

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

Independent Auditor's Reports and Financial Statements

June 30, 2019 and 2018

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**June 30, 2019 and 2018**

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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 (the "University"), collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2019 and 2018, 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, the discretely presented component unit of the University. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the discretely presented component unit, is 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, 2019 and 2018, 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.

The supplementary 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 November 13, 2019, on our consideration of Missouri Southern State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**BKD, LLP**

Springfield, Missouri  
November 13, 2019

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2019 and 2018**

**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, 2019 and 2018. 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 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which revises accounting and financial reporting standards for other post-employment benefits that are provided to the employees of state and local governmental employers through health care benefits 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 post-employment benefits, 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, 2017, was not restated for the application of GASB Statement No. 75 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***

#### 2019

At June 30, 2019, the University's net position was \$61.9 million. Operating revenues were \$33.5 million, which include tuition and fees of \$18.0 million, grants of \$5.6 million, auxiliary revenues of \$8.8 million and other revenues of \$1.1 million. Operating expenses amounted to \$78.1 million resulting in an operating loss of \$44.6 million before state appropriations and other nonoperating revenues and expenses. The 2019 operating loss, net nonoperating revenue of \$37.9 million and capital gifts and grants of \$2.6 million resulted in a decrease in net position of \$4.1 million and included depreciation and amortization expense of \$6.1 million.

#### 2018

At June 30, 2018, the University's net position was \$66.0 million. Operating revenues were \$33.5 million, which include tuition and fees of \$17.2 million, grants of \$5.7 million, auxiliary revenues of \$9.4 million and other revenues of \$1.2 million. Operating expenses amounted to \$76.3 million resulting in an operating loss of \$42.8 million before state appropriations and other nonoperating revenues and expenses. The 2018 operating loss, net nonoperating revenue of \$37.4 million and capital gifts and grants of \$4.2 million resulted in a decrease in net position of \$1.2 million and included depreciation and amortization expense of \$5.9 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, 2019, 2018 and 2017.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Current Assets</b>	\$ 20.2	\$ 19.5	\$ 17.0
<b>Capital Assets – Net</b>	127.3	126.2	127.3
<b>Other Noncurrent Assets</b>	<u>3.4</u>	<u>6.4</u>	<u>6.2</u>
Total assets	<u>\$ 150.9</u>	<u>\$ 152.1</u>	<u>\$ 150.5</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 15.6</u>	<u>\$ 18.2</u>	<u>\$ 17.8</u>
<b>Current Liabilities</b>	\$ 8.2	\$ 8.8	\$ 8.8
<b>Noncurrent Liabilities</b>	<u>92.6</u>	<u>92.6</u>	<u>89.7</u>
Total liabilities	<u>\$ 100.8</u>	<u>\$ 101.4</u>	<u>\$ 98.5</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 3.8</u>	<u>\$ 2.9</u>	<u>\$ 1.4</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 91.3	\$ 91.3	\$ 90.4
Restricted	3.9	4.7	4.4
Unrestricted	<u>(33.3)</u>	<u>(30.0)</u>	<u>(26.4)</u>
Total net position	<u>\$ 61.9</u>	<u>\$ 66.0</u>	<u>\$ 68.4</u>

Of the \$3.9 million in restricted net position in 2019, \$3.1 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, \$775 thousand, is held for scholarships, capital projects and debt payments. Of the \$4.7 million in restricted net position in 2018, \$3.3 million of capital contributions in the federal student loan program is classified as nonexpendable. The expendable portion, \$1.4 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 Statement No. 68 totaled \$55.2 million, \$54.3 million and \$50.7 million at June 30, 2019, 2018, and 2017, respectively.

Additional impact to unrestricted net position resulted from implementation of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that began in 2018. Other postemployment benefit liability as of June 30, 2019 and 2018, totaled \$2.1 million and \$2.0 million, respectively.

The following table summarizes the University's revenues, expenses and changes in net position for the years ending June 30, 2019, 2018 and 2017:

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>			
Tuition and fees	\$ 18.0	\$ 17.2	\$ 17.7
Grants and contracts	5.6	5.7	6.0
Interest on loans to students	0.1	0.1	0.1
Auxiliary enterprises	8.8	9.4	9.2
Other	<u>1.0</u>	<u>1.1</u>	<u>1.0</u>
Total operating revenues	33.5	33.5	34.0
<b>Operating Expenses</b>	<u>78.1</u>	<u>76.3</u>	<u>75.5</u>
<b>Operating Loss</b>	<u>(44.6)</u>	<u>(42.8)</u>	<u>(41.5)</u>
<b>Nonoperating Revenue (Expense)</b>			
State appropriations	23.3	22.3	22.8
Federal grants and contracts	11.9	12.7	11.6
Contributions	3.1	2.8	2.5
Investment income	0.5	0.3	0.1
Interest on capital asset – related debt	(1.3)	(1.3)	(1.3)
Loss on disposal of capital assets and construction in progress	(0.4)	0.0	0.0
Other nonoperating revenues	<u>0.8</u>	<u>0.6</u>	<u>0.5</u>
Net nonoperating revenues	<u>37.9</u>	<u>37.4</u>	<u>36.2</u>
<b>Loss Before Other Revenues</b>	<u>(6.7)</u>	<u>(5.4)</u>	<u>(5.3)</u>
Capital appropriations – state	1.8	3.7	10.6
Capital gifts and grants	<u>0.8</u>	<u>0.5</u>	<u>0.7</u>
Total other revenues, expenses, gains or losses	<u>2.6</u>	<u>4.2</u>	<u>11.3</u>
<b>Increase (Decrease) in Net Position</b>	<u>(4.1)</u>	<u>(1.2)</u>	<u>6.0</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	66.0	68.4	62.4
<b>Cumulative Effect of Change in Accounting Principle (GASB 75) (2018)</b>	<u>0.0</u>	<u>(1.2)</u>	<u>0.0</u>
<b>Net Position, Beginning of Year, as Restated for GASB 75 (2018)</b>	<u>66.0</u>	<u>67.2</u>	<u>62.4</u>
<b>Net Position, End of Year</b>	<u>\$ 61.9</u>	<u>\$ 66.0</u>	<u>\$ 68.4</u>



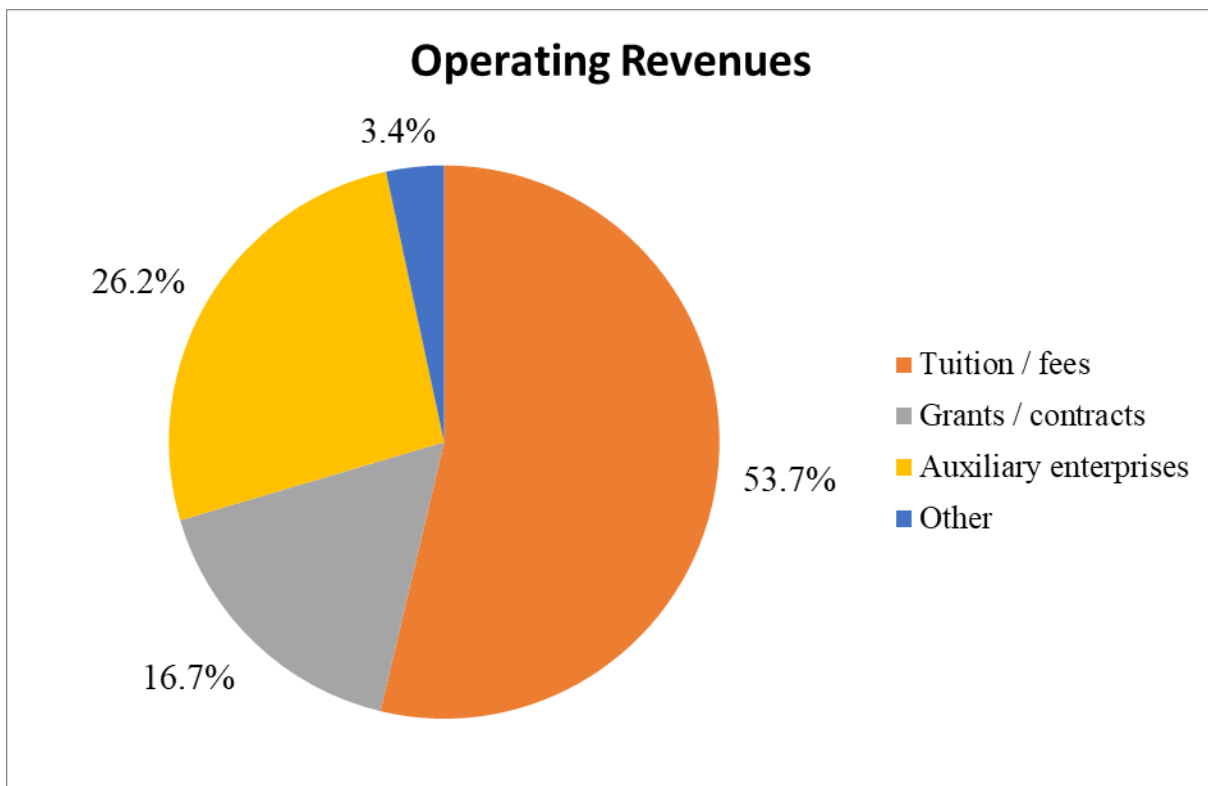
2019

Total operating revenues remained consistent at \$33.5 million during fiscal year ended June 30, 2019, reflecting increases in tuition and federal grants offset with some decrease in other operating revenue and auxiliary.

2018

Total operating revenues decreased 1.47 percent from \$34.0 to \$33.5 million during fiscal year ended June 30, 2018. The overall decrease is from tuition decrease due to tuition offset with additional scholarship allowance, reduction in access Missouri per student grant and offset with some increase in auxiliary and other operating revenue.

The following graph summarizes the University's operating revenues for the year ended June 30, 2019:



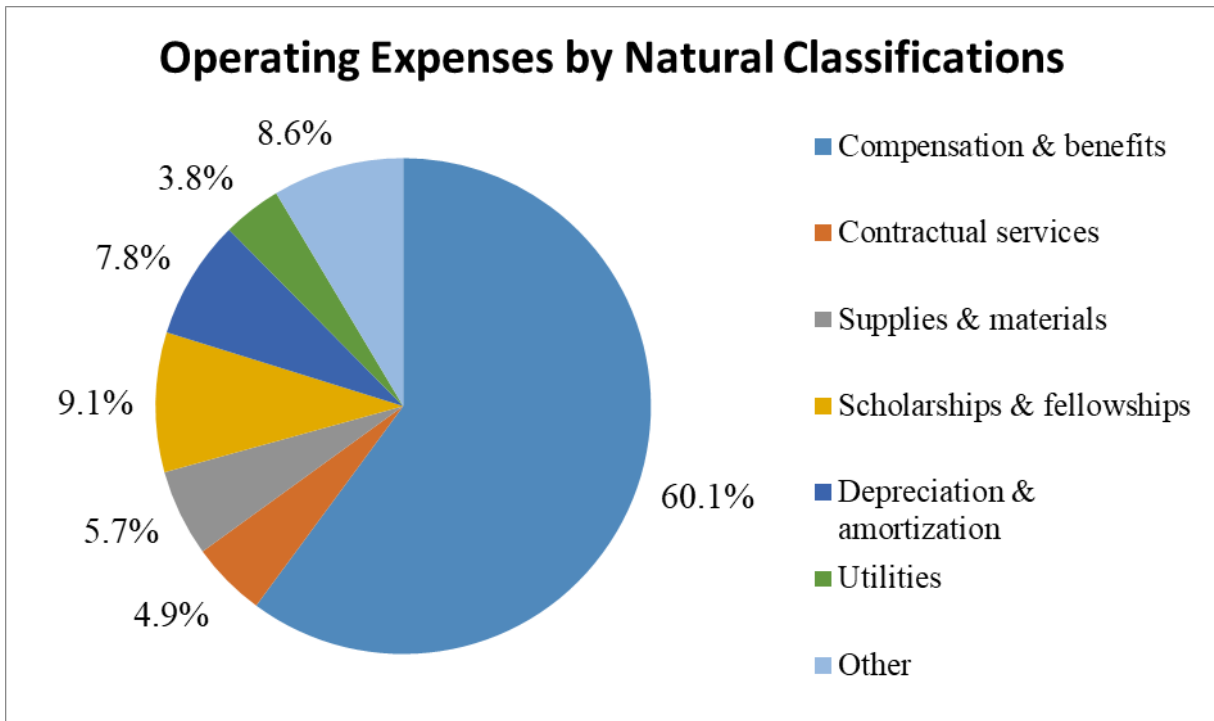
Operating expenses increased by \$1.8 million (2.36 percent). Primary increase from compensation due to across the board raise and additional filled position offset with decrease in scholarships due to scholarship allowance.

The following table summarizes the University's operating expenses by natural classifications for the years ended June 30, 2019, 2018 and 2017:

**Operating Expenses (In Millions)**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Compensation and benefits	\$ 47.0	\$ 45.6	\$ 44.2
Contractual services	3.8	3.6	3.8
Supplies and materials	4.4	4.2	4.6
Scholarships	7.1	8.3	8.3
Depreciation and amortization	6.1	5.9	5.7
Utilities	3.0	3.0	2.9
Other	<u>6.7</u>	<u>5.7</u>	<u>6.0</u>
 Total operating expenses	 \$ <u>78.1</u>	 \$ <u>76.3</u>	 \$ <u>75.5</u>

The following graph summarizes the University's operating expenses by natural classifications for the year ended June 30, 2019:

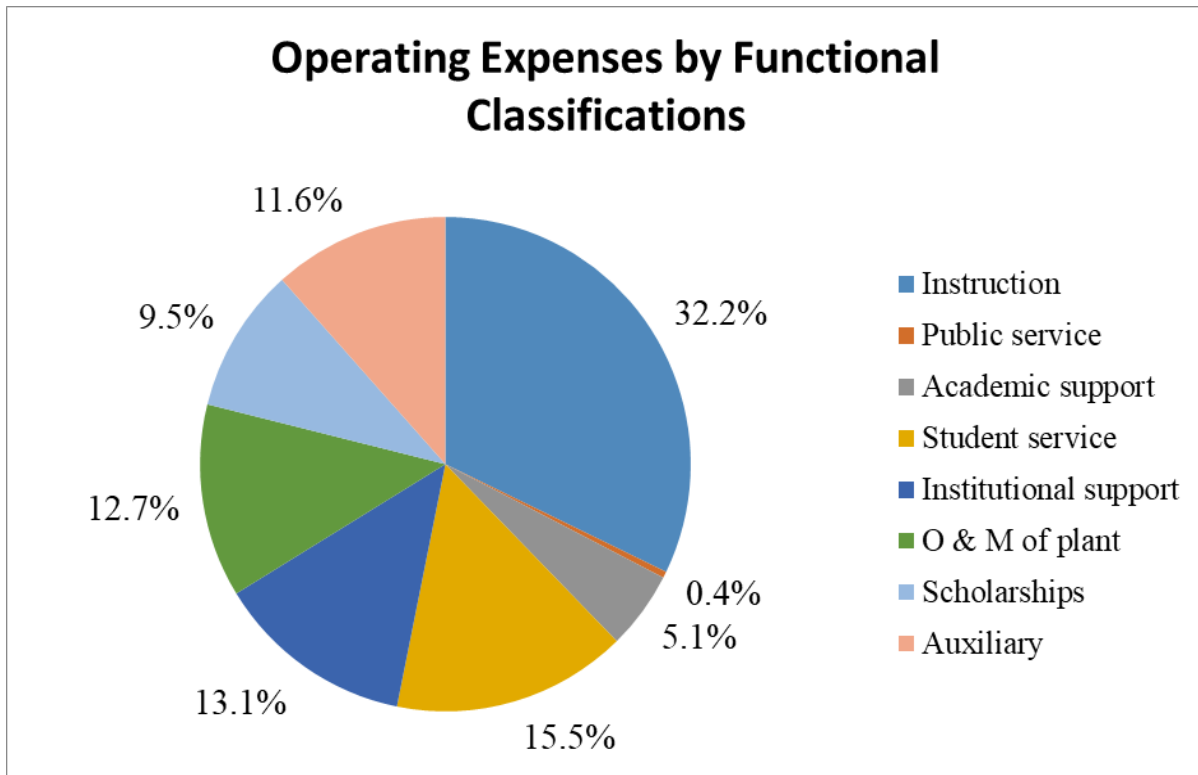


The following table summarizes the University’s operating expenses by functional classifications for the years ended June 30, 2019, 2018 and 2017:

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 25.1	\$ 25.0	\$ 26.0
Public service	0.3	0.3	0.2
Academic support	4.0	3.4	3.4
Student service	12.1	11.2	10.9
Institutional support	10.2	9.1	8.4
Operations and maintenance of plant	9.9	10.0	9.8
Scholarships	7.4	8.3	8.1
Auxiliary	<u>9.1</u>	<u>9.0</u>	<u>8.7</u>
 Total operating expenses	 \$ <u>78.1</u>	 \$ <u>76.3</u>	 \$ <u>75.5</u>

The following graph summarizes the University’s operating expenses by functional classifications for the year ended June 30, 2019:



2019

Functional expenses for fiscal year 2019 primarily reflected an increase from compensation due to across the board raise and additional filled positions offset with decrease in scholarships due to scholarship allowance.

## 2018

Functional expenses for fiscal year 2018 saw an increase from GASB 68 net pension expense that created an additional \$5.2 million in calculated expense, implementation of GASB 75 (OPEB) and additional scholarships. Reduced expenses are from supplies, contract services and other operating expenses.

The following table summarizes the University's nonoperating revenues and expenses for the years ended June 30, 2019, 2018 and 2017:

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
State appropriations	\$ 23.3	\$ 22.3	\$ 22.8
Federal grants and contracts	11.9	12.7	11.6
Contributions	3.1	2.8	2.5
Investment income	0.5	0.3	0.1
Interest on capital asset-related debt	(1.3)	(1.3)	(1.3)
Loss on disposal of capital assets and construction in progress	(0.4)	0.0	0.0
Other nonoperating expenses	<u>0.8</u>	<u>0.6</u>	<u>0.5</u>
Net nonoperating revenues	<u>\$ 37.9</u>	<u>\$ 37.4</u>	<u>\$ 36.2</u>

The following table summarizes the University's cash flows for the years ended June 30, 2019, 2018 and 2017:

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

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Cash Provided By (Used In)</b>			
Operating activities	\$ (32.8)	\$ (32.9)	\$ (31.9)
Noncapital financing activities	39.2	38.3	37.3
Capital and related financing activities	(7.6)	(3.3)	(.4)
Investing activities	<u>0.4</u>	<u>0.3</u>	<u>0.1</u>
<b>Net Change in Cash and Cash Equivalents</b>	(0.8)	2.4	5.1
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>18.8</u>	<u>16.4</u>	<u>11.3</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 18.0</u>	<u>\$ 18.8</u>	<u>\$ 16.4</u>

## 2019

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 \$32.8 million. Cash provided by noncapital financing activities of \$39.2 million includes state appropriations, gifts and grants for other than capital purposes and other. Cash used in capital and related financing activities of \$7.6 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, 2019, were \$18.0 million, which decreased \$0.8 million from June 30, 2018.

## 2018

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 \$32.9 million. Cash provided by noncapital financing activities of \$38.3 million includes state appropriations, gifts and grants for other than capital purposes and other. Cash used in capital and related financing activities of \$3.3 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, 2019, were \$18.8 million, which increased \$2.4 million from June 30, 2018.

### **Capital Assets**

## 2019

At June 30, 2019, the University had \$127.2 million (net of accumulated depreciation), compared to \$126.2 million at June 30, 2018, 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.

## 2018

At June 30, 2018, the University had \$126.2 million (net of accumulated depreciation), compared to \$127.3 million at June 30, 2017, 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**

## 2019

At June 30, 2019, the University had \$36.5 million in bonds and other long-term debt payable, of which \$2.3 million is payable during the upcoming fiscal year. The total balance payable includes notes payable of \$1.2 million for new videoboard offset by a decrease of \$2.2 million from 2018, which represents 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.

## 2018

At June 30, 2018, the University had \$37.4 million in bonds and other long-term debt payable, of which \$2.1 million is payable during the upcoming fiscal year. The total balance payable represents an increase of \$2.0 million from 2017, which represents 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.

## ***Economic Outlook***

Missouri Southern State University was granted the full 10-year accreditation period from the Higher Learning Commission (HLC). The report stated that all core components were met with no interim monitoring required. Reaccreditation is one of the most crucial components of a university's ability to contribute to students and community. The accreditation team highlighted the increased transparency through our Great Game of Education open-book management initiative and shared governance.

The Gipson Center for Healthcare Leadership become a reality due to several generous contributions. The center will begin offering a new degree program fall 2019. The new Health Science Administration degree aligns with our STEM focus for the region and the state.

The University continues to add options for credentials and has created new certificates in many areas of study. This provides students with another option to build their knowledge and expand their resume. This aligns with one of Governor Parson's top priorities for increased workforce development.

The Lion Co-op pantry opened fall 2018 to assist our students with food insecurity. This is a national issue and the campus wished to offer our students a safe and discreet option to obtain food and personal items.

Missouri Southern is addressing the need for additional housing. The University will begin construction on a new residence hall this fall with the anticipated move-in date fall 2021. The building will feature both suite and traditional style rooms.

Spring 2019 saw the opening of Jeremiah "Jay" Nixon Hall that supports our STEM programs. The facility was named after former Missouri governor Jay Nixon who, along with Senator Ron Richard, was instrumental in obtaining the \$8.1 million state capital appropriations needed for construction.

The Great Game of Education (GGOE) is transitioning to phase two with an intentional focus on retention. Retention rates are low across universities in general. Missouri Southern will continue to strengthen our initiatives to get more students across the "finish line" to graduation and successful careers.

Finish Line Degree Completion Grant is a new grant sponsored by the Missouri Scholarship & Loan Foundation. The grant works in conjunction with the University to provide resources to help students with past due balances to get back on track with their education. This grant is a perfect aid in our retention endeavors.

Multiple senate bills impact our tuition rate. Senate Bill 389 limits tuition increases to the amount of year over year CPI. Senate Bill 807 (SB807), the most recent bill, allows for an additional tuition increase if appropriations have been cut. Fiscal year 2020 is the first year our tuition rate includes the effects of SB807.

The higher education state appropriation budget for fiscal year 2020 included funding to address repair and maintenance needs for state universities. Missouri Southern received an increase of \$1 million to our core appropriation. In addition, the University was budgeted \$1.8 million for STEM related initiatives.

The state budget also included one-time MoExcels funding. MoExcels funding will facilitate development and expansion of employer-driven education and training programs and initiatives to substantially increase education attainment. Missouri Southern was allotted \$188,000 for the Environmental Health and Safety program.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Statements of Net Position**  
**June 30, 2019 and 2018**

**Assets and Deferred Outflows of Resources**

	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash	\$ 11,806,090	\$ 11,484,174
Reserved cash	4,408,833	3,278,227
Accounts receivable, net	1,825,239	2,791,525
Inventories	696,709	830,194
Loans to students, net	475,204	477,772
Deposits and prepaid expenses	957,186	642,365
Total current assets	20,169,261	19,504,257
 <b>Noncurrent Assets</b>		
Restricted cash	1,830,411	4,051,009
Restricted investments	57,612	57,612
Other receivables, net	1,291	4,291
Loans to students, net	1,553,860	2,242,636
Capital assets, net	127,261,724	126,201,532
Total noncurrent assets	130,704,898	132,557,080
Total assets	150,874,159	152,061,337
 <b>Deferred Outflows of Resources</b>		
Loss on refunding of bonds	270,492	289,732
Deferred outflows of resources related to pensions	15,303,843	17,891,092
Deferred inflows of resources related to other postemployment benefits	66,898	-
Total deferred outflows of resources	15,641,233	18,180,824

See Notes to Financial Statements

## Liabilities

	<b>2019</b>	<b>2018</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 2,979,576	\$ 3,707,264
Accrued compensated absences	1,011,458	919,961
Unearned revenue	1,927,519	2,128,991
Unearned revenue – vending	7,500	2,500
Long-term debt – current portion	2,259,614	2,085,162
	<u>8,185,667</u>	<u>8,843,878</u>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	489,250	525,865
Unearned revenue – vending	60,625	-
Total other postemployment benefit liability	2,120,755	1,990,683
Long-term debt	34,241,761	35,315,372
Deposits held in custody for others	433,323	404,780
Net pension liability	55,206,922	54,290,979
	<u>92,552,636</u>	<u>92,527,679</u>
	<u>100,738,303</u>	<u>101,371,557</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	3,730,627	2,741,766
Deferred inflows of resources related to other postemployment benefits	108,299	118,921
	<u>3,838,926</u>	<u>2,860,687</u>
<b>Net Position</b>		
Net investment in capital assets	91,327,039	91,316,170
Restricted for		
Nonexpendable		
Loans	3,142,295	3,321,948
Expendable		
Scholarships and fellowships	406,276	424,184
Capital projects	368,768	951,847
Unrestricted (deficit)	(33,306,215)	(30,004,232)
	<u>\$ 61,938,163</u>	<u>\$ 66,009,917</u>



**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statements of Financial Position**  
**June 30, 2019 and 2018**

**Assets**

	<b>2019</b>	<b>2018</b>
<b>Current Assets</b>		
Cash	\$ 830,303	\$ 1,612,826
Accounts receivable	-	39,750
Contributions receivable – current portion	252,008	266,494
Notes receivable, less provision for uncollectable notes of \$107,951 in 2019 and \$121,458 in 2018	20,728	54,866
Security deposit	17,000	9,000
Other receivables	151,523	144,516
Total current assets	1,271,562	2,127,452
<b>Investments</b>	21,206,810	20,666,074
<b>Other Assets</b>		
Contributions receivable – long-term portion	5,004,235	4,623,739
Real property (downtown library)	720,000	720,000
Beneficial interests in trusts held by others	12,150,627	12,101,664
Total other assets	17,874,862	17,445,403
Total assets	\$ 40,353,234	\$ 40,238,929

**Liabilities**

<b>Current Liabilities</b>		
Accounts payable	\$ 55,132	\$ 22,179
Annuity obligations	39,452	44,976
Total current liabilities	94,584	67,155
<b>Note Payable Long Term</b>	1,040,000	1,040,000

**Net Assets**

Without donor restriction	1,230,367	1,507,496
With donor restriction	37,988,283	37,624,278
Total net assets	39,218,650	39,131,774
Total liabilities and net assets	\$ 40,353,234	\$ 40,238,929

**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, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues</b>		
Tuition and fees, net of scholarship allowances and bad debt expense	\$ 18,028,879	\$ 17,229,127
Federal grants and contracts	2,480,044	2,424,224
State grants and contracts	3,125,537	3,251,175
Interest on loans to students	109,244	120,727
Auxiliary enterprises		
Housing, net of scholarship allowances and bad debt expense	3,645,691	4,011,715
Student recreation and health center	1,668,969	1,611,583
Bookstore and other	3,470,539	3,739,817
Other operating revenues	<u>1,028,700</u>	<u>1,098,693</u>
Total operating revenues	<u>33,557,603</u>	<u>33,487,061</u>
<b>Operating Expenses</b>		
Compensation and benefits	46,973,517	45,596,131
Contractual services	3,839,238	3,637,168
Supplies and materials	4,430,244	4,174,002
Scholarships and fellowships	7,119,785	8,277,680
Depreciation and amortization	6,085,247	5,934,252
Utilities	2,998,789	2,956,187
Other	<u>6,694,666</u>	<u>5,767,804</u>
Total operating expenses	<u>78,141,486</u>	<u>76,343,224</u>
<b>Operating Loss</b>	<u>(44,583,883)</u>	<u>(42,856,163)</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	23,310,305	22,340,305
Federal PELL grants	11,884,575	12,685,173
Contributions	3,121,940	2,803,179
Gain (loss) on disposal of capital assets and construction in progress	(379,349)	49,079
Investment income	497,994	303,732
Interest on capital asset-related debt	(1,287,035)	(1,252,257)
Other nonoperating revenues	<u>752,644</u>	<u>518,556</u>
Net nonoperating revenues	<u>37,901,074</u>	<u>37,447,767</u>
<b>Loss Before Other Revenues, Expenses, Gains or Losses</b>	<u>(6,682,809)</u>	<u>(5,408,396)</u>
<b>Other Revenues, Expenses, Gains or Losses</b>		
Capital grants and gifts	776,154	462,332
State capital appropriations	<u>1,834,901</u>	<u>3,737,784</u>
Total other revenues, expenses, gains or losses	<u>2,611,055</u>	<u>4,200,116</u>
<b>Change in Net Assets</b>	(4,071,754)	(1,208,280)
<b>Net Position, Beginning of Year</b>	<u>66,009,917</u>	<u>67,218,197</u>
<b>Net Position, End of Year</b>	<u>\$ 61,938,163</u>	<u>\$ 66,009,917</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2019**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 123,625	\$ 2,875,785	\$ 2,999,410
Investment income	95,427	956,013	1,051,440
Endowment management fees	255,797	-	255,797
Net realized gain on investments	180,433	52,935	233,368
Net unrealized gain on investments	118,766	331,474	450,240
Increase in beneficial interest in trusts	-	48,963	48,963
Net assets released from restrictions	3,901,165	(3,901,165)	-
Total support and revenue	<u>4,675,213</u>	<u>364,005</u>	<u>5,039,218</u>
<b>Expenses</b>			
Scholarships	1,089,735	-	1,089,735
Faculty and department support	841,734	-	841,734
Facilities improvement	732,975	-	732,975
General university support	1,382,207	-	1,382,207
Cultural activities	977	-	977
Administrative	685,213	-	685,213
Fundraising	219,501	-	219,501
Total expenses	<u>4,952,342</u>	<u>-</u>	<u>4,952,342</u>
<b>Change in Net Assets</b>	(277,129)	364,005	86,876
<b>Net Assets at Beginning of Year</b>	<u>1,507,496</u>	<u>37,624,278</u>	<u>39,131,774</u>
<b>Net Assets at End of Year</b>	<u>\$ 1,230,367</u>	<u>\$ 37,988,283</u>	<u>\$ 39,218,650</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statement of Activities**  
**Year Ended June 30, 2018**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
<b>Support and Revenue</b>			
Contributions	\$ 168,153	\$ 4,230,722	\$ 4,398,875
Investment income	160,652	715,571	876,223
Endowment management fees	243,271	-	243,271
Net realized gain on investments	355,563	75,009	430,572
Net unrealized gain on investments	228,173	417,525	645,698
Increase in beneficial interest in trusts	-	895,325	895,325
Increase in value of life insurance policy	-	(137,584)	(137,584)
Net assets released from restrictions	<u>2,727,354</u>	<u>(2,727,354)</u>	<u>-</u>
Total support and revenue	<u>3,883,166</u>	<u>3,469,214</u>	<u>7,352,380</u>
<b>Expenses</b>			
Scholarships	981,231	-	981,231
Faculty and department support	519,070	-	519,070
Facilities improvement	725,928	-	725,928
General university support	466,252	-	466,252
Cultural activities	1,602	-	1,602
Administrative	719,736	-	719,736
Fundraising	<u>360,520</u>	<u>-</u>	<u>360,520</u>
Total expenses	<u>3,774,339</u>	<u>-</u>	<u>3,774,339</u>
<b>Change in Net Assets Before</b>			
<b>Change in Restrictions</b>	108,827	3,469,214	3,578,041
Change in restrictions	<u>92,547</u>	<u>(92,547)</u>	<u>-</u>
<b>Change in Net Assets</b>	201,374	3,376,667	3,578,041
<b>Net Assets at Beginning of Year</b>	<u>1,306,122</u>	<u>34,247,611</u>	<u>35,553,733</u>
<b>Net Assets at End of Year</b>	<u><u>\$ 1,507,496</u></u>	<u><u>\$ 37,624,278</u></u>	<u><u>\$ 39,131,774</u></u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Missouri Southern Foundation**  
**Statements of Functional Expenses**

**Year Ended June 30, 2019**

	<b>Program Services</b>	<b>Support Services</b>	<b>Functional Expenses</b>
Scholarships	\$ 1,089,735	\$ -	\$ 1,089,735
Faculty and department support	841,734	-	841,734
Facilities improvement	732,975	-	732,975
General university support	1,382,207	-	1,382,207
Cultural activities	977	-	977
Administrative	-	685,213	685,213
Fundraising	-	219,501	219,501
	<u>\$ 4,047,628</u>	<u>\$ 904,714</u>	<u>\$ 4,952,342</u>
Total			

**Year Ended June 30, 2018**

	<b>Program Services</b>	<b>Support Services</b>	<b>Functional Expenses</b>
Scholarships	\$ 981,231	\$ -	\$ 981,231
Faculty and department support	519,070	-	519,070
Facilities improvement	725,928	-	725,928
General university support	466,252	-	466,252
Cultural activities	1,602	-	1,602
Administrative	-	719,736	719,736
Fundraising	-	360,520	360,520
	<u>\$ 2,694,083</u>	<u>\$ 1,080,256</u>	<u>\$ 3,774,339</u>
Total			

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Operating Activities</b>		
Tuition and fees	\$ 17,927,043	\$ 18,636,543
Grants and contracts	6,599,701	5,065,105
Payments for scholarships	(7,119,785)	(8,277,680)
Payments to suppliers	(18,363,113)	(16,443,004)
Payments to employees	(42,296,528)	(40,928,669)
Loans issued to students and employees	-	(179,552)
Collection of loans to students and employees	803,588	659,529
Sales and services of auxiliary enterprises	8,636,872	7,471,014
Other receipts	<u>1,028,701</u>	<u>1,098,693</u>
Net cash used in operating activities	<u>(32,783,521)</u>	<u>(32,898,021)</u>
<b>Noncapital Financing Activities</b>		
State appropriations	23,310,305	22,340,305
Federal grants and contracts	11,884,575	12,685,173
Gifts and grants for other than capital purposes	3,121,940	2,803,179
Other receipts	<u>839,126</u>	<u>488,691</u>
Net cash provided by noncapital financing activities	<u>39,155,946</u>	<u>38,317,348</u>
<b>Capital and Related Financing Activities</b>		
State appropriations for construction of assets	1,834,901	3,737,784
Capital grants and gifts received	776,154	462,332
Purchase of capital assets	(6,738,682)	(4,341,116)
Proceeds from sale of capital assets	3,950	68,155
Principal paid on capital debt and leases	(2,236,473)	(2,025,797)
Interest paid on capital debt and leases	<u>(1,278,345)</u>	<u>(1,239,467)</u>
Net cash used in capital and related financing activities	<u>(7,638,495)</u>	<u>(3,338,109)</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Investing Activities</b>		
Investment income received	\$ 497,994	\$ 303,732
Net cash provided by investing activities	<u>497,994</u>	<u>303,732</u>
<b>Increase (Decrease) in Cash</b>	(768,076)	2,384,950
<b>Cash, Beginning of Year</b>	<u>18,813,410</u>	<u>16,428,460</u>
<b>Cash, End of Year</b>	<u>\$ 18,045,334</u>	<u>\$ 18,813,410</u>
<b>Reconciliation of Cash to the Statements of Net Position</b>		
Cash	\$ 11,806,090	\$ 11,484,174
Reserved cash	4,408,833	3,278,227
Restricted cash	<u>1,830,411</u>	<u>4,051,009</u>
Total cash	<u>\$ 18,045,334</u>	<u>\$ 18,813,410</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (44,583,883)	\$ (42,856,163)
Depreciation expense	5,895,621	5,571,407
Amortization expense	189,624	362,845
Changes in operating assets and liabilities		
Receivables, net	1,660,630	(557,560)
Inventories	(56,140)	(138,752)
Prepaid expenses	(314,821)	74,658
Accounts payable and accrued liabilities	74,627	97,384
Total other postemployment benefits	130,072	(50,668)
Deferred revenue	(222,329)	(178,169)
Deposits held in custody for others	28,543	51,890
Net pension liability	915,943	3,636,450
Deferred inflows of resources	978,239	1,456,665
Deferred outflows of resources	<u>2,520,351</u>	<u>(368,008)</u>
Net cash used in operating activities	<u>\$ (32,783,523)</u>	<u>\$ (32,898,021)</u>
<b>Noncash Investing, Capital and Financing Activities</b>		
Accounts payable incurred for purchase of capital assets	<u>\$ 121,194</u>	<u>\$ 861,077</u>
Long-term incurred for purchase of capital asset from the Foundation	<u>\$ 1,337,314</u>	<u>\$ -</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

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

***Nature of Operations***

Missouri Southern State University (the “University”), A Component Unit of the State of Missouri, 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 and expenses during the reporting period. Actual results could differ from those estimates.



**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Reserved Cash***

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

***Investments and Investment Income***

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

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

***Accounts Receivable***

Approximately 25 percent and 49 percent of accounts receivable at June 30, 2019 and 2018, respectively, is due from governmental and other entities for reimbursements under grants and other programs. The remaining 75 percent and 51 percent of accounts receivable at June 30, 2019 and 2018, 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 \$5,800,000 and \$5,300,000 at June 30, 2019 and 2018, 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, 2019 and 2018, was \$189,626 and \$362,850, respectively.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Loans to Students***

The University makes loans to students under various federal and other loan programs. Such loan receivables are recorded net of estimated uncollectible amounts. The allowance for uncollectible amounts netted against loans to students was \$969,484 and \$753,344 at June 30, 2019 and 2018, respectively. Interest income is charged on loans to students as established under the loan programs. Interest income for the years ended June 30, 2019 and 2018, was \$109,244 and \$120,727, respectively.

***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

Costs incurred during construction of capital assets are recorded as construction in progress. The University capitalized interest as a component of capital assets until the adoption of GASB Statement No. 89 in 2019. There was no capitalized interest recorded in 2019 or 2018.

***Capital Asset Impairment***

The University evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

***Deferred Outflows of Resources***

The University reports the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of its statements of net position.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***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***

The 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. The estimated compensated absence liability expected to be paid more than one year after the statements of net position date is included in long-term liabilities.

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, sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability has been reported for the accumulated sick pay benefits. Although benefits are forfeited at retirement, unused accumulated sick pay benefits are credited to years of service for calculating retirement benefits.

***Unearned Revenue***

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

***Defined Benefit Pension Plan***

As a component unit of the state of Missouri, the University participates in the Missouri State Employees' Plan (MSEP), a single-employer defined benefit pension plan as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). MSEP is administered by the Missouri State Employees' 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.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Defined Benefit Other Postemployment Benefit Plan***

The University has a single-employer defined benefit other postemployment benefit (OPEB) plan, providing health insurance to retirees (the “OPEB Plan”). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

***Deferred Inflows of Resources***

The University reports the acquisition of net position that relates to future reporting 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:

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.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Tuition and Fee Revenue***

Tuition and fee revenue are recognized in the terms to which it relates. The summer term is allocated by number of days falling within each fiscal year.

***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, 2019, were \$15,755,491 and \$2,190,153, respectively, and for the year ended June 30, 2018, were \$14,850,226 and \$2,191,986, 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 discretely presented component unit of Missouri Southern State University. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the University in support of its programs. The Foundation's Board of Directors is self-perpetuating and consists of graduates and friends of the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and discretely presented in the University's financial statements.

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During the year ended June 30, 2019, the Foundation provided funding for scholarships and general university support of \$1,093,053 and \$1,038,441, respectively. During the year ended June 30, 2018, the Foundation provided funding for scholarships and general university support of \$1,557,142 and \$869,912, 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.

**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, 2019 and 2018, respectively, the University's bank balances were \$19,046,356 and \$19,445,940. None of these deposits were exposed to custodial credit risk at June 30, 2019 or 2018.

***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 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, 2019 and 2018, the University held \$21,852 of equity securities restricted by a donor.

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**Summary of Carrying Values**

The carrying values of deposits and investments discussed above are:

	<b>2019</b>	<b>2018</b>
Carrying value		
Cash on hand	\$ 6,900	\$ 8,450
Deposits	18,074,195	18,840,721
Other investments	21,851	21,851
	<u>\$ 18,102,946</u>	<u>\$ 18,871,022</u>

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

	<b>2019</b>	<b>2018</b>
Cash	\$ 11,806,090	\$ 11,484,174
Reserved cash	4,408,833	3,278,227
Restricted cash	1,830,411	4,051,009
Restricted investments	57,612	57,612
	<u>\$ 18,102,946</u>	<u>\$ 18,871,022</u>

**Investment Income**

Investment income for the years ended June 30, 2019 and 2018, consisted of interest and dividend income of \$497,994 and \$303,732, respectively.

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**Note 3: Capital Assets**

Capital assets activity for the years ended June 30, 2019 and 2018, were:

	<b>2019</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Nondepreciable capital assets					
Land	\$ 953,355	\$ -	\$ -	\$ -	\$ 953,355
Construction in progress	3,847,056	5,537,812	(190,186)	(699,572)	8,495,110
Total nondepreciable capital assets	<u>4,800,411</u>	<u>5,537,812</u>	<u>(190,186)</u>	<u>(699,572)</u>	<u>9,448,465</u>
Depreciable capital assets					
Land improvements	5,160,462	-	-	-	5,160,462
Buildings, improvements and leasehold improvements	172,491,086	-	(652,878)	670,136	172,508,344
Infrastructure	947,424	-	-	-	947,424
Furniture, fixtures and equipment	19,573,641	1,742,965	(604,469)	29,436	20,741,573
Vehicles	652,849	37,090	(31,851)	-	658,088
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,377,272	21,245	(26,571)	-	6,371,946
Total depreciable capital assets	<u>207,274,277</u>	<u>1,801,300</u>	<u>(1,315,769)</u>	<u>699,572</u>	<u>208,459,380</u>
Less accumulated depreciation					
Land improvements	3,702,327	195,351	-	-	3,897,678
Buildings, improvements and leasehold improvements	57,118,309	4,699,224	(463,509)	-	61,354,024
Infrastructure	434,362	22,382	-	-	456,744
Furniture, fixtures and equipment	15,732,195	913,733	(600,725)	-	16,045,203
Vehicles	599,331	26,016	(31,851)	-	593,496
Works of art	406,572	7,383	-	-	413,955
Software	1,593,297	-	-	-	1,593,297
Library materials	6,286,763	31,532	(26,571)	-	6,291,724
Total accumulated depreciation	<u>85,873,156</u>	<u>5,895,621</u>	<u>(1,122,656)</u>	<u>-</u>	<u>90,646,121</u>
Total depreciable capital assets, net	<u>121,401,121</u>	<u>(4,094,321)</u>	<u>(193,113)</u>	<u>699,572</u>	<u>117,813,259</u>
Net capital assets	<u>\$ 126,201,532</u>	<u>\$ 1,443,491</u>	<u>\$ (383,299)</u>	<u>\$ -</u>	<u>\$ 127,261,724</u>



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	2018				Ending Balance
	Beginning Balance	Additions	Disposals	Transfers	
Nondepreciable capital assets					
Land	\$ 953,355	\$ -	\$ -	\$ -	\$ 953,355
Construction in progress	11,394,158	4,184,811	-	(11,731,913)	3,847,056
Total nondepreciable capital assets	<u>12,347,513</u>	<u>4,184,811</u>	<u>-</u>	<u>(11,731,913)</u>	<u>4,800,411</u>
Depreciable capital assets					
Land improvements	5,160,462	-	-	-	5,160,462
Buildings, improvements and leasehold improvements	162,554,599	-	(96,970)	10,033,457	172,491,086
Infrastructure	842,204	-	-	105,220	947,424
Furniture, fixtures and equipment	18,546,746	291,180	(857,521)	1,593,236	19,573,641
Vehicles	629,561	23,288	-	-	652,849
Works of art	478,247	-	-	-	478,247
Software	1,593,296	-	-	-	1,593,296
Library materials	6,378,890	26,378	(27,996)	-	6,377,272
Total depreciable capital assets	<u>196,184,005</u>	<u>340,846</u>	<u>(982,487)</u>	<u>11,731,913</u>	<u>207,274,277</u>
Less accumulated depreciation					
Land improvements	3,502,850	199,477	-	-	3,702,327
Buildings, improvements and leasehold improvements	52,808,364	4,391,582	(81,637)	-	57,118,309
Infrastructure	414,172	20,190	-	-	434,362
Furniture, fixtures and equipment	15,715,970	870,005	(853,780)	-	15,732,195
Vehicles	568,656	30,675	-	-	599,331
Works of art	399,064	7,508	-	-	406,572
Software	1,579,271	14,026	-	-	1,593,297
Library materials	6,276,815	37,944	(27,996)	-	6,286,763
Total accumulated depreciation	<u>81,265,162</u>	<u>5,571,407</u>	<u>(963,413)</u>	<u>-</u>	<u>85,873,156</u>
Total depreciable capital assets, net	<u>114,918,843</u>	<u>(5,230,561)</u>	<u>(19,074)</u>	<u>11,731,913</u>	<u>121,401,121</u>
Net capital assets	<u>\$ 127,266,356</u>	<u>\$ (1,045,750)</u>	<u>\$ (19,074)</u>	<u>\$ -</u>	<u>\$ 126,201,532</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, 2019 and 2018:

	Beginning Balance	2019		Ending Balance	Current Portion
		Additions	Deductions		
Auxiliary Enterprise System					
Revenue Bonds					
Series 2014A	\$ 11,805,000	\$ -	\$ 1,085,000	\$ 10,720,000	\$ 1,100,000
Series 2014B	14,320,000	-	-	14,320,000	-
Series 2015	6,545,000	-	560,000	5,985,000	565,000
Bond premium – 2015 Issue	90,355	-	17,856	72,499	17,856
Direct Placement Bonds Education					
Series 2017 Educational					
Facilities Revenue Bonds	4,615,000	-	410,000	4,205,000	420,000
Note payable to the Foundation	-	1,337,314	150,000	1,187,314	150,000
Capital lease obligations	25,179	-	13,617	11,562	6,758
Total bonds and capital leases	<u>37,400,534</u>	<u>1,337,314</u>	<u>2,236,473</u>	<u>36,501,375</u>	<u>2,259,614</u>
Other noncurrent liabilities					
Accrued compensated absences	1,445,826	1,011,458	956,576	1,500,708	1,011,458
Deferred revenue – vending	2,500	75,000	9,375	68,125	7,500
Other postemployment benefit liability (obligation)	1,990,683	130,072	-	2,120,755	-
Deposits held in custody for others	404,780	306,880	278,337	433,323	-
Net pension liability	54,290,979	915,943	-	55,206,922	-
Total other noncurrent liabilities	<u>58,134,768</u>	<u>2,439,353</u>	<u>1,244,288</u>	<u>59,329,833</u>	<u>1,018,958</u>
Total noncurrent liabilities	<u>\$ 95,535,302</u>	<u>\$ 3,776,667</u>	<u>\$ 3,480,761</u>	<u>\$ 95,831,208</u>	<u>\$ 3,278,572</u>

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	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Auxiliary Enterprise System					
Revenue Bonds					
Series 2014A	\$ 12,875,000	\$ -	\$ 1,070,000	\$ 11,805,000	\$ 1,085,000
Series 2014B	14,320,000	-	-	14,320,000	-
Series 2015	7,085,000	-	540,000	6,545,000	560,000
Bond premium – 2015 Issue	108,211	-	17,856	90,355	17,856
Direct Placement Bonds Education					
Series 2017 Educational Facilities Revenue Bonds	5,000,000	-	385,000	4,615,000	410,000
Capital lease obligations	38,120	-	12,941	25,179	12,306
Total bonds and capital leases	<u>39,426,331</u>	<u>-</u>	<u>2,025,797</u>	<u>37,400,534</u>	<u>2,085,162</u>
Other noncurrent liabilities					
Accrued compensated absences	1,381,859	919,961	855,994	1,445,826	919,961
Deferred revenue – vending	32,500	-	30,000	2,500	2,500
Other postemployment benefit liability (obligations)	811,199	1,179,484	-	1,990,683	-
Deposits held in custody for others	352,890	292,956	241,066	404,780	-
Accrued net pension liability	50,654,529	3,636,450	-	54,290,979	-
Total other noncurrent liabilities	<u>53,232,977</u>	<u>6,028,851</u>	<u>1,127,060</u>	<u>58,134,768</u>	<u>922,461</u>
Total noncurrent liabilities	<u>\$ 92,659,308</u>	<u>\$ 6,028,851</u>	<u>\$ 3,152,857</u>	<u>\$ 95,535,302</u>	<u>\$ 3,007,623</u>

**Auxiliary Enterprise System Revenue Bonds**

**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 bond issue. The bonds bear interest, payable semiannually, at rates of 0.35 percent to 3.95 percent, 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 percent 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*).

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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 percent to 4.25 percent, 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 percent 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 percent to 4 percent, which began April 1, 2016. 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 percent 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*).

***Direct Placement Bonds***

**Series 2017 Educational Facilities Revenue Bonds**

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 percent, 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 percent 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.

The University's outstanding bonds from direct placements of \$4,205,000 contain a provision that in an event of default, outstanding amounts become immediately due if the University is unable to make payment.

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The University's outstanding bonds from direct borrowings of \$4,205,000 are secured with collateral of all rights, title and interest of MOHEFA including all loan payments to be paid by the University. This outstanding bond contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if Bond Trustee provides written notice to the Authority and the University and (2) a provision that if the University is unable to make payment, outstanding amounts are due immediately.

**Note Payable to Foundation**

Note payable to Foundation for acquisition of a capital asset in the original amount of \$1,337,314 due June 30, 2027, with principal payments of \$150,000 due annually and interest of 5.5 percent payable monthly. The note is unsecured.

**Long-Term Debt**

The debt service requirements on long-term debt other than capital lease obligations as of June 30, 2019, are as follows:

Year Ending June 30,	Auxiliary Enterprise System Revenue Bonds		Direct Placement Bonds		Note Payable to Foundation		Total to be Paid
	Principal	Interest	Principal	Interest	Principal	Interest	
2020	\$ 1,665,000	\$ 1,077,744	\$ 420,000	\$ 99,476	\$ 150,000	\$ 65,302	\$ 3,477,522
2021	1,950,000	1,034,228	435,000	88,831	150,000	57,052	3,715,111
2022	2,030,000	979,256	445,000	77,875	150,000	48,802	3,730,933
2023	2,085,000	922,836	455,000	66,670	150,000	40,552	3,720,058
2024	730,000	885,153	465,000	55,216	150,000	32,302	2,317,671
2025 – 2029	4,240,000	4,049,469	1,985,000	100,285	437,314	47,407	10,859,475
2030 – 2034	5,440,000	3,194,315	-	-	-	-	8,634,315
2035 – 2039	7,225,000	1,964,243	-	-	-	-	9,189,243
2040 – 2044	4,580,000	738,234	-	-	-	-	5,318,234
2045 – 2049	1,080,000	22,950	-	-	-	-	1,102,950
	<u>\$ 31,025,000</u>	<u>\$ 14,868,428</u>	<u>\$ 4,205,000</u>	<u>\$ 488,353</u>	<u>\$ 1,187,314</u>	<u>\$ 291,417</u>	<u>\$ 52,065,512</u>

**Note 5: Line of Credit**

During September 2016, the University obtained an unsecured demand line of credit with a borrowing limit of \$5,000,000, which matured on September 1, 2018. No borrowings occurred on the line of credit during the years ended June 30, 2019 and 2018, respectively.

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**Note 6: Pension Plan**

***MOSERS***

**Plan Description**

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

Generally, all full-time state employees hired before July 2000, who were not covered under another state-sponsored retirement plan, are eligible for membership in the MSEP (closed plan). Full-time state employees hired after July 2000, and before January 2011, are eligible for membership in the MSEP 2000. Employees hired for the first time on or after January 2011 are eligible for membership in the MSEP 2011 tier of the MSEP 2000. The MSEP provides retirement, survivor and disability benefits. MOSERS issues an annual Comprehensive Annual Financial Report (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 30.

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**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 percent of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2019, was 20.21 percent 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, 2018 and 2017, was 19.45 percent and 16.97 percent, respectively, which was the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$3,927,261 and \$3,731,781 for the years ended June 30, 2019 and 2018, respectively.

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

At June 30, 2019 and 2018, the University reported a liability of \$55,206,922 and \$54,290,979, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, 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, 2018 and 2017. At June 30, 2018, the University's proportion was 0.9897 percent, which was a decrease of 0.0530 percent from its proportion measured as of June 30, 2017. At June 30, 2017, the University's proportion was 1.0427 percent, which was a decrease of 0.0485 percent from its proportion measured as of June 30, 2016.

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

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For the years ended June 30, 2019 and 2018, the University recognized pension expense of \$8,419,314 and \$8,337,967, respectively. At June 30, 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 125,642	\$ 1,307,031
Changes of assumptions	4,757,912	-
Net difference between projected and actual earning on pension plan investments	6,493,028	-
Changes in proportion and differences between the University's contributions and the University's proportionate share of contributions	-	2,423,596
University's contributions subsequent to the measurement date	<u>3,927,261</u>	<u>-</u>
 Total	 <u>\$ 15,303,843</u>	 <u>\$ 3,730,627</u>
	<b>2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 300,777	\$ 855,060
Changes of assumptions	4,763,964	136,259
Net difference between projected and actual earning on pension plan investments	9,094,570	-
Changes in proportion and differences between the University's contributions and the University's proportionate share of contributions	-	1,750,447
University's contributions subsequent to the measurement date	<u>3,731,781</u>	<u>-</u>
 Total	 <u>\$ 17,891,092</u>	 <u>\$ 2,741,766</u>



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At June 30, 2019 and 2018, the University reported \$3,927,261 and \$3,731,781 as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2019, related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2020	\$ 5,033,734
2021	1,914,709
2022	693,992
2023	<u>3,520</u>
	<u>\$ 7,645,955</u>

**Summary of Pension Changes**

Below is a summary of pension changes due to the implementation of GASB 68 as of June 30, 2019 and 2018.

	<b>2019</b>	<b>2018</b>	<b>Change</b>
Statement of Net Position – deferred outflows of resources	\$ 15,303,843	\$ 17,891,092	\$ (2,587,249)
Statement of Net Position – accrued net pension liability	(55,206,922)	(54,290,979)	(915,943)
Statement of Net Position – deferred inflows of resources	(3,730,627)	(2,741,766)	<u>(988,861)</u>
			<u>\$ (4,492,053)</u>

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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, 2019 and 2018, respectively, are shown below:

	<b>2019</b>	<b>2018</b>
Actuarial required contribution	\$ 3,927,261	\$ 3,731,781
Pension expense	(8,419,314)	(8,337,967)
	<b>\$ (4,492,053)</b>	<b>\$ (4,606,186)</b>

**Actuarial Assumptions**

The total pension liability in the June 30, 2018 and 2017, actuarial valuations which are also the measurement dates for GASB 68 purposes, was determined using the following actuarial assumptions:

**June 30, 2018**

Inflation	2.50%	
Salary increases	3.0% to 8.5%	
Wage inflation	2.75%	
Investment rate of return	7.25% per year, compounded annually, net after investment expenses and including inflation	

**June 30, 2017**

Inflation	2.50%	
Salary increases	3.25% to 8.75%	
Wage inflation	3.00%	
Investment rate of return	7.50% per year, compounded annually, net after investment expenses and including inflation	

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 percent. The preretirement mortality table used was the RP-2014 Employee Mortality table projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

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The actuarial assumptions used in the June 30, 2018, 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 7.50 percent to 7.25 percent and changes in the payroll and wage growth assumptions. 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, 2017, 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 7.65 percent to 7.50 percent 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 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, 2018, 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>
Opportunistic global equity	38.00%	5.50%	2.10%
Nominal bonds	44.00%	1.00%	0.50%
Commodities	20.00%	4.50%	0.90%
Inflation-linked bonds	39.00%	0.80%	0.30%
Alternative beta	31.00%	4.50%	1.40%
	<u>172.00%</u>		<u>5.20%</u>

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

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**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent and 7.50 percent at June 30, 2018 and 2017, 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 7.25 percent, 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 (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
University's proportionate share of the net pension liability	\$ 70,522,403	\$ 55,206,922	\$ 42,328,369

**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, 2019 and 2018, the University reported a payable of \$23,198 and \$21,137, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2019 and 2018, 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 percent less than the normal cost contribution rate of the Missouri State Employees’ Plan 200 (MSEP 200). After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

The University is required to contribute to CURP at an actuarially determined rate; the rate was 6.00 percent and 6.19 percent of annual covered payroll for 2019 and 2018, respectively. The University’s contributions to CURP for the years ended June 30, 2019 and 2018, were \$442,390 and \$419,529 respectively, which equaled the required contributions for the years.

**Note 7: Other Postemployment Benefit Healthcare Plan**

***Plan Description***

The University contributes to the self-insured healthcare plan (the “OPEB Plan”), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered through a commercial insurance carrier. Benefit provisions are contained in the plan document and were established and can be amended by action of the University’s governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

***Benefits Provided***

The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and retirees contribute premiums ranging between \$480 to \$680 monthly for a single person or \$1,200 to \$1,690 for retiree and family. For employees who retire before reaching age 65, their insurance will be continued until the earlier of the date the plan is canceled or until their 65th birthday.

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The employees covered by the benefit terms at June 30, 2019 and 2018, are:

	<b>2019</b>	<b>2018</b>
Inactive employees or beneficiaries currently receiving benefit payments	14	17
Active employees	528	528
	542	545

**Total OPEB Liability**

The University's total OPEB liability of \$2,120,755 and \$1,990,683 was measured as of June 30, 2019 and 2018, respectively, for the years then ended, and was determined by an actuarial valuation as of June 30, 2018.

The total OPEB liability in the June 30, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>2019</b>	<b>2018</b>
Inflation	2.50%	2.50%
Discount rate	3.50% (prior year 3.87%)	3.50% (prior year 3.87%)
Salary increases	1.50% per year	1.50% per year
Health care cost trend rates	6.5% for 2019, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years	7.0% for 2018, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years

The discount rate used for the plan was the 20-year, tax-exempt municipal bond rate as there are no assets in the plan.

Mortality rates were based on the RP-2014 trended back eight years using scale MP-2014 and projected generationally using scale MP-2017, applied on a gender specific basis.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study from 2013.

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**Changes in Total OPEB Liability**

Changes in total OPEB liability are:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 1,990,683	\$ 2,041,351
Service cost	85,254	82,076
Interest	78,281	80,552
Changes in assumptions or other inputs	72,873	(129,542)
Benefit payments	(106,336)	(83,754)
Net changes	130,072	(50,668)
Balance, end of year	\$ 2,120,755	\$ 1,990,683

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates**

The total OPEB liability of the University has been calculated using a discount rate of 3.50 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	<b>1% Decrease (2.50)</b>	<b>Current Discount Rate (3.50%)</b>	<b>1% Increase (4.50%)</b>
University's total OPEB liability	\$ 1,881,000	\$ 2,120,755	\$ 2,417,000

The total OPEB liability of the University has been calculated using health care cost trend rates of 6.50 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	<b>1% Decrease</b>	<b>Current Health Care Cost Trend Rates</b>	<b>1% Increase</b>
University's total OPEB liability	\$ 1,892,000	\$ 2,120,755	\$ 2,397,000

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***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the years ended June 30, 2019 and 2018, the University recognized OPEB expense of \$158,888 and \$152,007, respectively. At June 30, 2019 and 2018, the University reported deferred inflows of resources related to OPEB from the following sources.

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 66,898	\$ 108,299
Total	\$ 66,898	\$ 108,299

	<b>2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 118,921
Total	\$ -	\$ 118,921

Deferred inflows of resources at June 30, 2019, related to OPEB will be recognized as a reduction in OPEB expense as follows:

2020	\$ (4,647)
2021	(4,647)
2022	(4,647)
2023	(4,647)
2024	(4,647)
Thereafter	(18,166)
	\$ (41,401)



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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 percent each year and adjusted based on the number of users. The University has extended the agreement on a one-year basis annually through September 30, 2020. During the years ended June 30, 2019 and 2018, \$310,613 and \$336,525, 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.

***Pension and Other Postretirement Benefit Obligations***

The University has a defined benefit pension and postretirement health care plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

**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.

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***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.

**Note 10: Employee Health Claims**

Substantially all of the University's employees and their dependents are eligible to participate in the University's employee health insurance plan. The University is self-insured for health claims of participating employees and dependents on individual claims up to \$125,000 per claim. Commercial stop-loss insurance coverage is purchased for claims in excess of the individual claim limit.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the University's estimate will change by a material amount in the near term.

Activity in the University's accrued employee health claims liability during 2019 and 2018 is summarized as follows:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 450,000	\$ -
Current year claims incurred and changes in estimates for claims incurred in prior years	3,973,655	3,993,424
Claims and expenses paid	3,973,655	3,543,424
	\$ 450,000	\$ 450,000

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**Note 11: 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, 2019 and 2018, is as follows:

**Auxiliary Enterprise System**  
**Revenue Bonds Series 2014A, 2014B and 2015**  
**As of/Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Condensed Statements of Net Position</b>		
<b>Assets</b>		
Current assets	\$ 4,513,787	\$ 3,812,677
Capital assets, net	46,457,396	47,740,380
Total assets	50,971,183	51,553,057
<b>Deferred Outflows of Resources</b>	887,127	1,017,433
<b>Liabilities</b>		
Current liabilities	2,555,821	2,482,932
Long-term liabilities	31,717,544	33,063,334
Total liabilities	34,273,365	35,546,266
<b>Deferred Inflows of Resources</b>	148,884	105,656
<b>Net Position</b>		
Net investment in capital assets	\$ 17,436,061	\$ 16,918,568

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	<b>2019</b>	<b>2018</b>
<b>Condensed Statements of Revenues, Expenses and Changes in Net Position</b>		
<b>Operating Revenues</b>	<u>\$ 8,845,794</u>	<u>\$ 9,418,671</u>
<b>Depreciation Expense</b>	(1,881,715)	(2,082,862)
<b>Other Operating Expenses</b>	<u>(5,341,636)</u>	<u>(5,358,243)</u>
Total operating expenses	<u>7,223,351</u>	<u>7,441,105</u>
Operating income	<u>1,622,443</u>	<u>1,977,566</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	<u>(1,104,950)</u>	<u>(1,135,935)</u>
Total nonoperating expenses	<u>(1,104,950)</u>	<u>(1,135,935)</u>
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	<u>517,493</u>	<u>841,631</u>
Change in net position	<u>517,493</u>	<u>841,631</u>
<b>Beginning Net Position</b>	<u>16,918,568</u>	<u>16,076,937</u>
<b>Ending Net Position</b>	<u><u>\$ 17,436,061</u></u>	<u><u>\$ 16,918,568</u></u>
<b>Condensed Statements of Cash Flows</b>		
<b>Net Cash Provided By (Used In)</b>		
Operating activities	\$ 3,511,360	\$ 3,733,948
Capital and related financing activities	<u>(2,875,937)</u>	<u>(3,067,613)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	635,423	666,335
<b>Beginning Cash and Cash Equivalents</b>	<u>835,832</u>	<u>169,497</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 1,471,255</u></u>	<u><u>\$ 835,832</u></u>

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**Note 12: Missouri Southern Foundation**

***Investments***

Investments at June 30, 2019 and 2018, respectively, consisted of the following:

	<b>2019</b>	<b>2018</b>
Equity securities	\$ 13,904,126	\$ 12,775,347
U.S. Treasury and federal agency obligations	1,188,543	990,882
Corporate debt	5,029,332	5,734,375
Money market funds and other	1,084,809	1,165,470
	<b>\$ 21,206,810</b>	<b>\$ 20,666,074</b>

***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 \$518,540 and \$390,844 were received by the Foundation from these trusts during the years ended June 30, 2019 and 2018, respectively, for all restricted purposes.

The Foundation is also a 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, 2019 and 2018, respectively.

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**Contributions Receivable**

Contributions receivable consists of unconditional gifts to be received in future periods and have been discounted, at rates ranging from 3.0 percent to 5.2 percent, to the present value of estimated future cash flows. Estimated annual collections of contributions receivable at June 30, 2019 and 2018, is as follows:

	<b>2019</b>	<b>2018</b>
Less than one year	\$ 278,332	\$ 289,528
One to five years	5,453,329	5,254,193
More than five years	526,915	313,924
Gross contributions receivable	6,258,576	5,857,645
Less discount for present value	1,002,333	967,412
Net contributions receivable	\$ 5,256,243	\$ 4,890,233

**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 3.80 percent on December 5, 2019. The loan is secured by the commercial pledge agreement executed by the Community Foundation of the Ozarks, Inc.

**Endowment**

Endowment net assets at June 30, 2019 and 2018, by type of fund consisted of the following:

	<b>Without Donor Restrictions</b>	<b>2019 With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 37,988,283	\$ 37,988,283
Board-designated endowment funds	411,487	-	411,487
	\$ 411,487	\$ 37,988,283	\$ 38,399,770

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	<b>Without Donor Restrictions</b>	<b>2018 With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 37,624,278	\$ 37,624,278
Board-designated endowment funds	399,549	-	399,549
	<u>\$ 399,549</u>	<u>\$ 37,624,278</u>	<u>\$ 38,023,827</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, 2019 and 2018, was \$411,487 and \$399,549, respectively.

Donor restricted net assets at June 30, 2019 and 2018, are categorized as directed by donors as follows:

	<b>2019</b>	<b>2018</b>
Scholarships	\$ 23,920,434	\$ 23,788,322
Faculty and departmental support	9,155,069	7,776,463
Facilities improvement	1,139,502	2,554,714
General university support	299,394	20,359
Cultural activities	57,433	59,563
Time	3,416,451	3,424,857
	<u>\$ 37,988,283</u>	<u>\$ 37,624,278</u>

***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.

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*Level 2 Inputs:* Observable inputs other than Level 1 processes, 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, 2019.

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

*Government and agency bonds and 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.

	<b>June 30, 2019</b>			<b>Carrying Amount</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial Assets</b>				
Money market funds	\$ 1,084,809	\$ -	\$ -	\$ 1,084,809
Equity securities	13,904,126	-	-	13,904,126
Government and agency bonds and fixed income funds	-	6,217,875	-	6,217,875
Beneficial interest in trusts held by others	-	-	12,150,627	12,150,627
	<u>\$ 14,988,935</u>	<u>\$ 6,217,875</u>	<u>\$ 12,150,627</u>	<u>\$ 33,357,437</u>



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	June 30, 2018			Carrying Amount
	Fair Value			
	Level 1	Level 2	Level 3	
<b>Financial Assets</b>				
Money market funds	\$ 1,165,470	\$ -	\$ -	\$ 1,165,470
Equity securities	12,775,347	-	-	12,775,347
Government and agency bonds and fixed income funds	-	6,725,257	-	6,725,257
Beneficial interest in trusts held by others	-	-	12,101,664	12,101,664
	<u>\$ 13,940,817</u>	<u>\$ 6,725,257</u>	<u>\$ 12,101,664</u>	<u>\$ 32,767,738</u>

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>	\$ 12,101,664
Total realized and unrealized gains and losses included in change in net assets	<u>48,963</u>
<b>Balance, End of Year</b>	<u>\$ 12,150,627</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>\$ (489,454)</u>

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Notes to Financial Statements**  
**June 30, 2019 and 2018**

***Liquidity and Availability of Resources***

The Foundation's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	<b>2019</b>	<b>2018</b>
Financial assets, at year end	\$ 40,353,234	\$ 40,164,206
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor imposed restrictions:		
Subject to appropriation and satisfaction of donor restrictions	(37,206,432)	(37,401,056)
Investments held in annuity trust	(89,848)	(94,970)
Board designations:		
Quasi-endowment fund, primarily for long-term investing	(2,014,403)	(2,014,403)
Financial assets, available to meet cash needs for general expenditures within one year	\$ 1,042,551	\$ 653,777

The Foundation's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in *Note 6*, the quasi-endowment has a spending rate of 4 percent.

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Foundation invests cash in excess of daily requirements in short-term investments. Although the Foundation does not intend to spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment could be made available if necessary. However, both the quasi-endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investment that could be made available.

***Subsequent Events***

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

## **Required Supplementary Information**

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Required Supplementary Information**  
**Schedule of University Proportionate Share of the Net Pension Liability**  
**Missouri State Employees' Retirement System**  
**June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
University's proportion of the net pension liability	0.9897%	1.0427%	1.0912%	1.1190%	1.1415%
University's proportionate share of the net pension liability	\$ 55,206,922	\$ 54,290,979	\$ 50,654,529	\$ 35,945,504	\$ 26,913,021
University's covered-employee payroll	\$ 19,443,952	\$ 20,522,141	\$ 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	283.93%	264.55%	239.69%	165.88%	123.44%
Plan fiduciary net position as a percentage of the total pension liability	59.02%	60.41%	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 University Pension Contributions**  
**Missouri State Employees' Retirement System**  
**Last Six Fiscal Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,927,261	\$ 3,731,781	\$ 3,450,837	\$ 3,586,368	\$ 3,677,357	\$ 3,725,358
Contributions in relation to the contractually required contribution	<u>3,927,261</u>	<u>3,731,781</u>	<u>3,450,837</u>	<u>3,586,368</u>	<u>3,677,357</u>	<u>3,725,358</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 9,443,952	\$ 20,522,141	\$ 20,334,926	\$ 21,133,582	\$ 21,669,752	\$ 21,803,175
Contributions as a percentage of covered-employee payroll	20.21%	19.45%	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, 2018 or 2017.

***Changes of Assumptions***

The Board reduced the investment return assumption used in the June 30, 2018, valuation to 7.25 percent and the wage inflation to 2.75 percent and the salary increases to 3.0 percent to 8.5 percent.

The Board reduced the investment return assumption used in the June 30, 2017, valuation to 7.50 percent.

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.

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Required Supplementary Information**  
**Schedule of Changes in the University's Total OPEB Liability**  
**and Related Ratios**

<b>Total OPEB Liability</b>	
Service cost	\$ 85,254
Interest	78,281
Changes in assumptions or other inputs	72,873
Benefit payments	<u>(106,336)</u>
<b>Net Change in Total OPEB Liability</b>	130,072
<b>Total OPEB Liability – Beginning</b>	<u>1,990,683</u>
<b>Total OPEB Liability – Ending</b>	<u><u>\$ 2,120,755</u></u>

**Notes to Schedule:**

***Benefit Changes***

There were no changes to benefit terms for the year ended June 30, 2019.

***Changes of Assumptions***

There were no changes to the assumptions used for the year ended June 30, 2019.

## **Supplementary Information**

**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
U.S. Department of Education				
Student Financial Assistance Cluster				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ -	\$ 215,722
Federal Work-Study Program	84.033	N/A	-	215,191
Federal Perkins Loan Program	84.038	N/A	-	4,611,785
Federal Pell Grant Program	84.063	N/A	-	11,851,470
Federal Direct Student Loans	84.268	N/A	-	18,759,383
Federal Teacher Education Assistance for College and Higher Education Grants (TEACH)	84.379	N/A	-	74,798
Iraq and Afghanistan Service Grant	84.408	N/A	-	5,693
Total Student Financial Assistance Cluster			-	35,734,042
U.S. Department of Education				
TRIO Cluster				
TRIO – Student Support Services	84.042A	N/A	-	256,896
TRIO – Talent Search	84.044A	N/A	-	253,700
TRIO – Upward Bound	84.047A	N/A	-	293,737
Total TRIO Cluster			-	804,333
U.S. Department of Health and Human Services/Missouri Department of Social Services				
CCDF Cluster				
Child Care and Development Block Grant	93.575	1701MOCCDF	-	20,000
U.S. Department of Transportation				
Highway Safety Cluster				
Highway Safety Grant	20.600	N/A	-	28,543
Total forward			-	36,586,918



**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Total forward			\$ -	\$ 36,586,918
U.S. Department of Agriculture/ Missouri Department of Health and Senior Services/ Child and Adult Care Food Program	10.558	ERS46110060	-	34,270
Small Business Administration/ University of Missouri/ Small Business Development Centers	59.037	51641	-	270,719
U.S. Department of Education/ Career and Technical Education – Basic Grants to States	84.048A	None	-	75,347
U.S. Department of Health and Human Services/ Foster Care Title IV-E	93.658	None	-	11,300
U.S. Department of Health and Human Services/Centers for Disease Control and Prevention/ Injury Prevention and Control Research and State and Community Based Programs	93.136	CE002427-04	-	9,554
National Endowment for the Humanities/ Missouri State University Library/ Digital Imaging Grant	45.310	LS0018002618	-	13,887
U.S. Department of Defense/ University of Missouri/ Procurement Technical Assistance Center (PTAC)	12.002	SP4800-18-2-1820	-	4,989
U.S. Department of Health and Human Services/Centers for Disease Control and Prevention/State Physical Activity and Nutrition Program	93.439	NU58DP006506-01-00	-	496
National Endowment for the Humanities/Division of Public Programs/Programming Grants to Accompany NEH on the Road Exhibitions	45.164	MR-264770-19	-	1,000
			\$ -	\$ 37,008,480

The accompanying notes are an integral part of this Schedule

**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, 2019**

**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, 2019. 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 program listed subsequently is administered directly by Missouri Southern State University, and balances and transactions relating to this program is 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, 2019, consists of:

<b>CFDA Number</b>	<b>Program Name</b>	<b>Outstanding Balance at June 30, 2019</b>
84.038	Federal Perkins Loan Program	\$2,998,548

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

### **Independent Auditor's Report**

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 the business-type activities and the discretely presented component unit of Missouri Southern State University (the "University"), collectively a component unit of the State of Missouri, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements and have issued our report thereon dated November 13, 2019. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit as described in our report on the University's financial statements. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and accordingly does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a 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.

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.

Board of Governors  
Missouri Southern State University

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**BKD, LLP**

Springfield, Missouri  
November 13, 2019

## 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 (the "University") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Missouri Southern State University's major federal program for the year ended June 30, 2019. 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 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, 2019.

### **Reports 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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  
November 13, 2019



**Missouri Southern State University**  
**(A Component Unit of the State of Missouri)**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2019**

7. The University's major program was:

<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
Iraq and Afghanistan Service Grant (IASG)	84.408

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, 2019**

**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, 2019**

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

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

# MISSOURI SOUTHERN STATE UNIVERSITY

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2019

Reference Number	Finding	Status
	No matters are reportable.	