Missouri Southern State University (A Component Unit of the State of Missouri)

Independent Auditor's Reports and Financial Statements

June 30, 2016 and 2015

BKD LLP
CPAs & Advisors

Missouri Southern State University
(A Component Unit of the State of Missouri)
June 30, 2016 and 2015

Contents

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Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri Southern State University, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Missouri Southern Foundation, a discretely presented component unit of the University, which statements reflect total assets of $34,063,405 and $35,036,054 as of June 30, 2016 and 2015, respectively, and total revenues of $2,466,142 and $5,049,325, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Missouri Southern Foundation, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Missouri Southern Foundation, the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Missouri Southern State University as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 7, 2016, on our consideration of Missouri Southern State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Springfield, Missouri
October 7, 2016

Missouri Southern State University
(A Component Unit of the State of Missouri)
Management's Discussion and Analysis
Years Ended June 30, 2016 and 2015

Overview

Missouri Southern State University (MSSU) has a long and rich history of excellence in academics, student services and community service. Located in Southwest Missouri on a beautiful 373-acre campus, MSSU is a public institution with a liberal arts foundation that fulfills its mission by educating students of all ages and socioeconomic backgrounds.

Missouri Southern State University offers more than 100 majors and degree options, two graduate programs and additional graduate programs through cooperative partnerships. Our extensive distance-learning program allows flexibility to our students.

Faculty and staff at MSSU work diligently to provide their students with a successful academic experience. A diverse student body adds to the fine higher education offered at MSSU where quality academic programs, modern state-of-the-art facilities, small classes and excellent, accessible professors complete the unique community.

The curriculum at Missouri Southern State University focuses on professional orientation and is committed to preparing students for a successful career in a rapidly changing global economy. Programs begin with general education requirements for all students leading to bachelor's degrees and providing a strong foundation for lifelong study.

Academic Programs

The academic programs at the University are organized under four schools: Robert W. Plaster School of Business, School of Arts and Sciences, School of Education and School of Health Sciences. Each school has varied degree programs that offer extensive opportunities. MSSU also has strong programs in Honors and International Studies.

Management Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Missouri Southern State University for the years ended June 30, 2016 and 2015. These statements provide both long-term and short-term financial information on the Missouri Southern State University campus as a whole. Management has prepared the financial statements and the related footnote disclosures along with this discussion and analysis.

In 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* which revises accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts and equivalent arrangements in which specific criteria are met. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenditures. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to the actuarial present value and attribute that present value to periods of employee service. Information for the year ended June 30, 2014, was not restated for the application of GASB Statement No. 68 as it was deemed impractical to do so.

In 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items that were previously reported as assets and liabilities as expenses and revenues.

Basic Financial Statements

The University's financial report includes three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements focus on the University as a whole, with resources classified for accounting and reporting purposes into four net position categories. Net position is one way to measure the University's financial position. Over time, increases or decreases in the University's net position are indicators of whether its financial position is improving. Nonfinancial factors are also important to consider including trends in student enrollment, condition and upgrades to facilities and competency and excellence of the work force.

Financial Highlights

2016

At June 30, 2016, the University's net position was $62.4 million. Operating revenues were $31.8 million, which include tuition and fees of $17.0 million, grants of $5.3 million, auxiliary revenues of $8.3 million and other revenues of $1.2 million. Operating expenses amounted to $71.0 million resulting in an operating loss of $39.2 million before state appropriations and other nonoperating revenues and expenses. The 2016 operating loss, net nonoperating revenue of $36.8 million and capital gifts and grants of $3.2 million resulted in an increase in net position of $0.7 million and included depreciation and amortization expense of $5.6 million.

2015

At June 30, 2015, the University's net position was $61.7 million. Operating revenues were $30.6 million, which include tuition and fees of $16.5 million, grants of $4.7 million, auxiliary revenues of $8.0 million and other revenues of $1.4 million. Operating expenses amounted to $69.3 million resulting in an operating loss of $38.7 million before state appropriations and other nonoperating revenues and expenses. The 2015 operating loss, net nonoperating revenue of $38.4 million and capital gifts and grants of $6.9 million resulted in an increase in net position of $6.7 million and included depreciation and amortization expense of $5.3 million.

Analysis of Changes in Net Position

The following table summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016, 2015 and 2014.

Net Position, End of Year (In Millions)

	2016	2015	2014
Current Assets	$ 15.4	$ 15.0	$ 10.2
Capital Assets – Net	118.5	119.3	97.0
Other Noncurrent Assets	2.9	4.4	27.2
Deferred Outflows of Resources	6.7	4.2	0.5
Total assets and deferred outflows of resources	$ 143.5	$ 142.9	$ 134.9
Current Liabilities	$ 8.0	$ 9.0	$ 7.9
Noncurrent Liabilities	71.9	64.3	39.8
Deferred Inflows of Resources	1.2	7.9	0.0
Total liabilities and deferred inflows of resources	$ 81.1	$ 81.2	$ 47.7
Net Position			
Net investment in capital assets	$ 82.5	$ 83.3	$ 70.6
Restricted	4.0	4.4	7.7
Unrestricted	(24.1)	(26.0)	8.9
Total net position	$ 62.4	$ 61.7	$ 87.2

Of the $4 million in restricted net position in 2016, $3.6 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, $0.4 million, is held for scholarships, capital projects and debt payments. Of the $4.4 million in restricted net position in 2015, $3.7 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, $0.7 million, is held for scholarships, capital projects and debt payments.

Unrestricted net position has a negative balance that began in fiscal year 2015. This resulted from the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pension – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* These statements established standards for the measurement, recognition and presentation of net pension liability and other postemployment benefits in the University's financial statements. Net pension liabilities recorded on the statement of net position in accordance with GASB No. 68 totaled $35.9 million and $26.9 million at June 30, 2016 and 2015, respectively.

The following table summarizes the University's revenues, expenses and changes in net position for the years ending June 30, 2016, 2015 and 2014:

Change in Net Position (In Millions)

	2016	2015	2014
Operating Revenues			
Tuition and fees	$ 17.0	$ 16.5	$ 17.0
Grants and contracts	5.3	4.7	4.3
Interest on loans to students	0.1	0.2	0.1
Auxiliary enterprises	8.3	8.0	7.5
Other	1.1	1.2	1.2
Total operating revenues	31.8	30.6	30.1
Operating Expenses	71.0	69.3	69.1
Operating Loss	(39.2)	(38.7)	(39.0)
Nonoperating Revenue (Expense)			
State appropriations	23.7	23.5	22.0
Federal grants and contracts	11.5	12.0	12.0
Contributions	2.5	3.0	2.1
Investment income	0.1	0.1	0.1
Interest on capital asset – related debt	(1.4)	(0.8)	(1.6)
Loss on disposal of capital assets and construction in progress	(0.1)	0.0	0.0
Other nonoperating revenues	0.5	0.6	0.7
Net nonoperating revenues	36.8	38.4	35.3
Loss Before Other Revenues	(2.4)	(0.3)	(3.7)
Capital appropriations – state	1.1	0.0	0.0
Capital gifts and grants	2.0	6.9	2.4
Total other revenues, expenses, gains or losses	3.1	6.9	2.4
Increase (Decrease) in Net Position	0.7	6.6	(1.3)
Net Position, Beginning of Year, as Previously Reported	61.7	87.2	88.5
Cumulative Effect of Change in Accounting Principle	0.0	(32.1)	0.0
Net Position, Beginning of Year, as Restated	61.7	55.1	88.5
Net Position, End of Year	$ 62.4	$ 61.7	$ 87.2

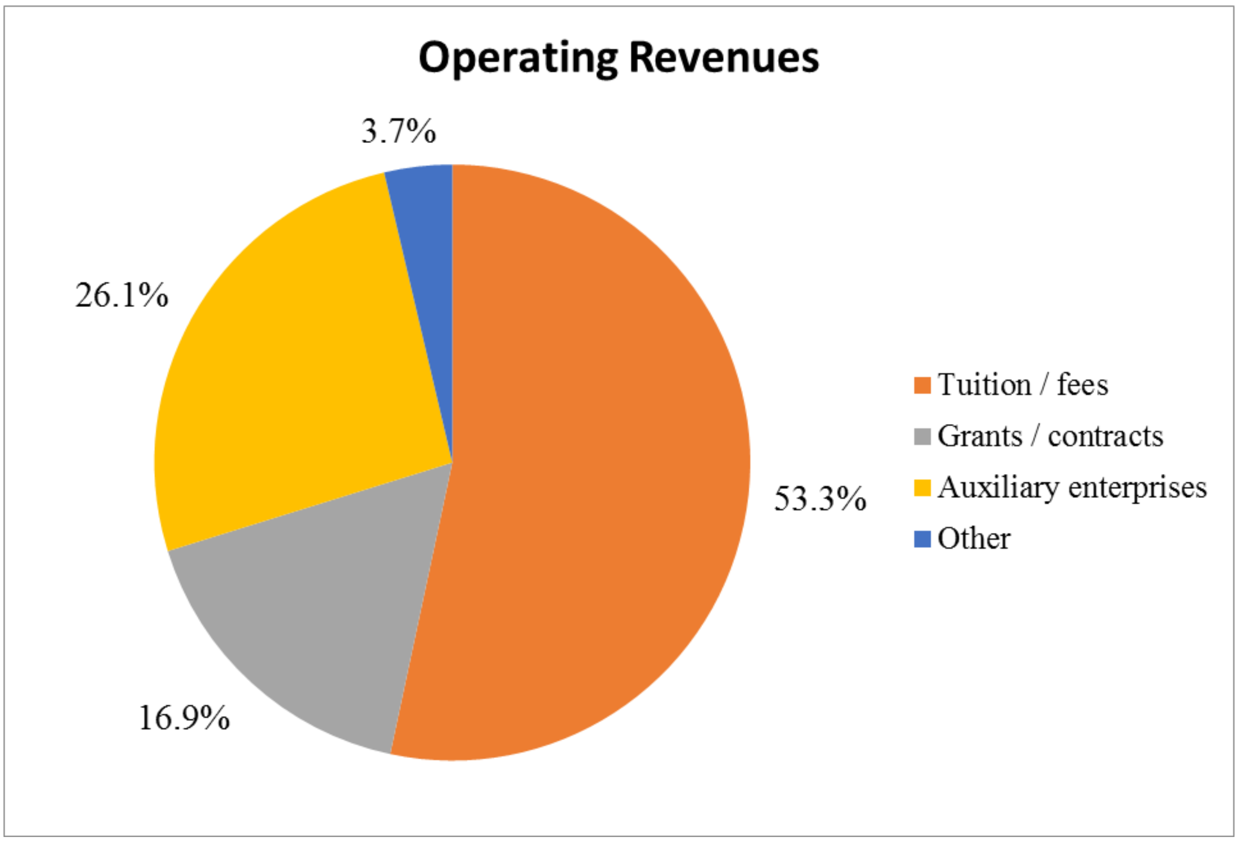
2016

Total operating revenues increased 3.92% from $30.6 to $31.8 million during fiscal year ended June 30, 2016. Tuition increase reflects increased enrollment, rate increase and additional LionPride and Graduate program revenue. State grants increased primarily from additional Access Missouri grants. Auxiliary enterprises increased due to additional housing revenue due to the new Residence Hall (the Quads) opening fall 2015.

2015

Total operating revenues increased 1.67% from $30.1 to $30.6 million during fiscal year ended June 30, 2015. Tuition decrease reflects additional institutional scholarships. State grants increased primarily from additional Access Missouri grants. Auxiliary enterprises increased due to additional housing revenue.

The following graph summarizes the University's operating revenues for the year ended June 30, 2016:



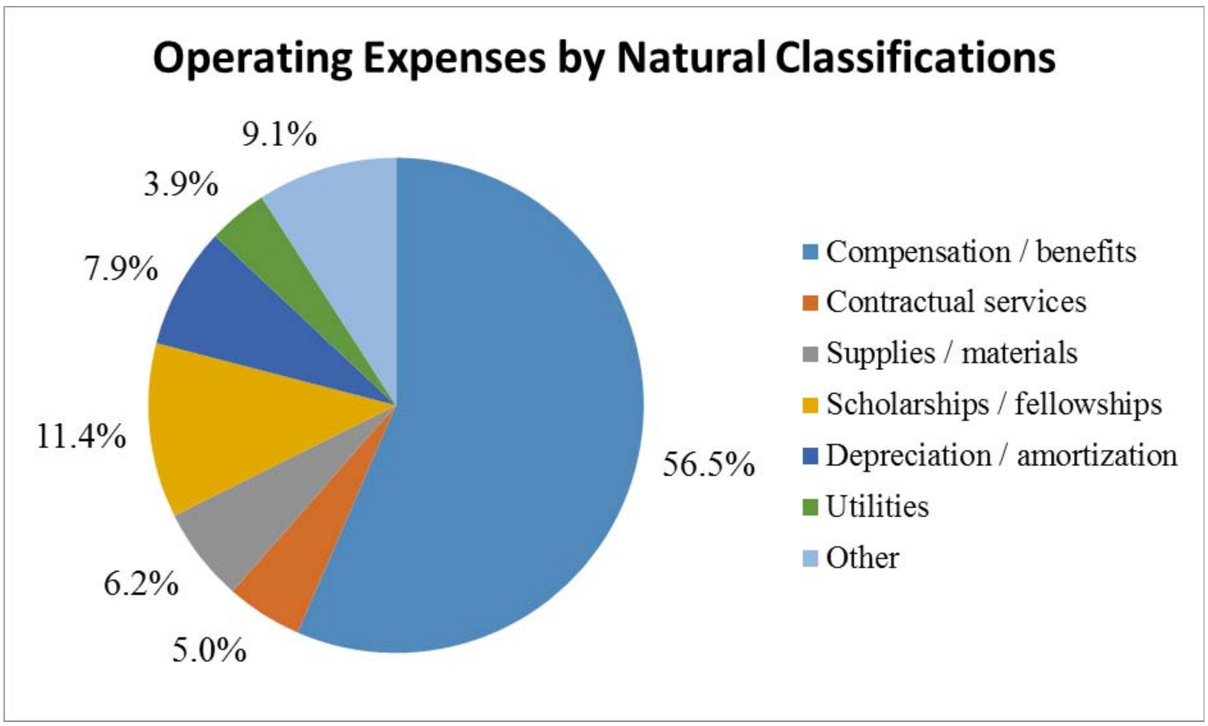
Operating expenses increased by $1.7 million (2.45%). Primary increase in compensation and benefits were the result of an across the board raise and increases in health insurance.

The following table summarizes the University's operating expenses by natural classifications for the years ended June 30, 2016, 2015 and 2014:

Operating Expenses (In Millions)

	2016	2015	2014
Compensation and benefits	$ 40.1	$ 38.7	$ 39.3
Contractual services	3.5	3.5	3.3
Supplies and materials	4.4	4.2	4.3
Scholarships	8.1	8.0	8.2
Depreciation and amortization	5.6	5.3	5.6
Utilities	2.8	2.7	2.6
Other	6.5	6.9	5.8
Total operating expenses	$ 71.0	$ 69.3	$ 69.1

The following graph summarizes the University's operating expenses by natural classification for the year ended June 30, 2016:

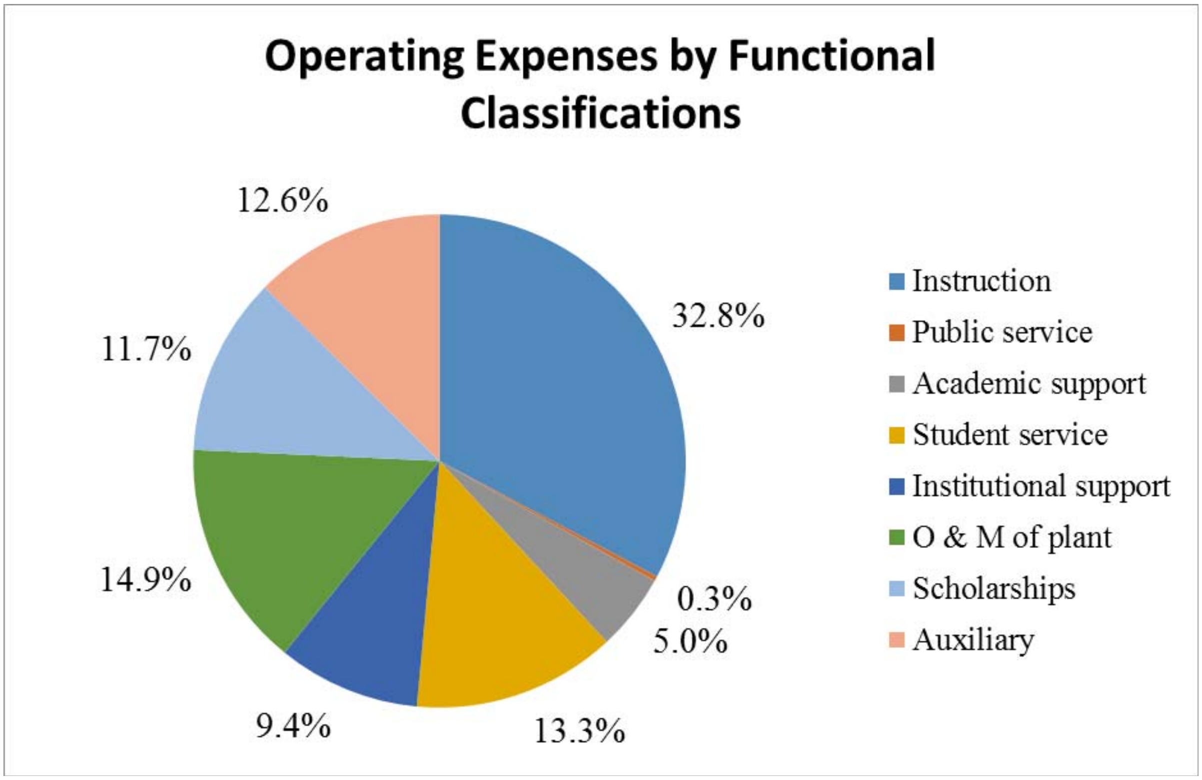


The following table summarizes the University's operating expenses by functional classifications for the years ended June 30, 2016, 2015 and 2014:

Operating Expenses by Functional Classification (In Millions)

	2016	2015	2014
Instruction	$ 23.3	$ 23.2	$ 23.0
Public service	0.2	0.2	0.3
Academic support	3.6	3.4	3.4
Student service	9.5	9.3	9.1
Institutional support	6.7	7.3	7.7
Operations and maintenance of plant	10.5	9.2	9.6
Scholarships	8.3	8.2	8.4
Auxiliary	8.9	8.5	7.6
Total operating expenses	$ 71.0	$ 69.3	$ 69.1

The following graph summarizes the University's operating expenses by functional classification for the year ended June 30, 2016:



2016

Functional expenses for fiscal year 2016 saw an increase over the prior year due to increased costs from an across the board raise in compensation and insurance costs.

2015

Functional expenses for fiscal year 2015 saw an increase over the prior year due to increased costs from an across the board raise in compensation and increased health insurance costs. Auxiliary increased costs were from purchase of furnishings and appliances for the residence halls.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2016, 2015 and 2014:

Nonoperating Revenues and Expenses (In Millions)

	2016	2015	2014
State appropriations	$ 23.7	$ 23.5	$ 22.0
Federal grants and contracts	11.5	12.0	12.0
Contributions	2.5	3.0	2.1
Investment income	0.1	0.1	0.1
Interest on capital asset-related debt	(1.4)	(0.8)	(1.6)
Loss on disposal of capital assets and construction in progress	(0.1)	0.0	0.0
Other nonoperating expenses	0.5	0.6	0.7
Net nonoperating revenues	$ 36.8	$ 38.4	$ 35.3

The following table summarizes the University's cash flows for the years ended June 30, 2016, 2015 and 2014:

Cash Flows (In Millions)

	2016	2015	2014
Cash Provided By (Used In)			
Operating activities	$ (33.4)	$ (35.4)	$ (32.9)
Noncapital financing activities	38.2	39.1	36.7
Capital and related financing activities	(6.1)	(21.9)	11.5
Investing activities	5.1	13.6	(12.0)
Net Change in Cash and Cash Equivalents	3.8	(4.6)	3.3
Cash and Cash Equivalents, Beginning of Year	7.5	12.1	8.8
Cash and Cash Equivalents, End of Year	$ 11.3	$ 7.5	$ 12.1

2016

Cash provided by operating activities resulted from receipts from tuition and fees, grants and contracts, auxiliary enterprises, student loans and cash used resulted from payments to suppliers, utilities, employees and others resulting in net cash used in operating activities of $33.4 million. Cash provided by noncapital financing activities of $38.2 million includes state appropriations, gifts and grants for other than capital purposes and other. Cash used in capital and related financing activities of $6.1 million consists primarily of purchases of capital assets, gifts and grants for capital projects and principal and interest paid on capital debt and leases. Cash provided by investing activities resulted from the maturity of investments and related interest earned from the investment of restricted cash and cash equivalents. Cash and cash equivalents at June 30, 2016, were $11.3 million, which increased $3.8 million from June 30, 2015.

2015

Cash used in operating activities of $35.4 million resulted from receipts from tuition and fees, grants and contracts, auxiliary enterprises, student loans and payments to suppliers, utilities, employees and others. Cash provided by noncapital financing activities of $39.1 million includes state appropriations, gifts and grants for other than capital purposes and other. Cash used in capital and related financing activities of $21.9 million consists primarily of purchases of capital assets, gifts and grants for capital projects and principal and interest paid on capital debt and leases. Cash provided by investing activities resulted from the maturity of investments and related interest earned from the investment of bond proceeds and restricted cash and cash equivalents. Cash and cash equivalents at June 30, 2015, were $7.5 million, which decreased $4.6 million from June 30, 2014.

Capital Assets

2016

At June 30, 2016, the University had $118.5 million (net of accumulated depreciation), compared to $119.3 million at June 30, 2015, invested in a broad range of capital assets, including land, land improvements, buildings and improvements, infrastructure, furniture, fixtures and equipment, vehicles, works of art, library materials and construction in progress. Additional information of the University's capital assets can be found in *Note 3* to the financial statements.

2015

At June 30, 2015, the University had $119.3 million (net of accumulated depreciation), compared to $97.0 million at June 30, 2014, invested in a broad range of capital assets, including land, land improvements, buildings and improvements, infrastructure, furniture, fixtures and equipment, vehicles, works of art, library materials and construction in progress. Additional information of the University's capital assets can be found in *Note 3* to the financial statements.

Long-Term Debt

2016

At June 30, 2016, the University had $36.3 million in bonds and other long-term debt payable, of which $1.6 million is payable during the upcoming fiscal year. The total balance payable represents a decrease of $1.3 million from 2015, which represents principal payments made during the most recent fiscal year. The University issued $7.615 million to refund 2005A series and remainder of 2008 series. *Note 4* to the financial statements provides additional information about the University's long-term debt.

2015

At June 30, 2015, the University had $37.6 million in bonds and other long-term debt payable of which $1.6 million is payable during the upcoming fiscal year. The total balance payable represents a decrease of $3.0 million from 2014, which represents principal payments made during the most recent fiscal year. No new significant bond issuances or capital leases occurred in 2015. *Note 4* to the financial statements provides additional information about the University's long-term debt.

Economic Outlook

Missouri Southern is expanding their own master degree programs beginning fall 2016, the University will offer two new master degrees in Education and Management Administration.

The University continues to be a health-care base for our students and community. With the anticipated opening of KCU Medical School, Joplin campus, MSSU entered into an exclusive partnership with KCU in December 2015. The “Yours to Lose – Advanced Medical School Acceptance Program” will allow up to 25 Missouri Southern students to be admitted into KCU’s new medical school at the same time as their acceptance to MSSU. The students would follow MSSU’s prescribed curriculum and quality standards. This will also benefit a number of potential future students as a number of high schools from Missouri - as well as several in Kansas, Arkansas and Oklahoma - have been tabbed as “Yours to Lose” partner schools.

Due to the shortage of oral health providers in the region, MSSU in a joint venture with UMKC will bring a satellite dental school to MSSU’s campus to address this need. The state legislature is providing funding to both universities to support this partnership to bring a dental school to this region. The first cohort of 15 students will be fall 2018.

Due to the partnerships above, MSSU anticipates an influx of pre-med students. The expansion and renovation of Reynolds Hall, the Math and Science building, will allow us to increase capacity by expanding classrooms, providing modern laboratories and new state-of-the-art equipment which will meet the needs of those students who are bound for medical and dental school. The funding for this project comes from more than $16 million in state appropriations as “an investment in Missouri Southern” that will pay dividends for many years to come.

As construction renovations take place in Reynolds Hall, the University needed to temporarily relocate classrooms and labs. Missouri Southern took advantage of a unique opportunity by utilizing FEMA modular trailers that were previously used by the Joplin School district after the 2011 tornado. MSSU transformed the modular trailers into an inviting, larger space for transitional science and math classrooms and labs.

Academics across Missouri Higher Education will focus on several initiatives including the “15 to Finish Act” Senate Bill 997 which moves students towards a 4-year, 120-hour baccalaureate degree. Focus will also be on CBHE’s “A Blueprint for Higher Education” which creates a coordinated plan to address Missouri’s higher education needs. As always, enrollment, retention and graduation of our students remain our top priority. We will work to incorporate these initiatives into our programs to contribute to the student and state’s success.

Missouri Southern’s commitment to an excellent and affordable education remains a top focus. For the 2016-2017 academic year, in-state tuition was held flat. As we look for ways to grow, beginning fall 2016, the Lion Pride Tuition Discount program will expand again by providing in-state tuition to every state that touches Missouri and all counties in Texas.

As universities consider ways to reduce expenses and increase revenues, we are moving forward with our Great Game of Education (GGOE) journey. GGOE provides a culture of financial transparency through open book management that provides empowerment to everyone and the opportunity to understand how their roll contributes to the overall big picture.

Missouri Southern State University

(A Component Unit of the State of Missouri)

Statements of Net Position

June 30, 2016 and 2015

Assets and Deferred Outflows of Resources

	2016	2015
Current Assets		
Cash and cash equivalents	$ 9,351,340	$ 4,815,737
Reserved cash and cash equivalents	1,582,474	1,136,848
Short-term investments	-	5,000,000
Accounts receivable, net	1,823,180	1,249,241
Inventories	1,324,388	1,396,782
Loans to students, net	637,961	693,459
Deposits and prepaid expenses	657,646	675,443
Total current assets	15,376,989	14,967,510
Noncurrent Assets		
Restricted cash and cash equivalents	441,873	1,622,101
Restricted investments	38,603	74,736
Other receivables, net	10,291	13,291
Loans to students, net	2,448,926	2,678,452
Capital assets, net	118,500,671	119,340,412
Total noncurrent assets	121,440,364	123,728,992
Deferred Outflows of Resources		
Loss on refunding of bonds	328,211	413,815
Deferred outflows of resources related to pension	6,409,337	3,772,473
Total deferred outflows of resources	6,737,548	4,186,288
Total assets and deferred outflows of resources	143,554,901	142,882,790

See Notes to Financial Statements

Liabilities

	2016	2015
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,760,252	$ 5,283,313
Accrued compensated absences	858,781	870,642
Deferred compensation	31,669	32,000
Unearned revenue	1,721,855	1,231,920
Unearned revenue – vending	30,000	30,000
Long-term debt – current portion	1,610,162	1,579,363
Total current liabilities	8,012,719	9,027,238
Noncurrent Liabilities		
Accrued compensated absences	471,261	442,053
Deferred compensation	-	31,526
Unearned revenue – vending	32,500	62,500
Other postemployment benefit obligations	708,840	566,934
Long-term debt	34,426,332	35,986,204
Deposits held in custody for others	297,128	287,152
Accrued net pension liability	35,945,504	26,913,021
Total noncurrent liabilities	71,881,565	64,289,390
Total liabilities	79,894,284	73,316,628
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	1,206,543	7,847,171
Net Position		
Net investment in capital assets	82,498,887	83,265,857
Restricted for		
Nonexpendable		
Loans	3,610,741	3,723,261
Expendable		
Scholarships and fellowships	446,507	660,268
Capital projects	-	35,668
Debt service	-	9,019
Unrestricted	(24,102,061)	(25,975,082)
Total net position	$ 62,454,074	$ 61,718,991

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statements of Financial Position
June 30, 2016 and 2015

Assets

	2016	2015
Cash	$ 632,594	$ 1,085,871
Investments	16,802,251	16,628,390
Contributions receivable	4,447,476	4,758,113
Other receivables	130,785	130,035
Beneficial interests in trusts held by others	12,050,299	12,433,645
Total assets	$ 34,063,405	$ 35,036,054

Liabilities

	2016	2015
Other liabilities	$ -	$ 3,363
Annuity obligations	49,021	37,082
Notes payable	1,040,000	1,040,000
Total liabilities	1,089,021	1,080,445

Net Assets

	2016	2015
Unrestricted	1,159,378	1,488,870
Temporarily restricted	14,017,035	14,948,571
Permanently restricted	17,797,971	17,518,168
Total net assets	32,974,384	33,955,609
Total liabilities and net assets	$ 34,063,405	$ 35,036,054

Missouri Southern State University

(A Component Unit of the State of Missouri)

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Tuition and fees, net of scholarship allowances and bad debt expense	$ 16,982,690	$ 16,472,324
Federal grants and contracts	2,393,959	2,519,564
State grants and contracts	2,971,334	2,249,146
Interest on loans to students	136,758	167,722
Auxiliary enterprises		
Housing, net of scholarship allowances and bad debt expense	3,200,727	2,835,821
Student recreation and health center	1,618,158	1,612,301
Bookstore and other	3,498,839	3,527,944
Other operating revenues	1,033,554	1,232,651
Total operating revenues	31,836,019	30,617,473
Operating Expenses		
Compensation and benefits	40,136,001	38,703,771
Contractual services	3,533,512	3,479,312
Supplies and materials	4,383,528	4,167,275
Scholarships and fellowships	8,095,545	7,988,774
Depreciation and amortization	5,634,695	5,331,268
Utilities	2,767,501	2,683,514
Other	6,480,200	6,919,891
Total operating expenses	71,030,982	69,273,805
Operating Loss	(39,194,963)	(38,656,332)
Nonoperating Revenues (Expenses)		
State appropriations	23,683,485	23,459,665
Federal PELL grants	11,519,026	12,048,415
Contributions	2,523,408	3,042,176
Loss on disposal of capital assets and construction-in-progress	(113,319)	(64)
Investment income	52,286	56,947
Interest on capital asset-related debt	(1,382,262)	(794,690)
Other nonoperating revenues	490,949	606,069
Net nonoperating revenues (expenses)	36,773,573	38,418,518
Loss Before Other Revenues, Expenses, Gains or Losses	(2,421,390)	(237,814)
Other Revenues, Expenses, Gains or Losses		
Capital grants and gifts	2,040,389	6,903,852
State Capital Appropriations	1,116,084	-
Total other revenues, expenses, gains or losses	3,156,473	6,903,852
Increase in Net Position	735,083	6,666,038
Net Position, Beginning of Year, as Previously Reported	61,718,991	87,178,289
Cumulative Effect of Change in Accounting Principle	-	(32,125,336)
Net Position, Beginning of Year, as Restated	61,718,991	55,052,953
Net Position, End of Year	$ 62,454,074	$ 61,718,991

Missouri Southern State University
(A Component Unit of the State of Missouri)
Missouri Southern Foundation
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 218,753	$ 1,631,384	$ 422,518	$ 2,272,655
Investment income	155,718	835,738	-	991,456
Endowment management fees	134,357	-	-	134,357
Net realized gain (loss) on investments	25,015	(1,016)	-	23,999
Net unrealized gain (loss) on investments	79,052	(658,916)	-	(579,864)
Increase (decrease) in beneficial interest in trusts	-	(87,340)	(296,006)	(383,346)
Increase in value of life insurance policy	-	6,885	-	6,885
Net assets released from restrictions	2,786,781	(2,786,781)	-	-
Total support and revenue	3,399,676	(1,060,046)	126,512	2,466,142
Expenses				
Scholarships	871,145	-	-	871,145
Faculty and department support	1,250,829	-	-	1,250,829
Facilities improvement	486,932	-	-	486,932
General university support	182,606	-	-	182,606
Endowment management fees	134,357	-	-	134,357
Administrative	249,021	-	-	249,021
Fundraising	250,653	-	-	250,653
Total expenses	3,425,543	-	-	3,425,543
Increase (Decrease) in Net Assets	(25,867)	(1,060,046)	126,512	(959,401)
Change in restrictions	(303,625)	128,510	153,291	(21,824)
Net Assets at Beginning of Year	1,488,870	14,948,571	17,518,168	33,955,609
Net Assets at End of Year	$ 1,159,378	$ 14,017,035	$ 17,797,971	$ 32,974,384

Missouri Southern State University

(A Component Unit of the State of Missouri)

Missouri Southern Foundation

Statement of Activities

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Contributions	$ 47,549	$ 4,259,549	$ 420,912	$ 4,728,010
Investment income	288,481	867,674	-	1,156,155
Net realized gain on investments	676,855	678,566	-	1,355,421
Net unrealized loss on investments	(778,414)	(399,623)	-	(1,178,037)
Increase (decrease) in beneficial interest in trusts	-	7,271	(1,025,034)	(1,017,763)
Increase in value of life insurance policy	-	5,539	-	5,539
Net assets released from restrictions	6,353,365	(6,353,365)	-	-
Total support and revenue	6,587,836	(934,389)	(604,122)	5,049,325
Expenses				
Scholarships	680,788	-	-	680,788
Faculty and department support	1,008,435	-	-	1,008,435
Facilities improvement	5,209,400	-	-	5,209,400
General university support	164,626	-	-	164,626
Cultural activities	73,800	-	-	73,800
Administrative	142,435	-	-	142,435
Fundraising	112,477	-	-	112,477
Total expenses	7,391,961	-	-	7,391,961
Increase (Decrease) in Net Assets	(804,125)	(934,389)	(604,122)	(2,342,636)
Change in restrictions	(125,233)	(68,086)	193,702	383
Net Assets at Beginning of Year	2,418,228	15,951,046	17,928,588	36,297,862
Net Assets at End of Year	$ 1,488,870	$ 14,948,571	$ 17,518,168	$ 33,955,609

Missouri Southern State University

(A Component Unit of the State of Missouri)

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

	2016	2015
Operating Activities		
Tuition and fees	$ 17,200,621	$ 16,851,217
Grants and contracts	5,009,619	4,360,695
Payments for scholarships	(8,095,545)	(7,988,774)
Payments to suppliers	(17,553,453)	(18,074,351)
Payments to employees	(39,704,046)	(40,027,432)
Loans issued to students and employees	(406,256)	(559,045)
Collection of loans to students and employees	831,038	885,790
Sales and services of auxiliary enterprises	8,321,422	7,964,785
Other receipts	1,033,554	1,232,651
Net cash used in operating activities	(33,363,046)	(35,354,464)
Noncapital Financing Activities		
State appropriations	23,683,485	23,459,665
Federal grants and contracts	11,519,026	12,048,415
Gifts and grants for other than capital purposes	2,523,408	3,042,176
Other receipts	510,990	561,069
Net cash provided by noncapital financing activities	38,236,909	39,111,325
Capital and Related Financing Activities		
State appropriations for construction of assets	1,116,084	-
Capital grants and gifts received	2,040,389	6,903,852
Purchase of capital assets	(6,473,333)	(25,077,073)
Proceeds from sale of capital assets	7,363	4,236
Proceeds from issuance of capital debt	7,789,402	34,745
Principal paid on capital debt and leases	(9,318,475)	(3,073,124)
Interest paid on capital debt and leases	(1,322,711)	(734,221)
Net cash used in capital and related financing activities	(6,161,281)	(21,941,585)

Missouri Southern State University
(A Component Unit of the State of Missouri)
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Investing Activities		
Proceeds from sales and maturities of investments	$ 5,000,000	$ 13,552,112
Investment income received	52,658	57,343
Net cash provided by investing activities	5,052,658	13,609,455
Increase (Decrease) in Cash and Cash Equivalents	3,765,240	(4,575,269)
Cash and Cash Equivalents, Beginning of Year	7,574,686	12,149,955
Cash and Cash Equivalents, End of Year	$ 11,339,926	$ 7,574,686
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	$ 9,351,340	$ 4,815,737
Reserved cash and cash equivalents	1,582,474	1,136,848
Restricted cash and cash equivalents	441,873	1,622,101
Total cash and cash equivalents	$ 11,375,687	$ 7,574,686
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	$ (39,194,963)	$ (38,656,332)
Depreciation expense	5,112,305	4,846,073
Amortization expense	522,390	485,195
Changes in operating assets and liabilities		
Receivables, net	(285,915)	160,447
Inventories	(449,996)	(609,844)
Prepaid expenses	17,797	(133,516)
Accounts payable and accrued liabilities	742,331	(249,691)
Deferred revenue	439,895	(41,827)
Deferred compensation	(31,857)	(32,328)
Deposits held in custody for others	9,976	14,976
Accrued net pension liability	(245,009)	(1,137,617)
Net Cash Used in Operating Activities	$ (33,363,046)	$ (35,354,464)
Supplemental Cash Flows Information		
Accounts payable incurred for purchase of capital assets	$ 520,456	$ 2,600,543
Loss on disposal of capital assets and construction in progress	$ 113,319	$ 64

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Missouri Southern State University (the "University") is a state educational institution operating under the jurisdiction of the state of Missouri. The University campus, located in Joplin, Missouri, offers a variety of programs and services.

Major federally funded student financial assistance programs in which the University participates include the Federal Pell Grant, Federal Work-Study, Federal Direct Student Loan, Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant and Federal Teacher Education Assistance for College and Higher Education Grant. The University extends unsecured credit to students.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources 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. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted primarily of money market funds.

Reserved Cash and Cash Equivalents

The University has certain cash balances internally designated as reserved that are being held for specified future uses.

Investments and Investment Income

Investments in equity and debt securities are carried at fair value, except for equity securities whose sale is restricted by donors. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and equity securities whose sale is restricted by donors are carried at cost.

Investment income consists of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Accounts Receivable

Approximately 62% and 64% of accounts receivable at June 30, 2016 and 2015, respectively, is due from governmental and other entities for reimbursements under grants and other programs. The remaining 38% and 36% of accounts receivable at June 30, 2016 and 2015, respectively, consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff.

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds and an allowance for doubtful accounts of $4,200,000 and $3,850,000 at June 30, 2016 and 2015, respectively. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Tuition is due at the beginning of the semester unless the student has signed a payment plan. Charges that are past due without payments, have had no response to the due diligence process and are assigned to third-party collection agencies are considered delinquent.

Inventories

Inventories consist of bookstore merchandise and consumable supplies. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventories of textbooks rented to students are amortized using the straight-line method over three years. Total amortization for the years ended June 30, 2016 and 2015, was $522,390 and $485,195, respectively.

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible amounts netted against loans to students was $648,221 and $594,904 at June 30, 2016 and 2015, respectively. Interest income is charged on loans to students as established under the loan programs. Interest income for the years ended June 30, 2016 and 2015, was $136,758 and $167,722, respectively.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Works of art collections are capitalized and depreciated. The following estimated useful lives are being used by the University:

Land improvements	10 – 40 years
Buildings and improvements	20 – 50 years
Infrastructure	10 – 40 years
Furniture, fixtures and equipment	3 – 25 years
Library materials	7 years
Collections	15 years

Loss on Refunding of Bonds

Losses incurred on the refunding of bond issues have been deferred and are being amortized over the life of the bonds and are included in deferred outflows of resources.

Compensated Absences

University policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities for vacation benefits are computed using the regular pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

It is the University's policy to permit employees to accumulate earned but unused sick pay benefits. Accumulated sick pay benefits are forfeited by the employee upon death, permanent disability, termination or retirement. Therefore, no liability has been reported for the accumulated sick pay benefits. Although benefits are forfeited at retirement, unused accumulated sick pay benefits are credited to years of service for calculating retirement benefits.

Unearned Revenue

Current unearned revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements. Current and noncurrent unearned vending revenues represent unearned sponsorships on vending machine commitments.

Defined Benefit Pension Plan

As a component unit of the State of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a single-employer defined benefit pension plan as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). MSEP is administered by the Missouri State Employee's Retirement System (MOSERS), also a component unit of the State of Missouri. In accordance with the provisions of GASB 68, the University accounts for and reports its participation in the single-employer plan as if it was a cost-sharing employer. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of MOSERS and additions to/deductions from MOSERS' fiduciary net position has been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of the University is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University such as the federal portion of loan funds. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Classification of Revenues

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) interest on student loans.

Nonoperating revenues – Nonoperating revenues include 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, *Basic Financial Statements* – and *Management's Discussion and Analysis – for State and Local Governments*, such as state appropriations and investment income.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as nonoperating revenues and other governmental grants are recorded as operating revenues 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 scholarship allowance. The scholarship allowances on tuition and fees and housing for the year ended June 30, 2016, were $12,717,033 and $1,882,340, respectively, and for the year ended June 30, 2015, were $12,032,635 and $1,608,754, respectively.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Foundation

Missouri Southern Foundation (Foundation) is a legally separate, tax-exempt organization supporting Missouri Southern State University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted 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 discretely presented in the University's financial statements.

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (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.

During the year ended June 30, 2016, the Foundation provided funding for scholarships and general university support of $870,981 and $1,718,061, respectively. During the year ended June 30, 2015, the Foundation provided funding for scholarships and general university support of $689,787 and $6,093,586, respectively. Complete financial statements for the Foundation can be obtained from the Foundation Office at 3950 E. Newman Road, Joplin, Missouri 64801.

Note 2: Deposits, Investments and Investment Income

Deposits

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

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city having a population of not less than two thousand, county, school district or special road district of the state of Missouri; bonds of any state; a surety bond having an aggregate value at least equal to the amount of the deposits; tax anticipation notes issued by any first class county; irrevocable standby letter of credit issued by a Federal Home Loan Bank; or out-of-state municipal bonds rated in the highest category by a nationally recognized statistical rating agency.

At June 30, 2016 and 2015, respectively, the University's bank balances were $12,018,286 and $8,396,981. None of these deposits were exposed to custodial credit risk at June 30, 2016 or 2015.

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities; repurchase agreements; banker's acceptances and commercial paper.

At June 30, 2015, the University had five, $1,000,000 certificates of deposit earning 0.60%. These certificates of deposit matured during 2016, leaving certificates of deposit totaling $0 at June 30, 2016.

The University holds funds in a deferred compensation plan in which the funds are invested at the direction of the plan participant and are not limited to the investment policies of the University.

The University also holds equity securities which are restricted by donors as to investment holdings and are therefore not subject to the University's investment policies.

At June 30, 2016 and 2015, the University held the following investments:

Type	June 30 2016	2015
Deferred compensation plan – mutual funds, annuity and stocks	$ 16,751	$ 17,124
Certificates of deposit	-	5,000,000
Investment restricted by donor to stocks	21,852	21,852
	$ 38,603	$ 5,038,976

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the University's investment policy mandates structuring the investment portfolio 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. The investment policy also mandates investing operating funds primarily in shorter-term securities. The maximum maturity allowed under University policy is three years from the date of purchase.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2016, the University had no investments requiring credit quality rating disclosures.

Custodial Credit Risk – For an investment, 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. To minimize custodial credit risk, it is the University's policy that all securities purchased be perfected in the name of or for the account of the University and be held by a third-party custodian as evidenced by appropriate safekeeping receipts.

Concentration of Credit Risk – As a means of limiting its exposure arising from concentration of investments, the University's investment policy mandates that the portfolio not have a concentration of assets in specific maturity, specific issuer or specific class of securities. The policy further states that no more than 5% of the total market value of the portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than 5% or the total market value of the portfolio may be invested in commercial paper of any one issuer.

Summary of Carrying Values

The carrying values of deposits and investments discussed above are:

	2016	2015
Carrying value		
Cash on hand	$ 4,400	$ 4,300
Deposits	11,371,287	7,606,146
Other investments	38,603	5,038,976
	$ 11,414,290	$ 12,649,422

The deposits and investments are included in the following statements of net assets captions:

	2016	2015
Cash and cash equivalents	$ 9,351,340	$ 4,815,737
Short-term investments	-	5,000,000
Reserved cash and cash equivalents	1,582,474	1,136,848
Restricted cash and cash equivalents	441,873	1,622,101
Restricted investments	38,603	74,736
	$ 11,414,290	$ 12,649,422

Investment Income

Investment income for the years ended June 30, 2016 and 2015, consisted of interest and dividend income of $52,286 and $56,947, respectively.

Missouri Southern State University

(A Component Unit of the State of Missouri)

Notes to Financial Statements

June 30, 2016 and 2015

Note 3: Capital Assets

Capital assets activity for the years ended June 30, 2016 and 2015, were:

	2016				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable capital assets					
Land	$ 953,355	$ -	$ -	$ -	$ 953,355
Construction in progress	29,427,175	3,927,095	(40,716)	(31,982,117)	1,331,437
Total nondepreciable capital assets	30,380,530	3,927,095	(40,716)	(31,982,117)	2,284,792
Depreciable capital assets					
Land improvements	4,951,693	-	(467,124)	675,893	5,160,462
Buildings and improvements	128,770,168	-	-	30,569,732	159,339,900
Infrastructure	842,204	-	-	-	842,204
Furniture, fixtures and equipment	17,717,675	468,376	(493,325)	736,492	18,429,218
Vehicles	699,235	2,700			701,935
Works of art	478,247		-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,461,757	35,793	(83,137)	-	6,414,413
Total depreciable capital assets	161,514,275	506,869	(1,043,586)	31,982,117	192,959,675
Less accumulated depreciation					
Land improvements	3,470,250	223,761	(391,865)	-	3,302,146
Buildings and improvements	45,309,131	3,510,479	-		48,819,610
Infrastructure	379,931	17,121	-	-	397,052
Furniture, fixtures and equipment	14,593,340	1,206,552	(447,900)		15,351,992
Vehicles	607,988	27,861			635,849
Works of art	383,420	8,034	-	-	391,454
Software	1,460,375	83,400	-	-	1,543,775
Library materials	6,349,958	35,097	(83,137)	-	6,301,918
Total accumulated depreciation	72,554,393	5,112,305	(922,902)	-	76,743,796
Total depreciable capital assets, net	88,959,882	(4,605,436)	(120,684)	31,982,117	116,215,879
Net capital assets	$119,340,412	$ (678,341)	$ (161,400)	$ -	$118,500,671

Missouri Southern State University
(A Component Unit of the State of Missouri)
Notes to Financial Statements
June 30, 2016 and 2015

	2015				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable capital assets					
Land	$ 953,355	$ -	$ -	$ -	$ 953,355
Construction in progress	3,097,923	26,715,471	-	(386,219)	29,427,175
Total nondepreciable capital assets	4,051,278	26,715,471	-	(386,219)	30,380,530
Depreciable capital assets					
Land improvements	5,078,050	-	(126,357)	-	4,951,693
Buildings and improvements	128,410,796	-	-	359,372	128,770,168
Infrastructure	842,204	-	-	-	842,204
Furniture, fixtures and equipment	18,254,557	383,921	(958,310)	37,507	17,717,675
Vehicles	691,109	27,960	(9,174)	(10,660)	699,235
Works of art	477,447	800	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,526,663	31,384	(96,290)	-	6,461,757
Total depreciable capital assets	161,874,122	444,065	(1,190,131)	386,219	161,514,275
Less accumulated depreciation					
Land improvements	3,428,892	167,715	(126,357)	-	3,470,250
Buildings and improvements	42,172,983	3,136,055	-	93	45,309,131
Infrastructure	362,810	17,121	-	-	379,931
Furniture, fixtures and equipment	14,173,300	1,363,484	(954,011)	10,567	14,593,340
Vehicles	600,223	27,599	(9,174)	(10,660)	607,988
Works of art	375,073	8,347	-	-	383,420
Software	1,372,635	87,740	-	-	1,460,375
Library materials	6,408,236	38,012	(96,290)	-	6,349,958
Total accumulated depreciation	68,894,152	4,846,073	(1,185,832)	-	72,554,393
Total depreciable capital assets, net	92,979,970	(4,402,008)	(4,299)	386,219	88,959,882
Net capital assets	$ 97,031,248	$ 22,313,463	$ (4,299)	$ -	$119,340,412

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Note 4: Noncurrent Liabilities

The following is a summary of noncurrent obligation transactions for the University for the years ended June 30, 2016 and 2015:

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases					
Revenue bonds payable					
Series 2005A	4,290,000	-	4,290,000	-	
Series 2008	4,375,000	-	4,375,000	-	-
Series 2014A	14,465,000	-	540,000	13,925,000	1,050,000
Series 2014B	14,320,000	-	-	14,320,000	-
Series 2015	-	7,615,000		7,615,000	530,000
Bond premium – 2005A Issue	80,914	-	80,914	-	
Bond premium – 2015 Issue	-	143,924	17,856	126,068	17,856
Capital lease obligations	34,653	30,478	14,705	50,426	12,306
Total bonds and capital leases	37,565,567	7,789,402	9,318,475	36,036,494	1,610,162
Other noncurrent liabilities					
Accrued compensated absences	1,312,695	858,781	841,434	1,330,042	858,781
Deferred compensation	63,526	-	31,857	31,669	31,669
Deferred revenue – vending	92,500	-	30,000	62,500	30,000
Other postemployment benefit obligations	566,934	141,906	-	708,840	-
Deposits held in custody for others	287,152	271,454	261,478	297,128	-
Accrued net pension liability	26,913,021	9,032,483	-	35,945,504	-
Total other noncurrent liabilities	29,235,828	10,304,624	1,164,769	38,375,683	920,450
Total noncurrent liabilities	$ 66,801,395	$ 18,094,026	$10,483,244	$74,412,177	$ 2,530,612

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	2015				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases					
Revenue bonds payable					
Series 2005A	$ 4,725,000	$ -	$ 435,000	$ 4,290,000	$ 460,000
Series 2008	4,915,000	-	540,000	4,375,000	555,000
Series 2014A	15,030,000	-	565,000	14,465,000	540,000
Series 2014B	14,320,000	-	-	14,320,000	-
Capital lease – US Bancorp	1,503,472	-	1,503,472	-	-
Bond premium – 2005A Issue	92,075	-	11,161	80,914	11,161
Capital lease obligations	18,399	34,745	18,491	34,653	13,202
Total bonds and capital leases	40,603,946	34,745	3,073,124	37,565,567	1,579,363
Other noncurrent liabilities					
Accrued compensated absences	1,302,579	870,642	860,526	1,312,695	870,642
Deferred compensation	95,854	-	32,328	63,526	32,000
Deferred revenue – vending	122,500	-	30,000	92,500	30,000
Other postemployment benefit	-	-	-	-	-
obligations	436,016	130,918	-	566,934	-
Deposits held in custody for	-	-	-	-	-
others	272,176	262,949	247,973	287,152	-
Accrued net pension liability	-	26,913,021	-	26,913,021	-
Total other noncurrent liabilities	2,229,125	28,177,530	1,170,827	29,235,828	932,642
Total noncurrent liabilities	$ 42,833,071	$ 28,212,275	$ 4,243,951	$66,801,395	$ 2,512,005

Revenue Bonds Payable

2005A Issue

On June 1, 2005, the University issued $5,395,000 of bonds as the Series 2005A portion of the June 1, 2005, refunding bonds to advance refund $5,240,000 of outstanding 1997 series bonds with interest rates of 5.125% to 5.25%. The bonds bear interest, payable semiannually, at rates of 3.5% to 5.0%, which began October 1, 2005. Principal maturities began October 1, 2012, and continue until 2023. Bonds maturing in the year 2016 and thereafter, are callable for redemption and payment, at the University's option, on or after October 1, 2015, at 100% of principal plus accrued interest to the redemption date. On July 7, 2015, the University refunded these bonds as part of the 2015 Issue. The bonds were secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10).*

2008 Issue

On April 24, 2008, the University issued $17,205,000 of bonds. A portion of the proceeds from the issuance of these bonds were used to refund the remaining outstanding portion of the 1997 bond issue and the rest of the bond proceeds are being used to construct, furnish and equip a new student recreational and health center. The bonds bear interest, payable semiannually, at rates of 1.70% to 4.65% which began October 1, 2008. Principal maturities began October 1, 2009, and continue until 2038. Bonds maturing October 1, 2015, and thereafter, are callable for redemption and payment, at the University's option, on or after October 1, 2014, at 100% of principal plus accrued interest to the redemption date. During 2014, $10,575,000 of the bonds were partially defeased by the issuance of the Series 2014A revenue bonds. On July 7, 2015, the University refunded the remaining balance of these bonds as part of the 2015 Issue. The bonds were secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

2014A Issue

On April 30, 2014, the University issued $15,030,000 of bonds. The proceeds from the issuance of these bonds were used to refund the outstanding portion of the 2000 bond issue and defease a portion of the 2008 issue. The bonds bear interest, payable semiannually, at rates of 0.35% to 3.95%, which began October 1, 2014. Principal maturities begin October 1, 2014, and continue annually until 2034. Bonds maturing October 1, 2021, and thereafter, are callable for redemption and payment, at the University's option, on or after October 1, 2020, at 100% of principal plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

The refunding issue was used to retire $4,275,000 of Series 2000 bonds, advance refund $10,575,000 of Series 2008 bonds, meeting $30,678 of interest escrow requirements and the remainder used for the cost of issuance. The refunding was undertaken to reduce total debt service payments by $1,852,621 and resulted in an economic gain (present value savings) of $1,340,072.

2014B Issue

On April 30, 2014, the University issued $14,320,000 of bonds, consisting of $9,475,000 of serial bonds and $4,845,000 of term bonds. The proceeds from the issuance of these bonds were used to construct, improve, furnish and equip a new residence hall. The serial and term bonds bear interest, payable semiannually, at rates of 2.05% to 4.25%, which began October 1, 2014. Principal maturities for serial bonds begin October 1, 2020, and continue annually until 2039. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2040 - 2044 at a redemption price equal to 100% of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

Capital Lease – US Bancorp

On February 10, 2014, the University entered into a $2,000,000 capital lease agreement for the purchase of equipment and furnishings to be used in the University residence halls. The lease agreement is payable in four semiannual installments including interest at 0.93%, of which the initial payment due August 10, 2014, was made in June 2014. As a result of the lease agreement, the University has the option to purchase the entire interest in all of the property acquired as a result of the leasing agreement for $1, upon payment in full of all lease payments and the related interest. The lease was paid in full as of June 30, 2015.

2015 Issue

On July 7, 2015, the University issued Auxiliary Enterprise System Refunding Revenue bonds in the principal amount of $7,615,000. The serial and term bonds bear interest, payable semiannually, at rates ranging from 2% to 4%, which began April 1, 2016. The refunding issue and University funds were used to redeem and refund $3,830,000 of Series 2005A bonds, and $4,375,000 of Series 2008 bonds. The refunding was undertaken to reduce total debt service payments by $1,939,978 and resulted in an economic gain (present value savings) of $549,854. Principal maturities for the serial bonds began October 1, 2016, and continue annually until 2029. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2030 – 2038 at a redemption price equal to 100% of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

The debt service requirements as of June 30, 2016, are as follows:

Year Ending June 30	Principal	Interest	Total to be Paid
2017	$ 1,580,000	$ 1,164,766	$ 2,744,766
2018	1,610,000	1,141,544	2,751,544
2019	1,645,000	1,111,564	2,756,564
2020	1,665,000	1,077,744	2,742,744
2021	1,950,000	1,034,227	2,984,227
2022 - 2026	6,420,000	4,489,224	10,909,224
2027 - 2031	4,680,000	3,746,628	8,426,628
2032 - 2036	6,070,000	2,754,274	8,824,274
2037 - 2041	6,255,000	1,415,811	7,670,811
2042 - 2046	3,985,000	350,519	4,335,519
	$ 35,860,000	$ 18,286,301	$ 54,146,301

Note 5: Line of Credit

The University has an unsecured demand line of credit with a borrowing limit of $2,000,000. Interest varies at 1.25% less than the bank's prime rate. At June 30, 2016 and 2015, there was no outstanding balance on the note, nor had any borrowing activity taken place during the respective fiscal years.

Note 6: Pension Plan

MOSERS

Plan Description

The Missouri State Employees' Plan (MSEP) is a single-employer, defined benefit public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000, which are administered by the Missouri State Employees' Retirement System (MOSERS or the System) in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the system are vested the powers and duties specified in Sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees and agents to carry out fully and effectively all the purposes of Sections 104.010 and 104.312 to 104.1215, RSMo. Responsibility for the operation and administration of the System is vested in the 11-member MOSERS' Board of Trustees as defined by state law. Due to the nature of MOSERS' reliance on funding from the state of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. The MSEP provides retirement, survivor and disability benefits. MOSERS issues an annual Comprehensive Annual Financial Reporting (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

Benefits Provided

MOSERS provides retirement, disability and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific funding structure in which the employee participates, which is based on the employee's hire date. Information on the three funding structures administered by MOSERS (MSEP, MSEP 2000 and MSEP 2011) and how eligibility and the benefit amount is determined for each funding structure may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

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. No employee contribution is required for the MSEP and MSEP 2000 plans. Employees in the MSEP 2011 plan are required to contribute 4.00% of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2016, was 16.97% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS' plan year ended June 30, 2015, was 16.97% for all plans, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were $3,582,181 and $3,667,604 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and 2015, the University reported a liability of $35,945,504 and $26,913,021, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, 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 years ended June 30, 2015 and 2014 . At June 30, 2015 and 2014, the University's proportion was 1.119% and 1.141%, respectively.

There were no changes in benefit terms during the MOSERS' plan year ended June 30, 2015, that affected the measurement of total pension liability.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $3,337,172 and $2,529,985, respectively. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 67,150	$ 232,545
Changes of assumptions	-	478,403
Net difference between projected and actual earning on pension plan investments	2,760,006	-
Changes in proportion and differences between the University's contributions and the University proportionate share of contributions	-	495,595
University's contributions subsequent to the measurement date	3,582,181	-
Total	$ 6,409,337	$ 1,206,543

At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 104,869	$ -
Net difference between projected and actual earning on pension plan investments	-	7,847,171
University's contributions subsequent to the measurement date	3,667,604	-
Total	$ 3,772,473	$ 7,847,171

At June 30, 2016 and 2015, the University reported $3,582,181 and $3,667,604 as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2016, related to pensions will be recognized in pension expense as follows:

2017	$ (174,093)
2018	(178,341)
	(159,955)
	2,133,002
	$ 1,620,613

Summary of Pension Changes

Below is a summary of pension changes due to the implementation of GASB 68 as of June 30, 2016 and 2015.

	2016	2015	Change
Statement of Net Position - deferred outflows of resources	$ 6,409,337	$ 3,772,473	$ 2,636,864
Statement of Net Position - accrued net pension liability	(35,945,504)	(26,913,021)	(9,032,483)
Statement of Net Position - deferred inflows of resources	(1,206,543)	(7,847,171)	6,640,628
			$ 245,009

The impact on the Statement of Revenues, Expenses and Changes in Net Position is the difference between the University's proportionate share of pension expense and the actuarial required contribution. The effect for the years ending June 30, 2016 and 2015, respectively, are shown below:

	2016	2015
Actuarial required contribution	$ 3,582,181	$ 3,667,604
Pension expense	(3,337,172)	(2,529,985)
	$ 245,009	$ 1,137,619

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation, which is also the measurement date for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	0.00% in year one; 3.00% annually thereafter
Investment rate of return	8.00% per year, compounded annually, net after investment expenses and including inflation

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

The actuarial assumptions used in the June 30, 2015 and 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.50% to 8.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS' target asset allocation as of June 30, 2015, are summarized in the following table:

Asset Class	Policy Allocation	Long-Term Expected Real Rate of Return *	Weighted Average Long-Term Expected Real Rate of Return
Beta Balanced	80.00%	5.70%	4.60%
Illiquid **	20.00%	7.30%	1.50%
	100.00%		6.10%

* Represent best estimates of geometric rates of return for each major asset class included.
** Illiquid portfolio upper limit of 27.5% of capital, no new commitments past 23%.

Discount Rate

The discount rate used to measure the total pension liability was 8.00% at both June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the net pension liability	$ 50,658,196	$ 35,945,504	$ 23,589,103

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2016 and 2015, the University reported a payable of $53,521 and $45,921, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and 2015, respectively.

CURP

Beginning July 1, 2002, in accordance with Section 104.1200 through 104.1215 of the Revised Statutes of Missouri, employees hired who meet the criteria of an "education employee" participate in the College and University Retirement Plan (CURP). It is a noncontributory 401(a) defined contribution plan for education employees at regional colleges/universities in Missouri. The MOSERS has been given the responsibility by law to implement and oversee the administration of the plan. The TIAA-CREF group of companies is the third-party administrator for the CURP and manages the investment options under the plan. Contributions made by the University are self-directed by participants into their selected individual accounts. By law, the CURP contribution rate is equal to 1% less than the normal cost contribution rate of the Missouri State Employees' Plan 200 (MSEP 200). After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute to CURP at an actuarially determined rate; the rate was 5.89% and 6.16% of annual covered payroll for 2016 and 2015, respectively. The University's contributions to CURP for the years ended June 30, 2016, 2015 and 2014, were $341,370, $319,787 and $295,708 respectively, which equaled the required contributions for the years.

Note 7: Postemployment Health Care Plan

Plan Description

In addition to the pension benefits described in *Note 6*, the University provides health care benefits, through a commercial insurance carrier, to qualifying retired employees who elect to remain in the University's health care plan. The Missouri Southern State University Board of Governors, which is appointed by the Governor with the approval of the State Legislature, assigns the authority to establish and amend benefit provisions to Missouri Southern State University. Effective January 1, 2012, retirees contribute group insurance premium rates to maintain coverage.

Funding Policy

The contribution requirements of plan members are established by the Missouri Southern State University Board of Governors. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the University. The plan was established effective January 1, 2012, and the University contributions for the years ended June 30, 2016 and 2015, were approximately $50,000 and $77,000, respectively, which were approximately 39% and 46% of total contributions, respectively. Retiree contributions of approximately $78,000 and $91,000 were paid in the years ending June 30, 2016 and 2015, respectively, which consists of retiree contributions ranging between $440 to $690 monthly for a single person or $830 to $1,300 monthly for a retiree and spouse.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the University's net OPEB obligation to the plan:

Annual required contribution	$ 198,088
Interest on net OPEB obligation	17,008
Adjustment to annual required contribution	(23,190)
Annual OPEB cost (expense)	191,906
Expected employer contributions	(50,000)
Increase in net OPEB obligation	141,906
Net OPEB obligation - beginning of year	566,934
Net OPEB obligation - end of year	$ 708,840

The University's annual OPEB cost, the percentage of expected annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the preceding year was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Expected Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	$ 191,906	26.1%	$ 708,840
6/30/2015	$ 207,918	37.0%	$ 566,934

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $1,833,878 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,833,878. The covered payroll (annual payroll of active employees covered by the plan) was $25,171,015, and the ratio of the UAAL to the covered payroll was 7.3%.

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

Actuarial Methods and Assumptions

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

In the January 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual health care cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 5.00% after eight years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2016, was 30 years.

Note 8: Commitments and Contingencies

Software Licenses and Services

During 2006, the University contracted with Ellucian™ for software licenses, installation, consulting and support services. The University signed software maintenance agreements expiring September 30, 2016, which started with an annual payment of $189,106, escalating 5% each year and adjusted based on the number of users. During the years ended June 30, 2016 and 2015, $293,933 and $295,277, respectively, was paid for maintenance agreements.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

Note 9: Risk Management

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; natural disasters; workers' compensation; employee injuries and illnesses; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation, employee dishonesty and automobile liability. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-Insurance

The state of Missouri self-insures workers' compensation benefits and automobile liability for all state employees, including University employees. The state of Missouri self-insures, through the legal expense fund, claims relating to employee dishonesty. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Health Care

The University maintains medical, dental, vision, life and long-term disability insurance coverage with various commercial insurance carriers.

Note 10: Segment Information

A segment, an identifiable activity for which one or more revenue bonds are outstanding, has a specific identifiable revenue stream pledged in support of the 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 these reporting requirements, the Auxiliary Enterprise System for residence halls, student recreation center, health center, bookstore and ticket management.

The outstanding debt of the Auxiliary Enterprise System Revenue Bonds (*Note 4*) is payable from the gross income and revenues derived from the related auxiliary enterprise activities. Condensed financial information for the Auxiliary Enterprise System as of and for the years ended June 30, 2016 and 2015, is as follows:

Auxiliary Enterprise System
Revenue Bonds Series 2000, 2005A, 2008, 2014A, 2014B and 2015
As of/Years Ended June 30, 2016 and 2015

	2016	2015
Condensed Statements of Net Position		
Assets		
Current assets	$ 3,217,985	$ 2,779,805
Noncurrent assets	-	1,375,387
Capital assets, net	47,679,609	48,710,933
Total assets	50,897,594	52,866,125
Deferred Outflows of Resources	587,467	563,291
Total assets and deferred outflows of resources	51,485,061	53,429,416
Liabilities		
Current liabilities	2,435,781	3,826,371
Long-term liabilities	35,829,777	36,202,940
Total liabilities	38,265,558	40,029,311
Deferred Inflows of Resources	34,498	310,748
Net Position		
Net investment in capital assets	13,185,005	13,089,357
Total net position	$ 13,185,005	$ 13,089,357

	2016	2015
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating Revenues	$ 8,334,515	$ 8,002,751
Depreciation Expense	(1,909,706)	(1,654,023)
Other Operating Expenses	(5,130,941)	(5,246,848)
Operating income	1,293,868	1,101,880
Nonoperating Revenues (Expenses)		
Interest expense	(1,374,158)	(792,652)
Other nonoperating revenues	175,938	849,618
Total nonoperating revenues (expenses)	(1,198,220)	56,966
Income Before Other Revenues, Expenses, Gains or Losses	95,648	1,158,846
Capital Grants and Gifts	-	-
Change in net position	95,648	1,158,846
Beginning Net Position, as Previously Reported	13,089,357	13,202,674
Cumulative Effect of Change in Accounting Principle	-	(1,272,163)
Beginning Net Position, as Restated	13,089,357	11,930,511
Ending Net Position	$ 13,185,005	$ 13,089,357
Condensed Statements of Cash Flows		
Net Cash Provided By (Used In)		
Operating activities	$ 2,401,398	$ 2,223,170
Noncapital financing activities	175,938	849,817
Capital and related financing activities	(3,657,347)	(17,400,212)
Investing activities	-	12,052,112
Net increase (decrease)	(1,080,011)	(2,275,113)
Beginning Cash and Cash Equivalents	1,455,914	3,731,027
Ending Cash and Cash Equivalents	$ 375,903	$ 1,455,914

Note 11: Missouri Southern Foundation

Financial Statements

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

Investments

Investments in equity and debt securities are carried at fair value. All other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or market value. Investments, including investments restricted for long-term purposes, at June 30, 2016 and 2015, consists of the following:

	2016	2015
Equity securities	$ 9,666,676	$ 10,206,052
U.S. Treasury and federal agency obligations	4,348,682	4,030,105
Corporate debt	2,027,505	2,127,169
Money market funds and other	759,388	265,064
	$ 16,802,251	$ 16,628,390

Beneficial Interests in Trusts Held by Others

The Foundation is the beneficiary of various perpetual trusts administered by financial institutions. The beneficial interests in these perpetual trusts are included in permanently restricted net assets. The Foundation is to receive portions of the earnings from each of these trusts at least annually as provided for in each trust instrument.

The Foundation is also beneficiary of various charitable beneficial trusts administered by a financial institution. The Foundation is to receive remainder interests in each of these trusts after donors or other beneficiaries have received benefits for specified periods of time. Once benefits have been distributed to the other beneficiaries, the Foundation is to receive stated percentages from each trust according to terms of the various trust instruments. The beneficial interests in these charitable remainder trusts are included in temporarily restricted net assets.

Contributions Receivable

Contributions receivable consists of unconditional gifts to be received in future periods and have been discounted, at rates ranging from 3.0% to 5.2%, to the present value of estimated future cash flows. Expected receipt of contributions receivable at June 30, 2016 and 2015, is as follows:

	2016	2015
Less than one year	$ 330,295	$ 1,231,577
One to five years	4,781,566	4,446,715
More than five years	210,540	-
Gross contributions receivable	5,322,401	5,678,292
Less discount for present value	874,925	920,179
Net contributions receivable	$ 4,447,476	$ 4,758,113

Notes Payable

The Foundation entered into a $1,040,000 term loan agreement with UMB Bank in December 2015. The principal of $1,040,000 is due along with accrued interest at 2.5% on December 5, 2016. The loan is secured by the commercial pledge agreement executed by the Community Foundation of the Ozarks, Inc.

Net Assets

Endowment net assets at June 30, 2016, by type of fund consisted of the following:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 14,017,035	$ 17,797,971	$ 31,815,006
Board-designated endowment funds	332,921	-	-	332,921
	$ 332,921	$ 14,017,035	$ 17,797,971	$ 32,147,927

The Foundation designated $1.5 million of unrestricted net assets in 1999 for the addition to the Robert Ellis Young Gymnasium, payable at $29,346 per quarter, including interest at an effective rate of 6.25%. The final payment was made to MSSU on June 29, 2015.

The Foundation also designated $350,000 of unrestricted net assets in March 2006 as a board-designated endowment for use by the English Department of MSSU based on a settlement received from the estate of a former English instructor. Distributions to the English Department from this endowment will be budgeted annually based on requests submitted by the English Department along with anticipated earnings from the invested funds. The balance in this endowment at June 30, 2016 and 2015, was $332,921 and $337,268, respectively.

Temporarily restricted net assets at June 30, 2016 and 2015, are categorized as directed by donors as follows:

	2016	2015
Scholarships	$ 2,283,176	$ 2,928,120
Faculty and departmental support	4,751,331	4,890,373
Facilities improvement	2,322,918	2,511,506
General university support	368,872	326,664
Cultural activities	45,817	75,530
Time	4,244,921	4,216,378
	$ 14,017,035	$ 14,948,571

Permanently restricted net assets at June 30, 2016 and 2015, to be held in perpetuity, are categorized as directed by donors for the use of the annual income as follows:

	2016	2015
Scholarships	$ 15,712,623	$ 15,432,947
Faculty and departmental support	1,273,493	1,262,102
Facilities improvement	230,958	235,239
General university support	2,984	3,054
Cultural activities	577,913	584,826
	$ 17,797,971	$ 17,518,168

Note 12: Subsequent Event

On September 1, 2016, the University obtained an unsecured demand line of credit with a borrowing limit of $5,000,000. Interest varies daily based on 1.25% less than the *Wall Street Journal* Prime Rate; initial rate of 2.25%. The line of credit matures September 1, 2018.

The Foundation is planning on entering into a bridge loan program with four local banks that may be as much as $5,000,000. The loans would be secured by pledges to give.

Required Supplementary Information

Missouri Southern State University

(A Component Unit of the State of Missouri)

Required Supplementary Information

Schedule of the University’s Proportionate Share of the Net Pension Liability

Missouri State Employees’ Retirement System

June 30, 2016 and 2015

	2016	2015
University’s proportion of the net pension liability	1.1190%	1.1415%
University’s proportionate share of the net pension liability	$ 35,945,504	$ 26,913,021
University’s covered-employee payroll	$ 21,669,752	$ 21,803,175
University’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.88%	123.44%
Plan fiduciary net position as a percentage of the total pension liability	72.62%	79.49%

* The amounts presented for June 30, 2016 and 2015, were determined as of the end of the preceding fiscal year.

This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Required Supplementary Information
Schedule of University Contributions
Missouri State Employees' Retirement System
June 30, 2016 and 2015

	2016	2015	2014
Contractually required contribution	$ 3,586,368	$ 3,677,357	$ 3,725,358
Contributions in relation to the contractually required contribution	3,586,368	3,677,357	3,725,358
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll	$ 21,133,582	$ 21,669,752	$ 21,803,175
Contributions as a percentage of covered-employee payroll	16.97%	16.97%	17.09%

This schedule is presented to illustrate the requirements to show information for ten years. However, until a full ten-year trend is compiled, the University only presents information for those years for which information is available.

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for MOSERS for the year ended June 30, 2015 or 2014.

Changes of Assumptions

There were no changes to assumptions in valuation reports for the year ended June 30, 2015, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016, only.

Missouri Southern State University
(A Component Unit of the State of Missouri)
Required Supplementary Information
Schedule of Funding Progress for Postemployment Health Care Plan
June 30, 2016

	Year Ended June 30, 2016
Actuarial valuation date	January 1, 2016
Actuarial cost method	Projected Unit Credit
Actuarial accrued liability	$ 1,833,878
Actuarial value of assets	-
Total unfunded actuarial liability	$ 1,833,878
Funded ratio	0.00%
Annual covered payroll	$ 25,171,015
Ratio of unfunded actuarial liability to covered payroll	7.3%
Participant Summary:	
Active employees	526
Retirees	8
Spouses of retirees	-
Total	534
Actuarial Assumptions:	
UAAL amortization method	Level % of pay
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	3.00%
Projected salary increases	1.50%

Health Care Cost Trend Rates

Year	Medical/Rx
2016	8.00%
2017	7.50%
2018	7.00%
2019	6.50%
2020	6.00%
2021	5.75%
2022	5.50%
2023	5.25%
2024 (to ultimate)	5.00%

Supplementary Information

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenses
U.S. Department of Education				
Student Financial Aid Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	None	$ -	$ 153,796
Federal Work-Study Program	84.033	None	-	160,345
Federal Perkins Loan Program	84.038	None	-	4,373,069
Federal Pell Grant Program	84.063	None	-	11,521,748
Federal Direct Student Loans	84.268	None	-	19,848,693
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379	None	-	104,074
Total Student Financial Assistance Cluster			-	36,161,725
U.S. Department of Education				
TRIO Cluster				
TRIO – Student Support Services	84.042A	P042A1000621/ P042A150200	-	224,059
TRIO – Talent Search	84.044A	None	-	235,475
TRIO – Upward Bound	84.047A	P047A121681	-	251,503
Total TRIO Cluster			-	711,037
U.S. Department of Agriculture/ Missouri Department of Health and Senior Services/ Child and Adult Care Food Program	10.558	ERS46110060	-	16,791
Department of Transportation - National Highway Traffic Safety Administration/State and Community Highway Safety	20.60X	None	-	37,780
Small Business Administration/ University of Missouri/ Small Business Development Centers	59.037	51641	-	95,610
U.S. Department of Education/ Career and Technical Education – Basic Grants to States	84.048A	None	-	108,404
Department of Health and Human Services/ Foster Care Title IV-E	93.658	None	-	15,900
			$ -	$ 37,147,247

Missouri Southern State University

(A Component Unit of the State of Missouri)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Missouri Southern State University under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Missouri Southern State University, it is not intended to and does not present the financial position, changes in net position or cash flows of the Missouri Southern State University.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Missouri Southern State University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. The federal loan programs listed subsequently are administered directly by Missouri Southern State University, and balances and transactions relating to these programs are included in Missouri Southern State University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2016, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2016
84.038	Federal Perkins Loan Program	$3,743,593

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Governors
Missouri Southern State University
Joplin, Missouri

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Missouri Southern State University, which comprise the statement of net position as June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2016. Our report includes a reference to other auditors who audited the financial statements of Missouri Southern Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Missouri Southern Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Board of Governors
Missouri Southern State University

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the University's management in a separate letter dated October 7, 2016.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
October 7, 2016

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Governors
Missouri Southern State University
Joplin, Missouri

Report on Compliance for Each Major Federal Program

We have audited Missouri Southern State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Missouri Southern State University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the University's compliance.

Board of Governors
Missouri Southern State University

Opinion on Each Major Federal Program

In our opinion, Missouri Southern State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Missouri Southern State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
October 7, 2016

Missouri Southern State University
(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

Missouri Southern State University

(A Component Unit of the State of Missouri)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster:	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Perkins Loan Program	84.038
Federal Work-Study Program	84.033
Federal Direct Student Loans	84.268
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The University qualified as a low-risk auditee? ☒ Yes ☐ No

Missouri Southern State University

(A Component Unit of the State of Missouri)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Missouri Southern State University

(A Component Unit of the State of Missouri)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

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Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Reference Number	Finding	Status

No matters are reportable.