employer	(157,914)	(270,172)	(236,736)	(312,318)	(264,832)
Other changes	(1,026,361)	—	(54,725)	—	—
Net change in total OPEB liability	(815,193)	149,343	114,913	85,801	122,324
Total OPEB liability - beginning of year	4,592,245	4,442,902	4,327,989	4,242,188	4,119,864
<b>Total OPEB liability - end of year</b>	<b>\$ 3,777,052</b>	<b>\$ 4,592,245</b>	<b>\$ 4,442,902</b>	<b>\$ 4,327,989</b>	<b>\$ 4,242,188</b>
Covered employee payroll	\$ 53,826,673	\$ 54,530,104	\$ 52,941,848	\$ 60,235,272	\$ 58,480,847
Total OPEB liability as a percentage of covered employee payroll	7.02%	8.42%	8.39%	7.19%	7.25%

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