

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

**Independent Auditor's Reports and Financial Statements**

**June 30, 2017 and 2016**

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**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**June 30, 2017 and 2016**

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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, 2017 and 2016, 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 \$36,643,213 and \$34,063,405 as of June 30, 2017 and 2016, respectively, and total revenues of \$5,929,598 and \$2,466,142, 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.

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, 2017 and 2016, 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. Such 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 18, 2017, 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**

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2017 and 2016**

**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, five 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, 2017 and 2016. 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.

### ***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***

#### 2017

At June 30, 2017, the University's net position was \$68.4 million. Operating revenues were \$34.0 million, which include tuition and fees of \$17.7 million, grants of \$6.0 million, auxiliary revenues of \$9.2 million and other revenues of \$1.1 million. Operating expenses amounted to \$75.5 million resulting in an operating loss of \$41.5 million before state appropriations and other nonoperating revenues and expenses. The 2017 operating loss, net nonoperating revenue of \$36.2 million and capital gifts and grants of \$11.3 million resulted in an increase in net position of \$6.0 million and included depreciation and amortization expense of \$5.7 million.

#### 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.

### **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, 2017, 2016 and 2015.

#### **Net Position, End of Year (In Millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Current Assets</b>	\$ 17.0	\$ 15.4	\$ 15.0
<b>Capital Assets – Net</b>	127.3	118.5	119.3
<b>Other Noncurrent Assets</b>	<u>6.2</u>	<u>2.9</u>	<u>4.4</u>
Total assets	<u>\$ 150.5</u>	<u>\$ 136.8</u>	<u>\$ 138.7</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 17.8</u>	<u>\$ 6.7</u>	<u>\$ 4.2</u>
<b>Current Liabilities</b>	\$ 8.8	\$ 8.0	\$ 9.0
<b>Noncurrent Liabilities</b>	<u>89.7</u>	<u>71.9</u>	<u>64.3</u>
Total liabilities	<u>\$ 98.5</u>	<u>\$ 79.9</u>	<u>\$ 73.3</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 1.4</u>	<u>\$ 1.2</u>	<u>\$ 7.9</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 90.4	\$ 82.5	\$ 83.3
Restricted	4.4	4.0	4.4
Unrestricted	<u>(26.4)</u>	<u>(24.1)</u>	<u>(26.0)</u>
Total net position	<u>\$ 68.4</u>	<u>\$ 62.4</u>	<u>\$ 61.7</u>

Of the \$4.4 million in restricted net position in 2017, \$3.4 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, \$1.0 million, is held for scholarships, capital projects and debt payments. 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.

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 \$50.7 million, \$35.9 million and \$26.9 million at June 30, 2017, 2016 and 2015, respectively.

The following table summarizes the University's revenues, expenses and changes in net position for the years ending June 30, 2017, 2016 and 2015:

**Change in Net Position (In Millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Operating Revenues</b>			
Tuition and fees	\$ 17.7	\$ 17.0	\$ 16.5
Grants and contracts	6.0	5.3	4.7
Interest on loans to students	0.1	0.1	0.2
Auxiliary enterprises	9.2	8.3	8.0
Other	<u>1.0</u>	<u>1.1</u>	<u>1.2</u>
Total operating revenues	34.0	31.8	30.6
<b>Operating Expenses</b>	<u>75.5</u>	<u>71.0</u>	<u>69.3</u>
<b>Operating Loss</b>	<u>(41.5)</u>	<u>(39.2)</u>	<u>(38.7)</u>
<b>Nonoperating Revenue (Expense)</b>			
State appropriations	22.8	23.7	23.5
Federal grants and contracts	11.6	11.5	12.0
Contributions	2.5	2.5	3.0
Investment income	0.1	0.1	0.1
Interest on capital asset – related debt	(1.3)	(1.4)	(0.8)
Loss on disposal of capital assets and construction in progress	0.0	(0.1)	0.0
Other nonoperating revenues	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>
Net nonoperating revenues	<u>36.2</u>	<u>36.8</u>	<u>38.4</u>
<b>Loss Before Other Revenues</b>	<u>(5.3)</u>	<u>(2.4)</u>	<u>(0.3)</u>
Capital appropriations – state	10.6	1.1	0.0
Capital gifts and grants	<u>0.7</u>	<u>2.0</u>	<u>6.9</u>
Total other revenues, expenses, gains or losses	<u>11.3</u>	<u>3.1</u>	<u>6.9</u>
<b>Increase in Net Position</b>	<u>6.0</u>	<u>0.7</u>	<u>6.6</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	62.4	61.7	87.2
<b>Cumulative Effect of Change in Accounting Principle (GASB 68)</b>	<u>0.0</u>	<u>0.0</u>	<u>(32.1)</u>
<b>Net Position, Beginning of Year, as Restated for GASB 68</b>	<u>62.4</u>	<u>61.7</u>	<u>55.1</u>
<b>Net Position, End of Year</b>	<u>\$ 68.4</u>	<u>\$ 62.4</u>	<u>\$ 61.7</u>



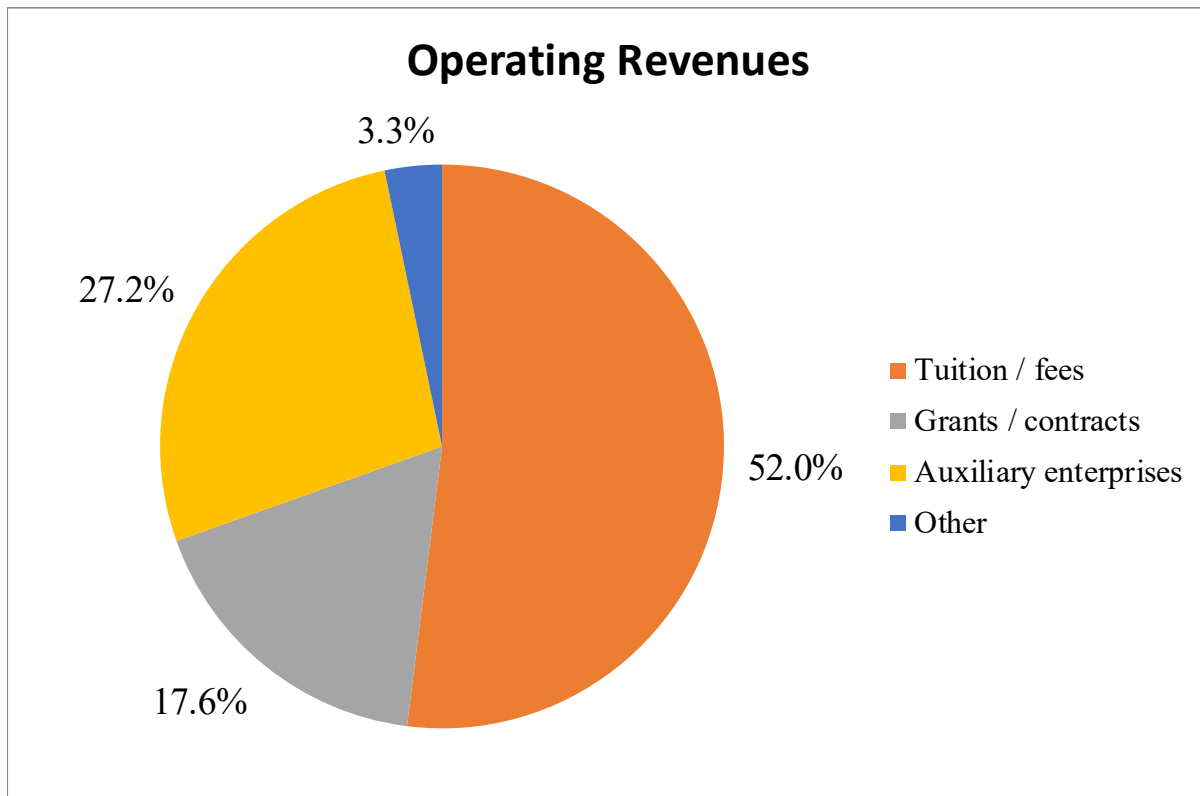
2017

Total operating revenues increased 6.92% from \$31.8 to \$34.0 million during fiscal year ended June 30, 2017. Tuition increase reflects increased enrollment and additional LionPride and Graduate program revenue. State grants increased primarily from larger annual award per student for Access Missouri grants. Auxiliary enterprises increased due to additional housing and bookstore revenue.

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.

The following graph summarizes the University's operating revenues for the year ended June 30, 2017:



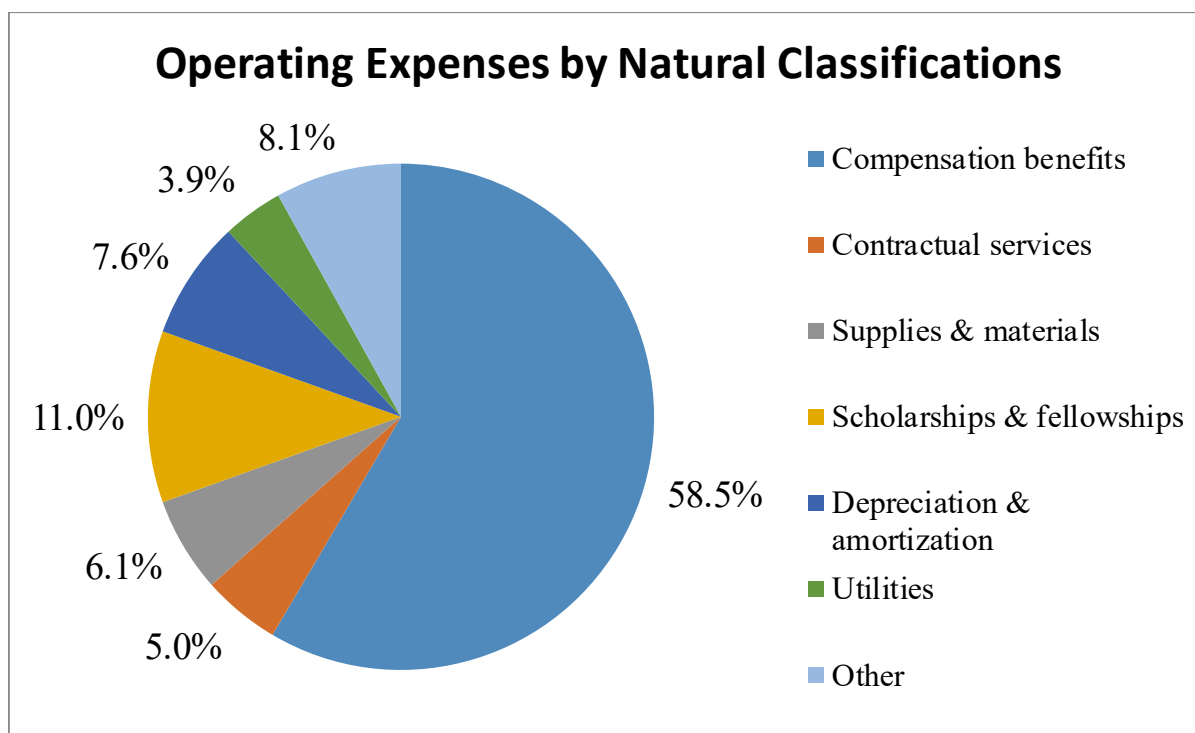
Operating expenses increased by \$4.5 million (6.34%). Primary increase in compensation and benefits were the result of the impact of GASB 68 net pension expense that created an additional \$3.8 million in calculated expense.

The following table summarizes the University's operating expenses by natural classifications for the years ended June 30, 2017, 2016 and 2015:

### Operating Expenses (In Millions)

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Compensation and benefits	\$ 44.2	\$ 40.1	\$ 38.7
Contractual services	3.8	3.5	3.5
Supplies and materials	4.6	4.4	4.2
Scholarships	8.3	8.1	8.0
Depreciation and amortization	5.7	5.6	5.3
Utilities	2.9	2.8	2.7
Other	<u>6.0</u>	<u>6.5</u>	<u>6.9</u>
Total operating expenses	<u>\$ 75.5</u>	<u>\$ 71.0</u>	<u>\$ 69.3</u>

The following graph summarizes the University's operating expenses by natural classification for the year ended June 30, 2017:

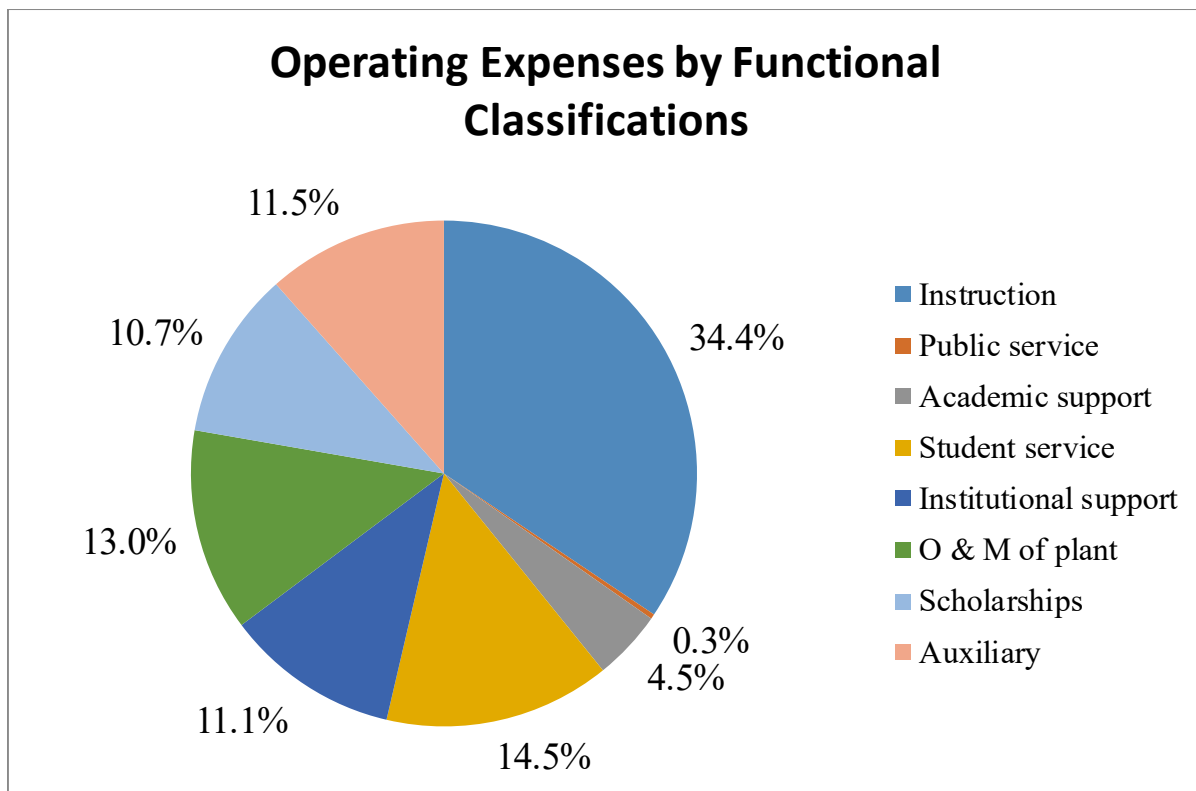


The following table summarizes the University’s operating expenses by functional classifications for the years ended June 30, 2017, 2016 and 2015:

**Operating Expenses by Functional Classification (In Millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 26.0	\$ 23.3	\$ 23.2
Public service	0.2	0.2	0.2
Academic support	3.4	3.6	3.4
Student service	10.9	9.5	9.3
Institutional support	8.4	6.7	7.3
Operations and maintenance of plant	9.8	10.5	9.2
Scholarships	8.1	8.3	8.2
Auxiliary	<u>8.7</u>	<u>8.9</u>	<u>8.5</u>
 Total operating expenses	 \$ <u>75.5</u>	 \$ <u>71.0</u>	 \$ <u>69.3</u>

The following graph summarizes the University’s operating expenses by functional classification for the year ended June 30, 2017:



2017

Functional expenses for fiscal year 2017 saw an increase from compensation and benefits that were the result of the impact of GASB 68 net pension calculation that created an additional \$3.8 million in calculated expense.

## 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.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2017, 2016 and 2015:

### **Nonoperating Revenues and Expenses (In Millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
State appropriations	\$ 22.8	\$ 23.7	\$ 23.5
Federal grants and contracts	11.6	11.5	12.0
Contributions	2.5	2.5	3.0
Investment income	0.1	0.1	0.1
Interest on capital asset-related debt	(1.3)	(1.4)	(0.8)
Loss on disposal of capital assets and construction in progress	0.0	(0.1)	0.0
Other nonoperating expenses	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>
Net nonoperating revenues	<u>\$ 36.2</u>	<u>\$ 36.8</u>	<u>\$ 38.4</u>

The following table summarizes the University's cash flows for the years ended June 30, 2017, 2016 and 2015:

### **Cash Flows (In Millions)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Cash Provided By (Used In)</b>			
Operating activities	\$ (31.9)	\$ (33.4)	\$ (35.4)
Noncapital financing activities	37.3	38.2	39.1
Capital and related financing activities	(.4)	(6.1)	(21.9)
Investing activities	<u>.1</u>	<u>5.1</u>	<u>13.6</u>
<b>Net Change in Cash and Cash Equivalents</b>	5.1	3.8	(4.6)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>11.3</u>	<u>7.5</u>	<u>12.1</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 16.4</u>	<u>\$ 11.3</u>	<u>\$ 7.5</u>

## 2017

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 \$31.9 million. Cash provided by noncapital financing activities of \$37.3 million includes state appropriations, gifts and grants for other than capital purposes and other. Cash used in capital and related financing activities of \$0.4 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 interest earned from bank cash balances. Cash and cash equivalents at June 30, 2017, were \$16.4 million, which increased \$5.1 million from June 30, 2016.

## 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.

### **Capital Assets**

## 2017

At June 30, 2017, the University had \$127.3 million (net of accumulated depreciation), compared to \$118.5 million at June 30, 2016, 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.

## 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.

### **Long-Term Debt**

## 2017

At June 30, 2017, the University had \$39.4 million in bonds and other long-term debt payable, of which \$2 million is payable during the upcoming fiscal year. The total balance payable represents an increase of \$3.1 million from 2016, which represents the issuance of \$5 million in MOHEFA bonds for various construction projects offset with principal payments made during the most recent fiscal year. *Note 4* to the financial statements provides additional information about the University's 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.

## ***Economic Outlook***

The fall of 2017 marks the first semester of Missouri Southern State University's (MSSU) partnership with Kansas City University of Medicine and Biosciences (KCU) for the Advanced Medical School Acceptance Program. The Advanced Medical School Acceptance Program is an exclusive, one-of-a-kind partnership with KCU which allows a cohort of Missouri Southern students to be admitted to KCU's new Joplin medical school at the same time they are accepted to MSSU. Missouri Southern State University held a "green coat" ceremony (similar to a medical school white coat ceremony) that marks the start of the students' academic career and early acceptance into medical school. The partnership is expected to increase the number of physicians in the area.

In addition, this fall is the inaugural semester of the opening of KCU Joplin campus, Missouri's first medical school in 46 years. This will result in the need for expanded classrooms for our science and math facilities. Missouri Southern State University has completed the renovation of its existing math and science building, Reynolds Hall. The University will break ground this fall on the new \$8 million Nixon Hall facility, which is an addition to the space provided by Reynolds Hall. Both the renovation and new addition are funded with state capital appropriations.

The Lion Cub Academy (LCA), a 10,700 square foot facility, opened in spring 2017. The academy is an expansion of the existing child development center. The center provides our students with an excellent environment to further their studies in early childhood education. This invaluable, hands-on experience can increase their understanding of the principles of child development, help them create a healthy environment for children and further their passion for helping kids develop a lifelong love for learning. The LCA will allow for an increase in the number of children served and create new learning opportunities for our students and future educators.

The University continues our focus on the "15 to finish" initiative. The message to students is not only to start their education but also to finish, to graduate and to do so within four years. Our most critical charge will always be the enrollment, retention and graduation of students.

Missouri Southern State University students have a new internship opportunity with the Disney College Program. This partnership provides many academic opportunities to intern with the Walt Disney Company. The program is in need of students in science areas and should coincide with our focus on the STEM related field.

The state has many challenges with generating sufficient resources to fund the ever-changing demographic landscape. Due to these changes, the funding for public higher education continues to decline. The last few years have seen withholdings and reductions to core appropriations. Fiscal year 2018 also began with a 9% reduction to the core funding and no dollars were allocated for performance funding measures. In addition to reduced appropriations, Senate Bill 389 limits the ability of Missouri higher education institutions to increase in-state tuition rates.

In an effort to mitigate reductions in state appropriations and increases in expenses such as pension expenses due to MOSERS, we continue to look for ways to reduce expenses and increase revenues. The Great Game of Education (GGOE) is pivotal to our success. GGOE provides knowledge, tools and measurements to the campus to allow open conversation regarding our financial position. As the state continues to assess higher education appropriations, we need to be mindful of all opportunities. The success of GGOE at Missouri Southern was recognized at the Great Game of Business "Annual Gathering of Games Conference". At this annual meeting, the University received the Pioneer Award. This award honors an organization that is the first in their field to implement and practice the methodology of The Great Game of Business and open-book management, and do so at a high level.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Statements of Net Position**  
**June 30, 2017 and 2016**

**Assets and Deferred Outflows of Resources**

	<u>2017</u>	<u>2016</u>
<b>Current Assets</b>		
Cash	\$ 10,050,201	\$ 9,351,340
Reserved cash	2,649,646	1,582,474
Accounts receivable, net	1,874,715	1,823,180
Inventories	1,054,292	1,324,388
Loans to students, net	660,262	637,961
Deposits and prepaid expenses	<u>717,023</u>	<u>657,646</u>
Total current assets	<u>17,006,139</u>	<u>15,376,989</u>
 <b>Noncurrent Assets</b>		
Restricted cash	3,728,613	406,112
Restricted investments	57,612	74,364
Other receivables, net	7,291	10,291
Loans to students, net	2,416,396	2,448,926
Capital assets, net	<u>127,266,356</u>	<u>118,500,671</u>
Total noncurrent assets	<u>133,476,268</u>	<u>121,440,364</u>
Total assets	<u>150,482,407</u>	<u>136,817,353</u>
 <b>Deferred Outflows of Resources</b>		
Loss on refunding of bonds	308,972	328,211
Deferred outflows of resources related to pension	<u>17,523,084</u>	<u>6,409,337</u>
Total deferred outflows of resources	<u>17,832,056</u>	<u>6,737,548</u>

## Liabilities

	<b>2017</b>	<b>2016</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 3,495,759	\$ 3,760,252
Accrued compensated absences	906,693	858,781
Deferred compensation	-	31,669
Unearned revenue	2,307,025	1,721,855
Unearned revenue – vending	30,000	30,000
Long-term debt – current portion	2,025,162	1,610,162
	<hr/>	<hr/>
Total current liabilities	8,764,639	8,012,719
	<hr/>	<hr/>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	475,166	471,261
Unearned revenue – vending	2,500	32,500
Other postemployment benefit obligations	811,199	708,840
Long-term debt	37,401,169	34,426,332
Deposits held in custody for others	352,890	297,128
Accrued net pension liability	50,654,529	35,945,504
	<hr/>	<hr/>
Total noncurrent liabilities	89,697,453	71,881,565
	<hr/>	<hr/>
Total liabilities	98,462,092	79,894,284
	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pension	1,404,022	1,206,543
	<hr/>	<hr/>
<b>Net Position</b>		
Net investment in capital assets	90,413,406	82,498,887
Restricted for		
Nonexpendable		
Loans	3,384,094	3,610,741
Expendable		
Scholarships and fellowships	421,916	446,507
Capital projects	652,273	-
Unrestricted	(26,423,340)	(24,102,061)
	<hr/>	<hr/>
Total net position	\$ 68,448,349	\$ 62,454,074
	<hr/>	<hr/>



**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statements of Financial Position**  
**June 30, 2017 and 2016**

**Assets**

	<b>2017</b>	<b>2016</b>
<b>Current Assets</b>		
Cash	\$ 1,854,557	\$ 632,594
Accounts receivable	38,000	-
Contributions receivable - current portion	266,302	318,618
Notes receivable, less provision for uncollectable notes of \$242,162 in 2017	156,423	-
Other receivables	137,584	130,785
Total current assets	2,452,866	1,081,997
<b>Investments</b>	18,962,133	16,802,251
<b>Other Assets</b>		
Contributions receivable - long-term portion	3,845,272	4,128,858
Beneficial interests in trusts held by others	11,382,942	12,050,299
Total other assets	15,228,214	16,179,157
Total assets	\$ 36,643,213	\$ 34,063,405

**Liabilities**

<b>Current Liabilities</b>		
Annuity obligations	\$ 49,480	\$ 49,021
Notes payable	1,040,000	1,040,000
Total current liabilities	1,089,480	1,089,021

**Net Assets**

Without donor restriction	1,306,122	1,159,378
With donor restriction	34,247,611	31,815,006
Total net assets	35,553,733	32,974,384
Total liabilities and net assets	\$ 36,643,213	\$ 34,063,405

**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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Tuition and fees, net of scholarship allowances and bad debt expense	\$ 17,690,064	\$ 16,982,690
Federal grants and contracts	2,464,432	2,393,959
State grants and contracts	3,514,828	2,971,334
Interest on loans to students	109,927	136,758
Auxiliary enterprises		
Housing, net of scholarship allowances and bad debt expense	3,867,770	3,200,727
Student recreation and health center	1,671,347	1,618,158
Bookstore and other	3,708,150	3,498,839
Other operating revenues	1,004,178	1,033,554
Total operating revenues	<u>34,030,696</u>	<u>31,836,019</u>
<b>Operating Expenses</b>		
Compensation and benefits	44,183,023	40,136,001
Contractual services	3,760,483	3,533,512
Supplies and materials	4,586,229	4,383,528
Scholarships and fellowships	8,278,820	8,095,545
Depreciation and amortization	5,730,307	5,634,695
Utilities	2,925,682	2,767,501
Other	6,089,010	6,480,200
Total operating expenses	<u>75,553,554</u>	<u>71,030,982</u>
<b>Operating Loss</b>	<u>(41,522,858)</u>	<u>(39,194,963)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	22,772,714	23,683,485
Federal PELL grants	11,608,658	11,519,026
Contributions	2,559,920	2,523,408
Gain (loss) on disposal of capital assets and construction-in-progress	21,609	(113,319)
Investment income	89,337	52,286
Interest on capital asset-related debt	(1,271,956)	(1,382,262)
Other nonoperating revenues	453,911	490,949
Net nonoperating revenues (expenses)	<u>36,234,193</u>	<u>36,773,573</u>
<b>Loss Before Other Revenues, Expenses, Gains or Losses</b>	<u>(5,288,665)</u>	<u>(2,421,390)</u>
<b>Other Revenues, Expenses, Gains or Losses</b>		
Capital grants and gifts	740,538	2,040,389
State capital appropriations	10,542,402	1,116,084
Total other revenues, expenses, gains or losses	<u>11,282,940</u>	<u>3,156,473</u>
<b>Increase in Net Position</b>	5,994,275	735,083
<b>Net Position, Beginning of Year</b>	<u>62,454,074</u>	<u>61,718,991</u>
<b>Net Position, End of Year</b>	<u>\$ 68,448,349</u>	<u>\$ 62,454,074</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2017**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 89,128	\$ 3,039,081	\$ 3,128,209
Investment income	168,171	761,853	930,024
Endowment management fees	140,896	-	140,896
Net realized gain on investments	317,576	69,546	387,122
Net unrealized gain on investments	186,603	938,710	1,125,313
Increase in beneficial interest in trusts	-	211,234	211,234
Increase in value of life insurance policy	-	6,800	6,800
Net assets released from restrictions	2,581,941	(2,581,941)	-
Total support and revenue	3,484,315	2,445,283	5,929,598
<b>Expenses</b>			
Scholarships	829,212	-	829,212
Faculty and department support	579,447	-	579,447
Facilities improvement	821,346	-	821,346
General university support	211,876	-	211,876
Cultural activities	1,000	-	1,000
Administrative	435,891	-	435,891
Fundraising	499,695	-	499,695
Total expenses	3,378,467	-	3,378,467
<b>Increase in Net Assets</b>	105,848	2,445,283	2,551,131
Change in restrictions	40,896	(12,678)	28,218
<b>Net Assets at Beginning of Year</b>	1,159,378	31,815,006	32,974,384
<b>Net Assets at End of Year</b>	\$ 1,306,122	\$ 34,247,611	\$ 35,553,733

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

	Without Donor Restriction	With Donor Restriction	Total
<b>Support and Revenue</b>			
Contributions	\$ 218,753	\$ 2,053,902	\$ 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)
Decrease in beneficial interest in trusts	-	(383,346)	(383,346)
Increase in value of life insurance policy	-	6,885	6,885
Net assets released from restrictions	2,786,781	(2,786,781)	-
	3,399,676	(933,534)	2,466,142
Total support and revenue			
<b>Expenses</b>			
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
	3,425,543	-	3,425,543
Total expenses			
<b>Decrease in Net Assets</b>	(25,867)	(933,534)	(959,401)
Change in restrictions	(303,625)	281,801	(21,824)
<b>Net Assets at Beginning of Year</b>	1,488,870	32,466,739	33,955,609
<b>Net Assets at End of Year</b>	\$ 1,159,378	\$ 31,815,006	\$ 32,974,384

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	<b>Program Services</b>	<b>Support Services</b>	<b>Functional Expenses</b>
Scholarships	\$ 829,212	\$ -	\$ 829,212
Faculty & department support	579,447	-	579,447
Facilities improvement	821,346	-	821,346
General University support	211,876	-	211,876
Cultural activities	1,000	-	1,000
Administrative	-	435,891	435,891
Fundraising	-	499,695	499,695
	<hr/>	<hr/>	<hr/>
Total	<u>\$ 2,442,881</u>	<u>\$ 935,586</u>	<u>\$ 3,378,467</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Activities</b>		
Tuition and fees	\$ 18,015,911	\$ 17,200,621
Grants and contracts	6,295,215	5,009,619
Payments for scholarships	(8,278,820)	(8,095,545)
Payments to suppliers	(17,675,221)	(17,553,453)
Payments to employees	(40,645,808)	(39,704,046)
Loans issued to students and employees	(697,125)	(406,256)
Collection of loans to students and employees	820,281	831,038
Sales and services of auxiliary enterprises	9,186,900	8,321,422
Other receipts	<u>1,059,940</u>	<u>1,033,554</u>
Net cash used in operating activities	<u>(31,918,727)</u>	<u>(33,363,046)</u>
<b>Noncapital Financing Activities</b>		
State appropriations	22,772,714	23,683,485
Federal grants and contracts	11,608,658	11,519,026
Gifts and grants for other than capital purposes	2,559,920	2,523,408
Other receipts	<u>376,111</u>	<u>510,990</u>
Net cash provided by noncapital financing activities	<u>37,317,403</u>	<u>38,236,909</u>
<b>Capital and Related Financing Activities</b>		
State appropriations for construction of assets	10,542,402	1,116,084
Capital grants and gifts received	740,538	2,040,389
Purchase of capital assets	(13,881,783)	(6,473,333)
Proceeds from sale of capital assets	21,923	7,363
Proceeds from issuance of capital debt	5,000,000	7,789,402
Principal paid on capital debt and leases	(1,592,307)	(9,318,475)
Interest paid on capital debt and leases	<u>(1,247,004)</u>	<u>(1,322,711)</u>
Net cash used in capital and related financing activities	<u>(416,231)</u>	<u>(6,161,281)</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Investing Activities</b>		
Proceeds from sales and maturities of investments	\$ -	\$ 5,000,000
Investment income received	106,089	52,658
	<u>106,089</u>	<u>5,052,658</u>
Net cash provided by investing activities	106,089	5,052,658
<b>Increase in Cash</b>	5,088,534	3,765,240
<b>Cash, Beginning of Year</b>	<u>11,339,926</u>	<u>7,574,686</u>
<b>Cash, End of Year</b>	<u>\$ 16,428,460</u>	<u>\$ 11,339,926</u>
<b>Reconciliation of Cash to the Statements of Net Position</b>		
Cash	\$ 10,050,201	\$ 9,351,340
Reserved cash	2,649,646	1,582,474
Restricted cash	3,728,613	406,112
	<u>\$ 16,428,460</u>	<u>\$ 11,339,926</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (41,522,858)	\$ (39,194,963)
Depreciation expense	5,271,864	5,112,305
Amortization expense	458,443	522,390
Changes in operating assets and liabilities		
Receivables, net	(38,306)	(285,915)
Inventories	(188,347)	(449,996)
Prepaid expenses	(59,377)	17,797
Accounts payable and accrued liabilities	(289,966)	742,331
Deferred revenue	632,970	439,895
Deferred compensation	(31,669)	(31,857)
Deposits held in custody for others	55,762	9,976
Accrued net pension liability	3,792,757	(245,009)
	<u>\$ (31,918,727)</u>	<u>\$ (33,363,046)</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (31,918,727)</u>	<u>\$ (33,363,046)</u>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for purchase of capital assets	<u>\$ 676,536</u>	<u>\$ 520,456</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

**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 or voluntary 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 or voluntary nonexchange transactions. Government-mandated or voluntary 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.

***Reserved Cash***

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



**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***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 43% and 62% of accounts receivable at June 30, 2017 and 2016, respectively, is due from governmental and other entities for reimbursements under grants and other programs. The remaining 57% and 38% of accounts receivable at June 30, 2017 and 2016, 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 \$4,800,000 and \$4,200,000 at June 30, 2017 and 2016, 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, 2017 and 2016, was \$458,443 and \$522,390, 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 \$695,314 and \$648,221 at June 30, 2017 and 2016, respectively. Interest income is charged on loans to students as established under the loan programs. Interest income for the years ended June 30, 2017 and 2016, was \$109,927 and \$136,758, respectively.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or acquisition 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

***Deferred Outflows of Resources***

The University reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of its statements of net position.

***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.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

***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.

***Deferred Inflows of Resources***

The University reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of its statements of net position.

***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:

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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, 2017, were \$13,783,318 and \$1,928,816, respectively, and for the year ended June 30, 2016, were \$12,717,033 and \$1,882,340, 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.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2017 and 2016**

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.

During the year ended June 30, 2017, the Foundation provided funding for scholarships and general university support of \$869,912 and \$1,438,227, respectively. 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. Complete financial statements for the Foundation can be obtained from the Foundation Office at 3950 E. Newman Road, Joplin, Missouri 64801.

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.

***Subsequent Events***

Subsequent events have been evaluated through October 18, 2017, which is the date the financial statements were available to be issued.

**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, 2017 and 2016, respectively, the University's bank balances were \$17,105,245 and \$12,018,286. None of these deposits were exposed to custodial credit risk at June 30, 2017 or 2016.

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**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.

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, 2017 and 2016, the University held the following investments:

Type	June 30 2017	2016
Deferred compensation plan – mutual funds, annuity and stocks	\$ -	\$ 16,751
Investment restricted by donor to stocks	21,852	21,852
	\$ 21,852	\$ 38,603

**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 the 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, 2017, 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.

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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% of 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:

	<b>2017</b>	<b>2016</b>
Carrying value		
Cash on hand	\$ 4,750	\$ 4,400
Deposits	16,459,471	11,371,287
Other investments	21,851	38,603
	<u>\$ 16,486,072</u>	<u>\$ 11,414,290</u>

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

	<b>2017</b>	<b>2016</b>
Cash	\$ 10,050,201	\$ 9,351,340
Reserved cash	2,649,646	1,582,474
Restricted cash	3,728,613	406,112
Restricted investments	57,612	74,364
	<u>\$ 16,486,072</u>	<u>\$ 11,414,290</u>

**Investment Income**

Investment income for the years ended June 30, 2017 and 2016, consisted of interest and dividend income of \$89,337 and \$52,286, respectively.

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**Note 3: Capital Assets**

Capital assets activity for the years ended June 30, 2017 and 2016, were:

	2017				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Nondepreciable capital assets					
Land	\$ 953,355	\$ -	\$ -	\$ -	\$ 953,355
Construction in progress	1,331,437	13,516,502	(9,969)	(3,443,812)	11,394,158
Total nondepreciable capital assets	<u>2,284,792</u>	<u>13,516,502</u>	<u>(9,969)</u>	<u>(3,443,812)</u>	<u>12,347,513</u>
Depreciable capital assets					
Land improvements	5,160,462	-	-	-	5,160,462
Buildings, improvements and leasehold improvements	159,339,900	-	-	3,214,699	162,554,599
Infrastructure	842,204	-	-	-	842,204
Furniture, fixtures and equipment	18,429,218	486,891	(598,476)	229,113	18,546,746
Vehicles	701,935	23,760	(96,134)	-	629,561
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,414,413	20,678	(56,201)	-	6,378,890
Total depreciable capital assets	<u>192,959,675</u>	<u>531,329</u>	<u>(750,811)</u>	<u>3,443,812</u>	<u>196,184,005</u>
Less accumulated depreciation					
Land improvements	3,302,146	200,704	-	-	3,502,850
Buildings, improvements and leasehold improvements	48,819,610	3,988,754	-	-	52,808,364
Infrastructure	397,052	17,120	-	-	414,172
Furniture, fixtures and equipment	15,351,992	962,140	(598,162)	-	15,715,970
Vehicles	635,849	28,941	(96,134)	-	568,656
Works of art	391,454	7,610	-	-	399,064
Software	1,543,775	35,496	-	-	1,579,271
Library materials	6,301,918	31,098	(56,201)	-	6,276,815
Total accumulated depreciation	<u>76,743,796</u>	<u>5,271,863</u>	<u>(750,497)</u>	<u>-</u>	<u>81,265,162</u>
Total depreciable capital assets, net	<u>116,215,879</u>	<u>(4,740,534)</u>	<u>(314)</u>	<u>3,443,812</u>	<u>114,918,843</u>
Net capital assets	<u>\$118,500,671</u>	<u>\$ 8,775,968</u>	<u>\$ (10,283)</u>	<u>\$ -</u>	<u>\$127,266,356</u>



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	2016				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
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	<u>30,380,530</u>	<u>3,927,095</u>	<u>(40,716)</u>	<u>(31,982,117)</u>	<u>2,284,792</u>
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	<u>161,514,275</u>	<u>506,869</u>	<u>(1,043,586)</u>	<u>31,982,117</u>	<u>192,959,675</u>
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	<u>72,554,393</u>	<u>5,112,305</u>	<u>(922,902)</u>	<u>-</u>	<u>76,743,796</u>
Total depreciable capital assets, net	<u>88,959,882</u>	<u>(4,605,436)</u>	<u>(120,684)</u>	<u>31,982,117</u>	<u>116,215,879</u>
Net capital assets	<u>\$119,340,412</u>	<u>\$ (678,341)</u>	<u>\$ (161,400)</u>	<u>\$ -</u>	<u>\$118,500,671</u>

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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, 2017 and 2016:

	Beginning Balance	2017		Ending Balance	Current Portion
		Additions	Deductions		
Auxiliary Enterprise System					
Revenue Bonds					
Series 2014A	\$ 13,925,000	\$ -	\$ 1,050,000	\$12,875,000	\$ 1,070,000
Series 2014B	14,320,000	-	-	14,320,000	-
Series 2015	7,615,000	-	530,000	7,085,000	540,000
Bond premium – 2015 Issue	126,068	-	17,857	108,211	17,856
Educational Facilities Revenue Bonds					
Series 2017	-	5,000,000	-	5,000,000	385,000
Capital lease obligations	50,426	-	12,306	38,120	12,306
	<u>36,036,494</u>	<u>5,000,000</u>	<u>1,610,163</u>	<u>39,426,331</u>	<u>2,025,162</u>
Total bonds and capital leases					
Other noncurrent liabilities					
Accrued compensated absences	1,330,042	906,693	854,876	1,381,859	906,693
Deferred compensation	31,669	-	31,669	-	-
Deferred revenue – vending	62,500	-	30,000	32,500	30,000
Other postemployment benefit obligations	708,840	102,359	-	811,199	-
Deposits held in custody for others	297,128	300,609	244,847	352,890	-
Accrued net pension liability	35,945,504	14,709,025	-	50,654,529	-
	<u>38,375,683</u>	<u>16,018,686</u>	<u>1,161,392</u>	<u>53,232,977</u>	<u>936,693</u>
Total other noncurrent liabilities					
Total noncurrent liabilities	<u>\$ 74,412,177</u>	<u>\$ 21,018,686</u>	<u>\$ 2,771,555</u>	<u>\$92,659,308</u>	<u>\$ 2,961,855</u>

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	Beginning Balance	2016		Ending Balance	Current Portion
		Additions	Deductions		
Auxiliary Enterprise System					
Revenue Bonds					
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
	<u>37,565,567</u>	<u>7,789,402</u>	<u>9,318,475</u>	<u>36,036,494</u>	<u>1,610,162</u>
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	-
	<u>29,235,828</u>	<u>10,304,624</u>	<u>1,164,769</u>	<u>38,375,683</u>	<u>920,450</u>
Total other noncurrent liabilities	<u>29,235,828</u>	<u>10,304,624</u>	<u>1,164,769</u>	<u>38,375,683</u>	<u>920,450</u>
Total noncurrent liabilities	<u>\$ 66,801,395</u>	<u>\$ 18,094,026</u>	<u>\$10,483,244</u>	<u>\$74,412,177</u>	<u>\$ 2,530,612</u>

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***Auxiliary Enterprise System Revenue Bonds***

**Series 2005A**

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 Series 2015 Issue. The bonds were secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

**Series 2008**

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 Series 2015 Issue. The bonds were secured by the net revenues and assets pledged of the Auxiliary Enterprise System (see *Note 10*).

**Series 2014A**

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 refund \$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.

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**Series 2014B**

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*).

**Series 2015**

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*).

***Educational Facilities Revenue Bonds***

**Series 2017**

On April 1, 2017, the University issued Educational Facilities Revenue bonds through the Missouri Health and Educational Facilities Authority (MOHEFA) in principal amount of \$5,000,000. The serial and term bonds bear interest, payable semiannually, at a rate of 2.49%, beginning on October 1, 2017. Principal maturities for serial bonds begin October 1, 2017, and continue annually until 2027. The term bonds are subject to mandatory sinking fund redemption and payment in the years 2017 - 2027 at a redemption price equal to 100% of the scheduled principal amount plus accrued interest to the redemption date. The bonds are secured by all rights, title and interest of MOHEFA including all loan payments to be paid by the University. The MOHEFA bonds were issued to fund the renovation of Reynolds Hall and other capital improvements to academic facilities.

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The debt service requirements as of June 30, 2017, are as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total to be Paid</b>
2018	\$ 1,995,000	\$ 1,255,371	\$ 3,250,371
2019	2,055,000	1,221,373	3,276,373
2020	2,085,000	1,177,219	3,262,219
2021	2,385,000	1,123,058	3,508,058
2022	2,475,000	1,057,131	3,532,131
2023 - 2027	7,625,000	4,538,051	12,163,051
2028 - 2032	5,435,000	3,582,384	9,017,384
2033 - 2037	6,440,000	2,508,885	8,948,885
2038 - 2042	5,715,000	1,169,450	6,884,450
2043 - 2047	3,070,000	200,600	3,270,600
	<u>\$ 39,280,000</u>	<u>\$ 17,833,522</u>	<u>\$ 57,113,522</u>

**Note 5: Line of Credit**

Throughout 2016 the University had an unsecured demand line of credit with a borrowing limit of \$2,000,000. Interest varied at 1.25% less than the bank's prime rate. This line of credit was cancelled in October 2016. No borrowing activity accrued on the line of credit during 2017 or 2016.

During September 2016 the University obtained an unsecured demand line of credit with a borrowing limit of \$5,000,000. Interest varies daily at 1.25% less than the *Wall Street Journal* Prime Rate and had an outstanding rate of 3.00% at June 30, 2017. The line of credit matures September 1, 2018, and has had no borrowing activity since inception.

**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

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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](http://www.mosers.org).

**Benefits Provided**

MOSERS provides retirement, disability and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific 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 28.

**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, 2017, 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 years ended June 30, 2016 and 2015, was 16.97%, which are the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$3,450,837 and \$3,582,181 for the years ended June 30, 2017 and 2016, respectively.

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

At June 30, 2017 and 2016, the University reported a liability of \$50,654,529 and \$35,945,504, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, 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, 2016 and 2015. At June 30, 2016 and 2015, the University's proportion was 1.0912%, which was a decrease of 0.0278% from its proportion measured as of June 30, 2015. At June 30, 2015, the University's proportion was 1.119%, which was a decrease of 0.022% from its proportion measured as of June 30, 2014.

There were no changes in benefit terms during the MOSERS' plan year ended June 30, 2016, that affected the measurement of total pension liability.

For the years ended June 30, 2017 and 2016, the University recognized pension expense of \$7,247,781 and \$3,337,172, respectively. At June 30, 2017 and 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2017</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 521,690	\$ 147,998
Changes of assumptions	5,274,120	304,469
Net difference between projected and actual earning on pension plan investments	8,276,437	-
Changes in proportion and differences between the University's contributions and the University proportionate share of contributions	-	951,555
University's contributions subsequent to the measurement date	<hr/> 3,450,837	<hr/> -
Total	<hr/> <u>\$ 17,523,084</u>	<hr/> <u>\$ 1,404,022</u>



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	<b>2016</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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, 2017 and 2016, the University reported \$3,450,837 and \$3,582,181 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, 2018 and 2017, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2017, related to pensions will be recognized in pension expense as follows:

<b>Year Ending June 30,</b>	
2018	\$ 3,113,189
2019	3,131,626
2020	4,975,964
2021	1,447,446
	\$ 12,668,225

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**Summary of Pension Changes**

Below is a summary of pension changes due to the implementation of GASB 68 as of June 30, 2017 and 2016.

	<b>2017</b>	<b>2016</b>	<b>Change</b>
Statement of Net Position - deferred outflows of resources	\$ 17,523,084	\$ 6,409,337	\$11,113,747
Statement of Net Position - accrued net pension liability	(50,654,529)	(35,945,504)	(14,709,025)
Statement of Net Position - deferred inflows of resources	<u>(1,404,022)</u>	<u>(1,206,543)</u>	<u>(197,479)</u>
			<u><u>\$ (3,792,757)</u></u>

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, 2017 and 2016, respectively, are shown below:

	<b>2017</b>	<b>2016</b>
Actuarial required contribution	\$ 3,450,837	\$ 3,582,181
Pension expense	<u>(7,243,594)</u>	<u>(3,337,172)</u>
	<u><u>\$ (3,792,757)</u></u>	<u><u>\$ 245,009</u></u>

**Actuarial Assumptions**

The total pension liability in the June 30, 2016 and 2015, actuarial valuations which are also the measurement dates for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.75% including inflation
Investment rate of return	7.65% per year, compounded annually, net after investment expenses and including inflation

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Mortality rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant Mortality table projected to 2026 MP-2015 and scheduled by 120%. The preretirement mortality table used was the RP-2014 Employee Mortality table projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 8.00% to 7.65% and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The actuarial assumptions used in the June 30, 2015, 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, 2016, are summarized in the following table:

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

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

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

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.65% and 8.00% at June 30, 2016 and 2015, respectively. 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 7.65%, 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 (6.65%) or 1 percentage point higher (8.65%) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
University's proportionate share of the net pension liability	\$ 66,699,929	\$ 50,654,529	\$ 37,201,848

**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, 2017 and 2016, the University reported a payable of \$19,793 and \$53,521, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2017 and 2016, respectively.

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***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 5.67% and 5.89% of annual covered payroll for 2017 and 2016, respectively. The University’s contributions to CURP for the years ended June 30, 2017 and 2016, were \$361,252 and \$341,370 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, previously through a commercial insurance carrier and effective January 1, 2017, through its self-insured healthcare plan, to qualifying retired employees under age 65 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, 2017 and 2016, were approximately \$88,000 and \$50,000, respectively, which were approximately 40% and 39% of total contributions, respectively. Retiree contributions of approximately \$131,000 and \$78,000 were paid in the years ending June 30, 2017 and 2016, 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.

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***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	21,265
Adjustment to annual required contribution	(28,994)
Annual OPEB cost (expense)	190,359
Expected employer contributions	(88,000)
Increase in net OPEB obligation	102,359
Net OPEB obligation - beginning of year	708,840
Net OPEB obligation - end of year	\$ 811,199

The University's annual OPEB cost, the percentage of expected annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the preceding year was as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Expected Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	\$ 190,359	23.5%	\$ 811,199
6/30/2016	\$ 191,906	26.1%	\$ 708,840

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***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.

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**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 2017 the University extended the support agreement through September 30, 2017. Subsequent to year end the agreement was further extended through September 30, 2018. During the years ended June 30, 2017 and 2016, \$314,509 and \$293,933, 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, automobile liability and employee health as of January 1, 2017. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

***Workers' Compensation, Employee Dishonesty, Automotive***

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.



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**Employee Health Care**

The University maintained medical, dental, vision, life and long-term disability insurance coverage with various commercial insurance carriers until December 31, 2016.

Effective January 1, 2017, the University elected to self-insure certain costs related to employee health. The Company has purchased insurance that limits its exposure for individual claims to \$125,000 per claim. As of June 30, 2017, the University has accrued \$450,000 for claims incurred but not yet paid which is included in accrued liabilities on the statement of net position.

**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, 2017 and 2016, is as follows:

	<b>2017</b>	<b>2016</b>
<b>Condensed Statements of Net Position</b>		
<b>Assets</b>		
Current assets	\$ 3,017,351	\$ 3,217,985
Capital assets, net	49,434,055	47,679,609
Total assets	52,451,406	50,897,594
<b>Deferred Outflows of Resources</b>	1,020,963	587,467
<b>Liabilities</b>		
Current liabilities	2,489,652	2,435,781
Long-term liabilities	34,801,115	35,829,777
Total liabilities	37,290,767	38,265,558
<b>Deferred Inflows of Resources</b>	42,542	34,498
<b>Net Position</b>		
Net investment in capital assets	16,139,060	13,185,005

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	<b>2017</b>	<b>2016</b>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>		
<b>Operating Revenues</b>	\$ 9,285,713	\$ 8,334,515
<b>Depreciation Expense</b>	(1,989,455)	(1,909,706)
<b>Other Operating Expenses</b>	(4,812,341)	(5,130,941)
Operating income	2,483,917	1,293,868
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(1,161,531)	(1,374,158)
Other nonoperating revenues	500,000	175,938
Total nonoperating revenues (expenses)	(661,531)	(1,198,220)
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	1,822,386	95,648
<b>Capital Grants and Gifts</b>	1,131,669	-
Change in net position	2,954,055	95,648
<b>Beginning Net Position</b>	13,185,005	13,089,357
<b>Ending Net Position</b>	\$ 16,139,060	\$ 13,185,005
<b>Condensed Statements of Cash Flows</b>		
<b>Net Cash Provided By (Used In)</b>		
Operating activities	\$ 4,633,299	\$ 2,401,398
Noncapital financing activities	500,000	175,938
Capital and related financing activities	(5,339,705)	(3,657,347)
Investing activities	-	-
<b>Net Decrease in Cash and Cash Equivalents</b>	(206,406)	(1,080,011)
<b>Beginning Cash and Cash Equivalents</b>	375,903	1,455,914
<b>Ending Cash and Cash Equivalents</b>	\$ 169,497	\$ 375,903

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**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.

***Change in Accounting Principle***

The Foundation adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. This pronouncement changes the net asset classifications in the Statements of Financial Position and Statements of Activities as of and for the years ended June 30, 2017 and 2016, and is intended to improve information presented in the financial statements and related notes about the Foundation's liquidity, financial performance and 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, 2017 and 2016, consists of the following:

	<b>2017</b>	<b>2016</b>
Equity securities	\$ 11,499,875	\$ 9,666,676
U.S. Treasury and federal agency obligations	1,127,430	4,348,682
Corporate debt	4,276,172	2,027,505
Money market funds and other	2,058,656	759,388
	<u>\$ 18,962,133</u>	<u>\$ 16,802,251</u>

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***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 donor 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. Earnings totaling \$498,498 and \$542,946 were received by the Foundation from these trusts during the years ended June 30, 2017 and 2016, respectively, for all restricted purposes.

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. The Foundation received distributions of \$0 from these charitable remainder trusts during the years ended June 30, 2017 and 2016, respectively.

***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, 2017 and 2016, is as follows:

	<b>2017</b>	<b>2016</b>
Less than one year	\$ 282,851	\$ 330,295
One to five years	4,560,659	4,781,566
More than five years	109,173	210,540
	<hr/>	<hr/>
Gross contributions receivable	4,952,683	5,322,401
Less discount for present value	841,109	874,925
	<hr/>	<hr/>
Net contributions receivable	<u>\$ 4,111,574</u>	<u>\$ 4,447,476</u>

***Notes Payable***

The Foundation entered into a \$1,040,000 term loan agreement with UMB Bank in December 2016. The principal of \$1,040,000 is due along with accrued interest at 2.75% on December 5, 2017. The loan is secured by the commercial pledge agreement executed by the Community Foundation of the Ozarks, Inc.

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**Endowment**

Endowment net assets at June 30, 2017 and 2016, by type of fund consisted of the following:

	<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 33,732,504	\$ 33,732,504
Board-designated endowment funds	355,436	-	355,436
	<u>\$ 355,436</u>	<u>\$ 33,732,504</u>	<u>\$ 34,087,940</u>
	<b>2016</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 31,815,006	\$ 31,815,006
Board-designated endowment funds	332,921	-	332,921
	<u>\$ 332,921</u>	<u>\$ 31,815,006</u>	<u>\$ 32,147,927</u>

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, 2017 and 2016, was \$355,436 and \$332,921, respectively.

Donor restricted net assets at June 30, 2017 and 2016, are categorized as directed by donors as follows:

	<b>2017</b>	<b>2016</b>
Scholarships	\$ 21,170,719	\$ 17,995,799
Faculty and departmental support	6,408,708	6,024,824
Facilities improvement	1,817,249	2,553,876
General university support	651,496	371,856
Cultural activities	653,897	623,730
Time	3,545,542	4,244,921
	<u>\$ 34,247,611</u>	<u>\$ 31,815,006</u>

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***Fair Value of Financial Instruments***

FASB ASC 820 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1 Inputs:* Quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

*Level 2 Inputs:* Observable inputs other than Level 1 process, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3 Inputs:* Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes practical expedient investments with notice periods for redemption of more than 90 days.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are major categories of assets and liabilities measured at fair value on a recurring basis during the year ended June 30, 2017.

*Contributions receivable* – Fair value is estimated based on the discounted estimated future cash flows using interest rates currently being offered for loans with similar terms.

*Money market & equity securities* – Fair values have been determined using quoted market prices.

*Government and agency bonds & fixed income funds* – Fair values have been determined using quoted market prices of similar assets in active markets.

*Beneficial interest in trusts held by others* – Fair values are based on the Foundation's percentage interest in total market value for perpetual trusts and the present value of future income payments for charitable remainder trusts.

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	June 30, 2017			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
<b>Financial Assets</b>				
Contributions receivable	\$ -	\$ 266,302	\$ -	\$ 266,302
Money market funds	2,058,656	-	-	2,058,656
Equity securities	11,499,875	-	-	11,499,875
Government and agency bonds & fixed income funds	-	5,403,602	-	5,403,602
Beneficial interest in trusts held by others	-	-	11,382,942	11,382,942
	<u>\$ 13,558,531</u>	<u>\$ 5,669,904</u>	<u>\$ 11,382,942</u>	<u>\$ 30,611,377</u>
	June 30, 2016			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
<b>Financial Assets</b>				
Contributions receivable	\$ -	\$ 318,618	\$ -	\$ 318,618
Money market funds	759,388	-	-	759,388
Equity securities	9,666,676	-	-	9,666,676
Government and agency bonds & fixed income funds	-	6,376,187	-	6,376,187
Beneficial interest in trusts held by others	-	-	12,050,299	12,050,299
	<u>\$ 10,426,064</u>	<u>\$ 6,694,805</u>	<u>\$ 12,050,299</u>	<u>\$ 29,171,168</u>

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The following is a reconciliation of the beginning and ending balances for recurring fair value measurements recognized in the accompanying Statement of Financial Position using significant unobservable (Level 3) inputs:

<b>Balance, Beginning of Year</b>	\$ 12,050,299
Total realized and unrealized gains and losses included in change in net assets	<u>(667,357)</u>
<b>Balance, End of Year</b>	<u><u>\$ 11,382,942</u></u>
Total gains or losses for the period in change in net assets attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	<u><u>\$ (1,210,694)</u></u>

***Subsequent Events***

The Foundation plans on entering into a bridge loan program with four local banks during 2017. The loans issued would represent a form of programmatic investing and be secured by pledges to give.



## **Required Supplementary Information**

**Missouri Southern State University**  
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**Required Supplementary Information**  
**Schedule of the University's Proportionate Share of the Net Pension Liability**  
**Missouri State Employees' Retirement System**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>	<b>2015</b>
University's proportion of the net pension liability	1.0912%	1.1190%	1.1415%
University's proportionate share of the net pension liability	\$ 50,654,529	\$ 35,945,504	\$ 26,913,021
University's covered-employee payroll	\$ 21,133,582	\$ 21,669,752	\$ 21,803,175
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	239.69%	165.88%	123.44%
Plan fiduciary net position as a percentage of the total pension liability	63.60%	72.62%	79.49%

\* The amounts presented for each fiscal year 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 the University's Proportionate Share of the Net Pension Liability**  
**Missouri State Employees' Retirement System**  
**Last Four Fiscal Years**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 3,450,837	\$ 3,586,368	\$ 3,677,357	\$ 3,725,358
Contributions in relation to the contractually required contribution	<u>3,450,837</u>	<u>3,586,368</u>	<u>3,677,357</u>	<u>3,725,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 20,334,926	\$ 21,133,582	\$ 21,669,752	\$ 21,803,175
Contributions as a percentage of covered-employee payroll	16.97%	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, 2016 or 2015.

***Changes of Assumptions***

Actuarial assumptions used in the June 30, 2016, valuation were changed as follows:

Salary increases:	3.25% to 8.75% including inflation
Wage inflation:	3.00%
Investment rate of return:	7.65%
Post-retirement mortality tables:	RP-2014 Healthy Annuitant projected to 2026 with Scale MP-2015 and scaled by 120%
Pre-retirement mortality tables:	RP-2014 Employee projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females

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

There were no changes to actuarial assumptions used in the June 30, 2014, valuation.

**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, 2017**

	<b>Year Ended June 30, 2017</b>
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%

<b>Health Care Cost Trend Rates</b>	
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, 2017**

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 Assistance Cluster				
Federal Supplemental Educational				
Opportunity Grants	84.007	NA	\$ -	\$ 151,345
Federal Work-Study Program	84.033	NA	-	161,551
Federal Perkins Loan Program	84.038	NA	-	4,432,233
Federal Pell Grant Program	84.063	NA	-	11,651,843
Federal Direct Student Loans	84.268	NA	-	20,528,198
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)				
Total Student Financial Assistance Cluster	84.379	NA	-	84,334
			<u>-</u>	<u>37,009,504</u>
U.S. Department of Education				
TRIO Cluster				
TRIO – Student Support Services	84.042A	NA	-	229,546
TRIO – Talent Search	84.044A	NA	-	229,915
TRIO – Upward Bound	84.047A	NA	-	262,387
Total TRIO Cluster			<u>-</u>	<u>721,848</u>
U.S. Department of Agriculture/ Missouri Department of Health and Senior Services/ Child and Adult Care Food Program				
	10.558	ERS46110060	<u>-</u>	<u>14,075</u>
Department of Transportation - National Highway Traffic Safety Administration/State and Community Highway Safety				
	20.60X	None	<u>-</u>	<u>52,825</u>
Small Business Administration/ University of Missouri/ Small Business Development Centers				
	59.037	51641	<u>-</u>	<u>93,148</u>
U.S. Department of Education/ Career and Technical Education – Basic Grants to States				
	84.048A	None	<u>-</u>	<u>150,283</u>
Department of Health and Human Services/ Child Care and Development Block Grant/Child Care and Development Fund				
	93.575	1701MOCCDF	<u>-</u>	<u>20,000</u>
Department of Health and Human Services/ Foster Care Title IV-E				
	93.658	None	<u>-</u>	<u>9,600</u>
			<u>\$ -</u>	<u>\$ 38,071,283</u>

**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, 2017**

**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, 2017. 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 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, 2017, consists of:

<b>CFDA Number</b>	<b>Program Name</b>	<b>Outstanding Balance at June 30, 2017</b>
84.038	Federal Perkins Loan Program	\$3,710,972

**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, 2017, 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 18, 2017. 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.



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*.

### ***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 18, 2017

## Report on Compliance for the 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 the 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, 2017. 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.

### ***Opinion on the 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, 2017.

### **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 18, 2017

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2017**

**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, 2017**

7. The University's major programs were:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
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, 2017**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
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, 2017**

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
No matters are reportable.	

**MISSOURI SOUTHERN**  
STATE UNIVERSITY™

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

<b>Reference Number</b>	<b>Finding</b>	<b>Status</b>
	No matters are reportable.	