

Missouri State University

A Component Unit of the State of Missouri

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

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

Contents

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis 3

Financial Statements

Statements of Net Position 11
Statements of Revenues, Expenses and Changes in Net Position 12
Statements of Cash Flows 14
Notes to Financial Statements 16

Required Supplementary Information

Schedule of the University’s Proportionate Share of the Net Pension Liability – Missouri State
Employees’ Retirement System..... 49
Schedule of University Contributions – Missouri State Employees’ Retirement System..... 50
Schedule of Funding Progress – Other Postemployment Benefits 51

Other Information

Condensed Statements by Campus..... 52

Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri State University, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Missouri State 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, 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 State University as of June 30, 2016 and 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Other Information

Our audits were conducted for the purpose of forming opinions on the basic financial statements as a whole. The Condensed Statements by Campus listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Springfield, Missouri
November 29, 2016

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

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2016 and 2015, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Position, which presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the institution as of the end of the fiscal year, the Statement of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

We hope this information will assist you as you seek to understand the University's financial position and operating activities, accomplishments and challenges. As you read through the next few pages, please review and refer to the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows in addition to the Notes to the Financial Statements that we have described above.

Overview

Missouri State University is a comprehensive institution offering undergraduate and graduate programs, including the professional doctorate with an enrollment of over 26,000 students. The University educates students to be global citizen scholars committed to the public affairs mission. The academic experience is grounded in a general education curriculum which draws heavily from the liberal arts and sciences. This foundation provides the basis for mastery of disciplinary and professional studies. It also provides essential forums in which students develop the capacity to make well-informed, independent critical judgments about the cultures, values and institutions in society.

The Missouri State University campuses are structured to address the special needs of the urban and rural populations they serve. Missouri State University-Springfield is a selective admissions, graduate level teaching and research institution. Missouri State University-West Plains is an open admissions campus serving seven counties in south central Missouri. Missouri State University-Mountain Grove serves Missouri's fruit industry through operation of the State Fruit Experiment Station. The Extended Campus provides anytime, anyplace learning opportunities through telecourses, internet-based instruction and through its interactive video network (BearNet). The University also operates various other special facilities, such as the Darr Agricultural Center in southwest Springfield, the Jordan Valley Innovation Center in downtown Springfield, the Bull Shoals Field Station near Forsyth, Baker's Acres and Observatory near Marshfield, the Missouri State University Graduate Center in Joplin and a branch campus at Liaoning Normal University in Dalian, China. In addition, Missouri State has the operations and program offerings of one entire academic department, its Department of Defense and Strategic Studies, located near Washington, D.C., in Fairfax, Virginia.

Management Discussion and Analysis

This discussion and analysis of the Missouri State University's financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2016, 2015 and 2014. Since the management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

In 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment to 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*, which was effective for fiscal year 2015 and established standards for the recognition of liabilities, deferred outflows and inflows of resources, and expenses related to pension plans. Due to limited pension plan data, it was not possible nor practical to restate information for the year ended June 30, 2014, and therefore, the University has elected not to do so for the purposes of this analysis.

Statements of Net Position

The Statement of Net Position presents the financial position of the University at a point in time. The Statement of Net Position has five major components which include 1.) Assets, 2.) Deferred Outflows of Resources, 3.) Liabilities, 4.) Deferred Inflows of Resources and 5.) Net Position. A description of each component is as follows:

Assets – Current assets are those anticipated to be liquidated within one year or less and include items such as cash and cash equivalents, investments, accounts receivable, inventories, loans to students and prepaid expenses. Noncurrent assets include that portion of accounts receivable, investments, loans to students and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment, etc.

Deferred Outflows of Resources – Deferred outflows of resources are those applicable to a future reporting period and include losses on bond refundings and current year contributions to the related pension plan as a result of the adoption of GASB Statement No. 68.

Liabilities – Current liabilities are those anticipated to be recognized within one year or less and include items such as accounts payable and accrued liabilities, accrued compensated absences, unearned revenue, interest payable, student deposits, the current portion of long-term debt and accrued settlements. Noncurrent liabilities include that portion of accrued liabilities, compensated absences and long-term debt that are not due within one year.

Deferred Inflows of Resources – Deferred inflows of resources is the net difference between the projected and actual earning on the pension plan investments created as a result of the adoption of GASB Statement No. 68.

Net Position – Net Position represents University total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. Net Position are classified in three major categories which include 1.) Net Investment in Capital Assets, 2.) Restricted and 3.) Unrestricted.

- 1.) Net Investment in Capital Assets represents buildings, building improvements, equipment, etc., that is net of accumulated depreciation and related debt.

- 2.) Restricted Net Position are that whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital projects.
- 3.) Unrestricted Net Position represents balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet received.

A summary of the University's assets, liabilities and net position at June 30, 2016, 2015 and 2014:

Statements of Net Position
As of June 30, 2016, 2015 and 2014
(In Millions)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current Assets	\$ 104.1	\$ 93.6	\$ 127.8
Noncurrent Assets	604.3	581.6	523.3
Deferred Outflows of Resources	<u>34.5</u>	<u>20.8</u>	<u>0.5</u>
Total Assets and Deferred Outflows of Resources	<u>742.9</u>	<u>696.0</u>	<u>651.6</u>
Current Liabilities	57.0	53.4	54.2
Noncurrent Liabilities	330.8	276.0	144.0
Deferred Inflows of Resources	<u>3.2</u>	<u>33.5</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>391.0</u>	<u>362.9</u>	<u>198.2</u>
Net Position			
Net investment in capital assets	331.1	325.5	313.1
Restricted	16.5	13.3	12.7
Unrestricted	<u>4.3</u>	<u>(5.7)</u>	<u>127.6</u>
Total Net Position	<u>\$ 351.9</u>	<u>\$ 333.1</u>	<u>\$ 453.4</u>

Comparative Analysis of Fiscal Years 2016, 2015 and 2014

Current Assets – Current assets for Fiscal Year 2016 totaled \$104.1 million which is an increase of \$10.5 million from Fiscal Year 2015 current assets of \$93.6 million. The increase is primarily attributable to an increase in cash, restricted cash, accounts receivable and inventories. Current assets for Fiscal Year 2015 totaled \$93.6 million which is a decrease of \$34.2 million from Fiscal Year 2014 current assets of \$127.8 million. This decrease is primarily attributed to a reduction in cash, short-term investments and restricted cash associated with bond issue proceeds.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2016 totaled \$604.3 million which is an increase of \$22.7 million from Fiscal Year 2015 noncurrent assets of \$581.6 million and Fiscal Year 2015 increased \$58.3 million from Fiscal Year 2014 noncurrent assets of \$523.3 million. The increases are primarily due to an increase in long-term investments and increased capital assets.

Deferred Outflows of Resources – Deferred outflows of resources for Fiscal Year 2016 totaled \$34.5 million which is an increase of \$13.7 million from Fiscal Year 2015 deferred outflows of resources of \$20.8 million. The increase is the result of GASB 68 in the amount of \$14.2 million. Deferred outflows of resources for Fiscal Year 2015 totaled \$20.8 million which is an increase of \$20.3 million. The increase was the result of the adoption of GASB Statements No. 68 and 71 of \$16.7 million and the loss on refunding of the 2007 Auxiliary System Bonds of \$4.1 million.

Current Liabilities – Current liabilities for Fiscal Year 2016 totaled \$57.0 million which is an increase of \$3.6 million from Fiscal Year 2015 current liabilities of \$53.4 million. This increase is primarily attributable to an increase in accounts payable related to the purchase of text book inventory and insurance claim payables. Current liabilities for Fiscal Year 2015 totaled \$53.4 million which is a decrease of \$0.8 million from Fiscal Year 2014 current liabilities of \$54.2 million. This decrease was the result of decreased accounts payable related to outstanding capital projects at the end of the fiscal year.

Noncurrent Liabilities – Noncurrent liabilities for Fiscal Year 2016 totaled \$330.8 million which is an increase of \$54.8 million from Fiscal Year 2015 noncurrent liabilities of \$276.0 million. The increase is primarily the adoption of GASB Statements Nos. 68 and 71 with the recording of the accrued pension liability of \$44.3 million and the issuance of an academic bond issue in the amount of \$16.8 million. Noncurrent liabilities for Fiscal Year 2015 totaled \$276.0 million which is an increase of \$132.0 million from Fiscal Year 2014 noncurrent liabilities of \$144.0 million. The increase is primarily the adoption of GASB Statements Nos. 68 and 71 with the recording of the accrued pension liability of \$115.0 million and the refunding of an auxiliary system bond issue and the issuance of an academic bond issue offset by long-term bond and capital lease payments.

Deferred Inflows of Resources – Deferred inflows of resources for Fiscal Year 2016 totaled \$3.2 million a decrease of \$30.3 million from Fiscal Year 2015. This amount is related to the adoption of GASB Statements Nos. 68 and 71. Deferred inflows of resources for Fiscal Year 2015 totaled \$33.5 million. This amount is related to the adoption of GASB Statements Nos. 68 and 71.

Net Position – Net Position totaled \$351.9 million for Fiscal Year 2016, \$333.1 million for Fiscal Year 2015, and \$453.4 million for Fiscal Year 2014.

Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position (SRECNP) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and nonoperating categories and provide a view of the University's operating margin. Comparative summary statements of revenue, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014, are as follows:

Operating Results As of June 30, 2016, 2015 and 2014 (In Millions)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Operating Revenue			
Tuition and fees	\$ 158.2	\$ 149.3	\$ 143.7
Scholarship allowances	(34.1)	(33.4)	(31.9)
Net tuition and fees	124.1	115.9	111.8
Sales and services	18.0	13.1	13.5
Grants and contracts	30.0	27.8	26.7
Auxiliary enterprises	39.4	36.4	34.6
Other	3.9	3.7	3.7
Total Operating Revenues	215.4	196.9	190.3
Operating Expenses	323.6	304.4	296.5
Operating Loss	(108.2)	(107.5)	(106.2)
Nonoperating Revenue (Expenses)			
State appropriations	85.2	83.9	78.4
Federal grants and contracts	30.6	30.5	30.1
Loss on disposal/impairment of fixed assets	-	(0.5)	(0.1)
Gifts	8.0	8.4	9.1
Investment income	2.7	1.2	0.5
Interest on capital asset – related debt	(5.8)	(5.8)	(4.9)
Net Nonoperating Revenues	120.7	117.7	113.1
Capital Grants, Gifts and Appropriations	6.3	6.8	3.6
Increase in Net Position	18.8	17.0	10.5
Net Position, Beginning of Year, as Previously Reported	333.1	453.4	442.9
Cumulative Effect of Change in Accounting Principle	-	(137.3)	-
Net Position, Beginning of Year, as Restated	333.1	316.1	442.9
Net Position, End of Year	<u>\$ 351.9</u>	<u>\$ 333.1</u>	<u>\$ 453.4</u>

Comparative Analysis of Fiscal Years 2016, 2015 and 2014

Operating Revenues – Operating Revenues for Fiscal Year 2016 totaled \$215.4 million which is an increase of \$18.5 million from Fiscal Year 2015 operating revenues of \$196.9 million and operating revenues for Fiscal Year 2015 increased \$6.6 million from Fiscal Year 2014 operating revenues of \$190.3 million.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2016 totaled \$120.7 million which is an increase of \$3.0 million from Fiscal Year 2015 nonoperating revenues of \$117.7 million. Fiscal Year 2015 increased \$4.6 million from Fiscal Year 2014 nonoperating revenues of \$113.1 million. State appropriations were \$85.2 million, \$83.9 million and, \$78.4 million for Fiscal Years 2016, 2015 and 2014, respectively.

Operating Expenses As of June 30, 2016, 2015 and 2014

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Salaries	\$ 147.2	\$ 143.1	\$ 138.5
Benefits	49.4	42.5	46.1
Scholarships and fellowships	28.7	27.4	24.5
Utilities	6.9	7.3	6.9
Supplies and other services	65.4	60.1	57.8
Depreciation	<u>26.0</u>	<u>24.0</u>	<u>22.7</u>
Total	<u>\$ 323.6</u>	<u>\$ 304.4</u>	<u>\$ 296.5</u>

Operating Expenses – Operating Expenses for Fiscal Year 2016 totaled \$323.6 million which is an increase of \$19.2 million from Fiscal Year 2015 operating expenses of \$304.4 million and Fiscal Year 2015 increased \$7.9 million from Fiscal Year 2014 operating expenses of \$296.5 million.

Statements of Cash Flows

The Statements of Cash Flows report the major sources and uses of cash and reveal further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, noncapital financing, capital and related financing and investing activities. Comparative summary statements of cash flows for the years ended June 30, 2016, 2015 and 2014, are as follows:

Cash Flows As of June 30, 2016, 2015 and 2014 (In Millions)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Cash Provided By (Used In)			
Operating activities	\$ (83.8)	\$ (86.6)	\$ (83.4)
Noncapital financing activities	123.8	122.9	117.5
Capital and related financing activities	(31.5)	(40.1)	(2.0)
Investing activities	<u>(6.9)</u>	<u>(20.0)</u>	<u>0.4</u>
Increase (Decrease) in Cash and Cash Equivalents	1.6	(23.8)	32.5
Cash and Cash Equivalents, Beginning of Year	<u>59.7</u>	<u>83.5</u>	<u>51.0</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61.3</u>	<u>\$ 59.7</u>	<u>\$ 83.5</u>

The Statement of Cash Flows shows the sources and uses of University cash. The statement presents a beginning and ending cash balance.

Debt and Capital Activities

During Fiscal Year 2016 the University issued \$16.8 million of education bonds. During Fiscal Year 2015 the University issued \$21.5 million of education bonds and issued \$48.9 million in bonds for the auxiliary enterprise system to advance refund the 2007 series bonds. During Fiscal Year 2014 the University issued \$39.4 million in bonds for the auxiliary enterprise system. At June 30, 2016, total bonds payable equaled \$160.5 million, total bonds payable equaled \$151.8 million as of June 30, 2015, total bonds payable equaled \$135.5 million as of June 30, 2014.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2016, 2015 and 2014.

Capital Assets As of June 30, 2016, 2015 and 2014 (In Millions)

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Capital Assets			
Construction in progress	\$ 19.7	\$ 42.7	\$ 30.6
Capital assets, net	480.6	440.6	425.4

On June 30, 2016, the University had 24 construction projects in progress with costs totaling approximately \$19.7 million incurred to date. The project costs budgeted for these projects totals \$76.4 million. These projects are being funded by bond proceeds, pledged gifts, restricted and unrestricted net position.

Project Name	Project Budget (Not Capitalized)	Amount Expended (Construction in Progress)	Project Balance
Intersection improvement	\$ 367,500	\$ 248,012	\$ 119,488
Hammons Transitway	580,000	504,156	75,844
Glass Hall Renovation	33,840,165	13,248,357	20,591,808
Res Life - HMPG Safe Room	1,859,750	1,539,311	320,439
Meyer Library - Testing Center	1,317,945	1,264,936	53,009
Meyer Library - Master Renovation	363,500	32,403	331,097
Ellis Hall Renovation	14,328,230	520,186	13,808,044
Dish Washer Install, Garst	143,395	29,857	113,538
Chilled Water - Cherry/Clay	3,500,000	740,471	2,759,529
FY16 ADA Improvements	188,500	35,414	153,086
Health and Wellness Ctr	13,000,000	404,343	12,595,657
Kentwood Elevator Renovations	2,043,395	130,337	1,913,058
Blair House Bathroom Renovations	1,616,750	704,866	911,884
FY 16 Prev Maintenance Parking Lot	186,485	3,138	183,347
Hutchens Air Handling	275,000	160,308	114,692
Ellis Hall Technology	168,000	11,794	156,206
Morris Ctr South Wall	650,000	13,599	636,401
Professional Building, Roof	350,000	1,223	348,777
Chartwells Building Improvement - PSU	227,000	15,663	211,337
Kitchen Reno Professional Building	410,000	26,456	383,544
Plaster Stadium Weight Room	300,000	6,268	293,732
Greenwood Addition	259,600	2,545	257,055
Library Classroom Technology	28,000	-	28,000
Hass-Darr Hall Renovation	386,000	52,336	333,664
	<u>\$ 76,389,215</u>	<u>\$ 19,695,979</u>	<u>\$ 56,693,236</u>

Per the TRULY AGREED TO AND FINALLY PASSED SENATE COMMITTEE SUBSTITUTE FOR HOUSE COMMITTEE SUBSTITUTE for House Bill No. 19 98th General Assembly, Missouri State University was appropriated \$18,925,377 from the Board of Public Buildings Bond Proceeds Fund (Various). As permitted expenditures are made on approved projects, the University submits monthly draws for reimbursement of such expenditures from the approved appropriation balance. As of June 30, 2016, the University had received \$378,395 for permitted expenditures.

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2016 and 2015

Assets

	University 2016	University 2015	Component Unit Foundation 2016	Component Unit Foundation 2015
Current Assets				
Cash and cash equivalents	\$ 43,982,108	\$ 42,361,919	\$ 12,940,477	\$ 26,132,234
Restricted cash and cash equivalents	17,267,879	17,330,902	-	-
Short-term investments	10,028,000	10,000,000	3,250,262	1,595,684
Restricted short-term investments	3,500,033	-	-	-
Accounts receivable, net	14,590,502	12,319,628	11,137	6,383
Pledges receivable	-	-	6,276,936	5,191,851
Grants receivable	2,651,978	2,378,599	-	-
Accrued interest receivable - unrestricted	386,104	207,183	94,236	16,664
Inventories	9,042,583	6,895,631	-	-
Loans to students, net	531,516	536,466	-	-
Prepaid expenses	2,079,130	1,611,193	17,975	641,690
Assets for resale	-	-	315,626	330,626
Total current assets	104,059,833	93,641,521	22,906,649	33,915,132
Noncurrent Assets				
Pledges receivable, net	-	-	29,058,733	30,756,914
Restricted long-term investments	-	-	86,052,993	74,664,705
Investments held in trust	-	-	717,957	793,010
Other long-term investments	101,892,543	96,054,350	487,318	472,344
Loans to students, net	1,973,633	2,104,198	-	-
Due from Foundation	199,762	199,762	-	-
Construction in progress	19,695,979	42,667,127	-	-
Capital assets, net	480,576,308	440,616,343	1,114,390	1,204,842
Total noncurrent assets	604,338,225	581,641,780	117,431,391	107,891,815
Total assets	708,398,058	675,283,301	140,338,040	141,806,947

Deferred Outflows of Resources

Loss on refunding of bonds	3,530,675	4,070,959	-	-
Deferred outflows related to pension	30,933,137	16,744,981	-	-
Total deferred outflows of resources	34,463,812	20,815,940	-	-

See Notes to Financial Statements

Liabilities

	University 2016	University 2015	Component Unit Foundation 2016	Component Unit Foundation 2015
Current Liabilities				
Accounts payable and accrued expenses	\$ 14,760,603	\$ 13,465,229	\$ 2,600,262	\$ 2,133,204
Accrued compensated absences	5,832,746	5,643,220	-	-
Accrued payroll	5,947,509	5,409,513	-	-
Unearned revenue	15,522,302	16,053,026	5,000	-
Deposits	571,947	592,462	-	-
Accrued interest payable	1,617,012	1,474,419	-	-
Capital lease obligation - current	994,349	959,322	-	-
Revenue bonds payable - current	9,056,097	8,531,756	-	-
Annuity obligations - current	-	-	23,235	21,711
Insurance claims payable	2,680,269	1,289,623	-	-
Total current liabilities	<u>56,982,834</u>	<u>53,418,570</u>	<u>2,628,497</u>	<u>2,154,915</u>
Noncurrent Liabilities				
Accrued compensated absences	5,231,997	5,098,782	-	-
Annuity obligations	-	-	167,489	194,556
Capital lease obligations	7,602,329	5,072,501	-	-
Revenue bonds payable	155,029,617	147,272,719	-	-
Net pension liability	159,338,163	115,013,732	-	-
Other long-term liabilities	3,580,045	3,583,045	-	-
Due to Missouri State University	-	-	199,762	199,762
Total noncurrent liabilities	<u>330,782,151</u>	<u>276,040,779</u>	<u>367,251</u>	<u>394,318</u>
Total liabilities	<u>387,764,985</u>	<u>329,459,349</u>	<u>2,995,748</u>	<u>2,549,233</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pension	<u>3,151,471</u>	<u>33,535,162</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	331,120,570	325,518,131	1,114,390	1,204,842
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	31,312,238	30,546,310
Other	-	-	18,718,869	18,570,189
Expendable				
Scholarships and fellowships	-	-	17,896,614	20,229,486
Loans	4,136,748	4,071,945	-	-
Capital projects	11,492,493	8,375,557	-	-
Debt service	685,985	684,636	-	-
Other	-	-	60,785,626	61,704,019
Unrestricted	<u>4,309,856</u>	<u>(5,745,301)</u>	<u>7,514,555</u>	<u>7,002,868</u>
Total net position	<u>\$ 351,945,414</u>	<u>\$ 333,104,730</u>	<u>\$ 137,342,292</u>	<u>\$ 139,257,714</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	University 2016	University 2015	Component Unit Foundation 2016	Component Unit Foundation 2015
Operating Revenues				
Student tuition and fees	\$ 158,179,953	\$ 149,307,551	\$ -	\$ -
Less scholarship allowances	(34,087,140)	(33,429,015)	-	-
Total net student tuition and fees	124,092,813	115,878,536	-	-
Sales and services of educational departments	17,973,460	13,114,866	-	-
Federal grants and contracts	12,571,739	11,205,261	-	-
State and local grants and contracts	9,490,294	8,869,630	-	-
Nongovernmental grants and contracts	7,898,407	7,754,461	-	-
Gifts and contributions	-	-	16,988,917	18,999,819
Auxiliary enterprises				
Residential life (net of scholarship allowances of \$6,673,484 in 2016 and \$6,173,096 in 2015)	27,316,224	24,893,028	-	-
Bookstore (net of scholarship allowances of \$2,328,929 in 2016 and \$2,291,977 in 2015)	2,043,861	1,900,427	-	-
Parking (net of scholarship allowances of \$380,482 in 2016 and \$335,036 in 2015)	2,073,898	1,824,175	-	-
Taylor Health and Wellness Center	2,068,486	2,030,368	-	-
Athletics	4,196,990	4,063,517	-	-
Recreational facilities	980,431	748,897	-	-
Student Union	736,234	906,532	-	-
Other operating revenues	3,942,892	3,695,829	1,054,161	1,027,585
Total operating revenues	215,385,729	196,885,527	18,043,078	20,027,404
Operating Expenses				
Salaries	147,243,190	143,076,155	-	-
Benefits	49,358,351	42,460,653	-	-
Scholarships and fellowships	28,744,422	27,460,149	1,914,743	1,935,058
Utilities	6,858,866	7,288,793	139,723	146,905
Supplies and other services	65,408,036	60,090,984	4,039,147	3,411,700
Depreciation	25,960,733	24,004,828	90,452	107,459
Total operating expenses	323,573,598	304,381,562	6,184,065	5,601,122
Operating Income (Loss)	(108,187,869)	(107,496,035)	11,859,013	14,426,282
Nonoperating Revenues (Expenses)				
State appropriations	85,192,135	83,947,201	-	-
Federal grants and contracts	30,583,189	30,546,627	-	-
Gifts	8,043,434	8,379,422	-	-
Investment income (loss)	2,647,148	1,182,707	(1,453,468)	61,009
Interest on capital asset-related debt	(5,750,342)	(5,841,690)	-	-
Other nonoperating expenses and losses	-	-	(552,596)	(838,524)
Expenditures to Missouri State University	-	-	(8,043,434)	(8,379,422)
Gain (loss) on disposal of fixed assets	30,243	(536,378)	-	-
Net nonoperating revenues (expenses)	120,745,807	117,677,889	(10,049,498)	(9,156,937)
Income Before Other Revenues, Expenses, Gains or Losses	12,557,938	10,181,854	1,809,515	5,269,345

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	University 2016	University 2015	Component Unit Foundation 2016	Component Unit Foundation 2015
Other Revenues, Expenses, Gains or Losses				
Capital gifts	\$ 4,639,545	\$ 3,904,809	\$ (4,639,545)	\$ (3,904,809)
Capital grants and contracts	1,264,806	645,983	-	-
Capital appropriations	378,395	2,250,000	-	-
Additions to permanent endowments	-	-	914,608	1,371,134
	<u>6,282,746</u>	<u>6,800,792</u>	<u>(3,724,937)</u>	<u>(2,533,675)</u>
Total other revenues, expenses, gains or losses				
	<u>6,282,746</u>	<u>6,800,792</u>	<u>(3,724,937)</u>	<u>(2,533,675)</u>
Increase (Decrease) in Net Position	<u>18,840,684</u>	<u>16,982,646</u>	<u>(1,915,422)</u>	<u>2,735,670</u>
Net Position, Beginning of Year	<u>333,104,730</u>	<u>316,122,084</u>	<u>139,257,714</u>	<u>136,522,044</u>
Net Position, End of Year	<u>\$ 351,945,414</u>	<u>\$ 333,104,730</u>	<u>\$ 137,342,292</u>	<u>\$ 139,257,714</u>

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

	2016	2015
Operating Activities		
Tuition and fees	\$ 122,138,153	\$ 117,326,429
Sales and services of educational departments	17,973,460	13,114,866
Federal grants and contracts	12,298,360	10,565,206
State and local grants and contracts	9,490,294	8,869,630
Nongovernmental grants and contracts	7,898,407	7,754,461
Payments to suppliers	(101,686,057)	(93,742,220)
Payments to employees	(195,991,220)	(190,624,679)
Collections of loans to students	135,515	46,259
Auxiliary enterprise charges		
Residential Life	27,316,224	24,893,028
Bookstore	2,043,861	1,900,427
Parking	2,073,898	1,824,175
Taylor Health and Wellness Center	2,068,486	2,030,368
Athletics	4,196,990	4,063,517
Recreational facilities	980,431	748,897
Student Union	736,234	906,532
Other receipts	4,466,085	3,695,828
Net cash used in operating activities	(83,860,879)	(86,627,276)
Noncapital Financing Activities		
State appropriations	85,192,135	83,947,201
Federal grants and contracts	30,583,189	30,546,627
Gifts and grants received for other than capital purposes	8,043,434	8,379,422
Net cash provided by noncapital financing activities	123,818,758	122,873,250
Capital and Related Financing Activities		
Cash received from disposal of fixed assets	34,709	115,515
Purchase of capital assets	(8,916,558)	(4,782,866)
Construction in progress	(33,836,566)	(49,597,840)
Capital appropriations	378,395	2,250,000
Gifts of cash for capital purposes	5,904,351	4,550,792
Principal paid on capital debt and leases	(9,132,772)	(55,018,441)
Proceeds from issuance of new debt	20,341,764	69,813,618
Interest paid on capital debt and lease	(6,276,037)	(7,384,976)
Net cash used in capital and related financing activities	(31,502,714)	(40,054,198)

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

	<u>2016</u>	<u>2015</u>
Investing Activities		
Proceeds from sales and maturities of investments	\$ 87,000,000	\$ 94,995,000
Purchases of investments	(95,555,000)	(115,995,000)
Interest on investments	<u>1,657,001</u>	<u>978,104</u>
Net cash used in investing activities	<u>(6,897,999)</u>	<u>(20,021,896)</u>
Increase (Decrease) in Cash and Cash Equivalents	1,557,166	(23,830,120)
Cash and Cash Equivalents, Beginning of Year	<u>59,692,821</u>	<u>83,522,941</u>
Cash and Cash Equivalents, End of Year	<u>\$ 61,249,987</u>	<u>\$ 59,692,821</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 43,982,108	\$ 42,361,919
Restricted cash and cash equivalents	<u>17,267,879</u>	<u>17,330,902</u>
Total cash and cash equivalents	<u>\$ 61,249,987</u>	<u>\$ 59,692,821</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (108,187,869)	\$ (107,496,035)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	25,960,733	24,004,828
Changes in operating assets and liabilities		
Accounts receivable	(2,270,874)	864,799
Loans to students	135,515	46,259
Federal and state grants receivable	(273,379)	(640,055)
Inventories	(2,146,952)	31,279
Prepaid expenses	(467,937)	198,773
Accounts payable and accrued expenses	1,940,156	867,652
Accrued compensated absences	322,741	218,313
Accrued payroll	537,996	240,656
Unearned revenue	(530,724)	512,079
Deposits	(20,515)	71,016
Insurance claims payable	1,387,646	(62,000)
Accrued pension liability	<u>(247,416)</u>	<u>(5,484,840)</u>
Net Cash Used in Operating Activities	<u>\$ (83,860,879)</u>	<u>\$ (86,627,276)</u>
Supplemental Cash Flows Information		
Decrease in accounts payable incurred for capital asset purchases	\$ (644,782)	\$ (3,895,200)
Gifts in kind of capital assets	\$ 3,511,999	\$ -

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

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

Nature of Institution

Missouri State University (the “University”) is a state assisted University with campuses in Springfield and West Plains and locations in Mountain Grove, Missouri, and Dalian, China. A nine-member Board of Governors, appointed by the Governor and confirmed by the Senate of the State of Missouri, governs the University, a component unit of the State of Missouri.

Component Unit

The Missouri State University Foundation, Inc. (the “Foundation”) is a legally separate, tax-exempt component unit of the University. The Foundation’s primary function is to raise and hold funds to support the University and its programs. The board of the Foundation 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 the Foundation’s resources and related income are restricted by donors for the benefit of the University. 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 is discretely presented in the University’s financial statements.

During the years ended June 30, 2016 and 2015, the Foundation provided \$12,682,979 and \$12,284,231, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 901 S. National, Springfield, MO 65897.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including ASC Topic 958, *Not-for-Profit Entities*. 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 statements in the University’s financial reporting entity for these differences.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements.

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

Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The Foundation applies ASU 2013-06, *Services Received from Personnel of an Affiliate*, which requires recognition of personnel services received from an affiliate for which the Foundation was not charged. The Foundation received contributed personnel services from the University of \$2,865,128 and \$2,739,346 for the years ended June 30, 2016 and 2015, respectively. The contributed personnel services are based on costs incurred and expense recognized by the University. The Foundation receives administrative support outside of personnel services from the University without charge.

Use of Estimates

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

Cash Equivalents

The University and Foundation consider all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016, Foundation cash equivalents consisted primarily of certificates of deposit and money market accounts with brokers.

Investments and Investment Income

Investments in debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost. Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

Accounts and Notes Receivable

Student accounts receivable consists of fees charged to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of \$2,498,894 and \$2,656,174 at June 30, 2016 and 2015, respectively. The University reserves for uncollectible accounts that are at least 90 days past due.

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

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. All charges are due at the beginning of the semester unless the student is enrolled in the Deferred Payment Plan. Fee payment deadlines vary depending upon when the student registers. If charges are not paid in full by that date, a finance charge is assessed on the remaining balance. Charges that are past due without payments for one year and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans receivable consists of amounts due under the Federal Perkins Loan Program and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need for both Perkins and institutional loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on Federal Perkins Loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent institutional loans are written off based on individual credit evaluation and specific circumstances of the student. Loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$947,074 and \$1,077,038 at June 30, 2016 and 2015, respectively.

Inventories

Nonauxiliary inventories consist of supplies for use by the University and merchandise available for sale such as art supplies. These inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Auxiliary enterprises inventories consist of merchandise available for sale at the bookstore, student union, pharmacy and recreation facilities. These inventories are stated at the lower of cost, determined using the first-in, first-out method or market.

Capital Assets

Capital assets purchased by the University are recorded at cost as the date of acquisition. Building additions and improvements with a cost in excess of \$200,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the Missouri State University Foundation and are recorded at the fair value at the date of donation to the Foundation. Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for construction in progress are capitalized with depreciation beginning when the project is completed. The following estimated useful lives are being used by the University:

Land improvements	20 years
Buildings and improvements	7 - 40 years
Furniture, fixtures and equipment	3 - 15 years
Infrastructure	20 years
Library materials	10 years

The University capitalizes interest costs as a component of construction in progress, based on either the weighted average rates paid for long-term borrowing or the rates associated with specific debt. Interest expense is capitalized net of interest income earned on resources set aside for this purpose. Total interest capitalized was \$845,674 and \$1,509,007 for the years ended June 30, 2016 and 2015, respectively.

Loss on Refinancing

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

Foundation Real Estate and Equipment

Buildings, improvements and equipment are stated at cost and are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method. Real estate and equipment include equipment of \$442,208 in 2016 and 2015 and tenant remodeling improvements of \$83,695, for the years ended June 30, 2016 and 2015, respectively. Real estate and equipment for the year ended June 30, 2016, also includes building costs of \$2,948,716 and land of \$176,383.

Foundation Valuation of Gifts and Property

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

Unearned Revenue

Unearned revenue includes unearned student fees, advances on program tickets and unamortized revenue contributions for dining services capital projects.

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

Compensated Absences

It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits using the vesting method. Accrued vacation is the amount earned by all eligible employees through June 30. All eligible employees can accrue an unlimited amount of sick leave. Employees who retire under one of the University's public retirement plans will be paid for 40 percent of any accumulated unused sick leave rounded up or down to the nearest full day (up to a maximum of 48 days) and the remaining unused sick leave will be reported to Missouri State Employees' Retirement System (MOSERS) for inclusion as creditable service in accordance with MOSERS' policies regarding the reporting of unused sick leave. Accrued sick leave is based on a historic factor with these policies taken into consideration.

Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

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. MSEP is administered by the Missouri State Employee's Retirement System (MOSERS), also a component unit of the State of Missouri. In accordance with the provisions of GASB Statement No. 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 benefit terms. Investments are reported at fair value.

Net Position

Net position of the University is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings used to finance the purchase or construction of those assets. Restricted expendable net position are 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

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

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 are the remaining net position that does not meet the definition of net investment in capital assets or restricted.

The Foundation's net assets, which under FASB standards are reported as either unrestricted, temporarily restricted or permanently restricted based on the presence or absence of donor restrictions, have been presented based on the GASB classifications with like characteristics.

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 fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) grants and contracts meeting certain criteria.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as grants, gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Funds Accounting*, and GASB No. 34, such as state appropriations and investment income.

Federal Financial Assistance Programs

The University participates in the following federal student financial aid programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Direct Loan and Federal Perkins Loan Programs. Federal programs are audited 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).

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$43,470,035 and \$42,229,124 at June 30, 2016 and 2015, respectively, are applied to student accounts, while stipends and other payments made directly to students are reported as scholarships and fellowships expense. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is included in unearned revenues.

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

Bad Debt Expense

Bad debt expense is \$1,123,451 and \$1,802,893 for the years ended June 30, 2016 and 2015, respectively, and is netted against tuition and fee revenues.

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.

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 2,000, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2016 and 2015, none of the University's bank balances held by the current domestic depository, a United States financial institution, were exposed to custodial credit risk. All of these domestic deposits were fully collateralized at the end of fiscal year 2016 and 2015. The funds held by international banks for the University's foreign education activities were not collateralized. The University is exposed to custodial credit risk for these deposits as follows:

	2016	2015
Uninsured and uncollateralized	\$ 150,697	\$ 804,409

Foreign Currency Risk. This risk relates to adverse effects on the fair value of a deposit from changes in exchange rates. The University does not have any policies related to foreign currency risk. The University has \$150,697 and \$804,409 of foreign deposits denominated in Chinese Yuan at June 30, 2016 and 2015, respectively.

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

Investments

Investment policies are established by the Board of Governors. The University may invest in certificates of deposit, United States Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper, bankers acceptances and money market funds.

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

Type	Fair Value	June 30, 2016		
		Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 111,920,543	\$ 10,028,000	\$ 101,892,543	\$ -
Money market treasury funds	3,500,033	3,500,033	-	-
	<u>\$ 115,420,576</u>	<u>\$ 13,528,033</u>	<u>\$ 101,892,543</u>	<u>\$ -</u>

Type	Fair Value	June 30, 2015		
		Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	<u>\$ 106,054,350</u>	<u>\$ 10,000,000</u>	<u>\$ 96,054,350</u>	<u>\$ -</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses, the University's investment policy limits the type of investments to those which are not exposed to fair value losses arising from increasing interest rates. The maturities are structured to meet the cash flow needs of the University. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. Investment trading in response to changes in market value or market direction is warranted under active portfolio managements. Interest rate risk is not specifically discussed in the University's investment policy.

Credit Risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University uses nationally recognized rating organizations to evaluate credit risk for non-U.S. governmental agency investments. Minimums are established for each investment type.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held by qualifying institutions.

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

Concentration of Credit Risk. The University's investment policy places maximum percentages on the total investment funds held in each type of instrument. The type of investments that can be held in the University's portfolio include U.S. Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper, bankers acceptance and money market funds. It is the University's policy that no more than 15% of the total portfolio will be held in any one bank. There are no restrictions on direct obligations of the U.S. government, U.S. government agency issues or U.S. government guaranteed securities.

There are no restrictions for repurchase agreements which are fully collateralized by U.S. government securities. No more than 20% of the portfolio will be held in corporate bonds or bankers acceptances with no more than 5% of the portfolio to be held with any one issuer. No more than 30% of the portfolio will be held in commercial paper, with no more than 5% of the portfolio to be held with any one issuer. Money market funds must be SEC 2a-7 compliant and no more than \$4,000,000 to be held in money market funds.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University's exposure to foreign currency risk did not exist at June 30, 2016 and 2015, because there were no foreign investments in the University's investment portfolio at any time during these two fiscal years.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the statements of net position as follows:

	2016	2015
Carrying value		
Deposits	\$ 61,249,987	\$ 59,692,821
Investments	115,420,576	106,054,350
	<u>\$176,670,563</u>	<u>\$165,747,171</u>

Included in the following statements of net position captions:

	2016	2015
Cash and cash equivalents	\$ 43,982,108	\$ 42,361,919
Restricted cash and cash equivalents	17,267,879	17,330,902
Short-term investments	10,028,000	10,000,000
Restricted short-term investments	3,500,033	-
Long-term investments	101,892,543	96,054,350
	<u>\$176,670,563</u>	<u>\$165,747,171</u>

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

Investment Income

Investment income for the years ended June 30, 2016 and 2015, consisted of:

	2016	2015
Interest and dividend income	\$ 1,835,922	\$ 1,122,207
Fair value adjustment	811,226	60,500
	<u>\$ 2,647,148</u>	<u>\$ 1,182,707</u>

Foundation Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the unrestricted, temporarily restricted and permanently restricted net asset classes. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the years ended June 30, 2016 and 2015:

	2016	2015
Pooled investments at market value	\$ 69,337,895	\$ 73,535,755
Number of pool shares	316,712	309,167
Market value per pool share	\$ 219	\$ 238
Fiscal year return	-2.20%	0.00%
Interest and dividend earnings	\$ 51,392	\$ 68,934
Net losses	\$ (1,703,893)	\$ (40,518)

Foundation Investments and Investment Return

Investments in equity securities and debt securities are carried at fair value. All other investments are valued at estimated fair value. The estimated fair value of investments in hedge funds, where a readily determinable market price is not available, has been estimated using the net asset value per share of investments. Investment income and gains that are restricted by donor stipulation are initially included in temporarily restricted net assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Other investment income, gains and losses are reflected in nonoperating revenues of the statements of revenues, expenses and changes in net position.

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

While the Foundation does not invest directly in derivative securities, it does, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

Investments are summarized as follows at June 30:

	2016	2015
Accrued income	\$ 94,236	\$ 16,664
Money market accounts	1,249,102	782,066
U.S. equity mutual funds	23,983,774	22,126,907
Non-U.S. equity mutual funds	17,789,228	19,537,386
U.S. fixed income mutual funds	8,722,792	8,933,157
Non-U.S. fixed income mutual funds	2,262,041	3,186,702
Other mutual funds	6,506,281	1,755,884
Real assets	-	1,935,101
Real estate funds	2,109,125	754,173
Hedge funds	10,232,523	15,826,141
Private equity	1,430,436	1,422,874
Governmental issues and similar bonds	15,014,453	-
Other	3,500	3,500
	<u>\$ 89,397,491</u>	<u>\$ 76,280,555</u>

Investment return consists of the following:

	2016	2015
Investment income	\$ 238,379	\$ 122,224
Net realized and unrealized gains on investments reported at fair value	<u>(1,691,847)</u>	<u>(61,215)</u>
	<u>\$ (1,453,468)</u>	<u>\$ 61,009</u>

Investments held in trust are deposited with U.S. Bank Institutional Trust, Benjamin F. Edwards & Co. and Bank of America, N.A. or are in municipal bonds and other investments. Investment expenses incurred for the years ended June 30, 2016 and 2015, totaled \$109,090 and \$104,468, respectively.

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

Note 3: Foundation Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 0.60% to 3.30% for the years ended June 30, 2016 and 2015. Pledges receivable consist of the following unconditional promises to give at June 30:

	2016	2015
Due in less than one year	\$ 6,276,936	\$ 5,191,851
Due in one to five years	14,179,510	14,302,033
Due in more than five years	23,001,229	25,470,324
	43,457,675	44,964,208
Less: Allowance for doubtful accounts	299,654	300,438
Unamortized discount	7,822,352	8,715,005
	8,122,006	9,015,443
	\$ 35,335,669	\$ 35,948,765

Note 4: Foundation Endowment

The Foundation's endowment consists of approximately 998 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2016, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Donor-restricted endowment funds	\$ (176,530)	\$ 18,235,722	\$ 49,476,277	\$ 67,535,469
Board-designated endowment funds	2,959,425	-	-	2,959,425
Total endowment funds	<u>\$ 2,782,895</u>	<u>\$ 18,235,722</u>	<u>\$ 49,476,277</u>	<u>\$ 70,494,894</u>

The composition of net assets by type of endowment fund at June 30, 2015, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Donor-restricted endowment funds	\$ (6,644)	\$ 23,319,135	\$ 48,509,457	\$ 71,821,948
Board-designated endowment funds	3,146,621	-	-	3,146,621
Total endowment funds	<u>\$ 3,139,977</u>	<u>\$ 23,319,135</u>	<u>\$ 48,509,457</u>	<u>\$ 74,968,569</u>

Changes in endowment net assets for the year ended June 30, 2016, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Endowment net assets, beginning of year	\$ 3,139,977	\$ 23,319,135	\$ 48,509,457	\$ 74,968,569
Investment return				
Investment income	-	371,441	-	371,441
Net appreciation	(393,337)	(1,309,180)	-	(1,702,517)
Total investment return	<u>(393,337)</u>	<u>(937,739)</u>	<u>-</u>	<u>(1,331,076)</u>
Contributions	-	-	932,114	932,114
Other income	23,721	15,467	34,706	73,894
Appropriation of endowment assets for expenditure	-	(4,223,542)	-	(4,223,542)
Other additions	12,534	62,401	-	74,935
Endowment net assets, end of year	<u>\$ 2,782,895</u>	<u>\$ 18,235,722</u>	<u>\$ 49,476,277</u>	<u>\$ 70,494,894</u>

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

Changes in endowment net assets for the year ended June 30, 2015, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Endowment net assets, beginning of year	\$ 3,260,670	\$ 27,016,254	\$ 47,100,058	\$ 77,376,982
Investment return				
Investment income	-	115,648	-	115,648
Net depreciation	(162,214)	118,638	-	(43,576)
Total investment return	(162,214)	234,286	-	72,072
Contributions	-	-	1,375,407	1,375,407
Other income	25,926	20,696	33,992	80,614
Appropriation of endowment assets for expenditure	-	(4,088,595)	-	(4,088,595)
Other additions	15,595	136,494	-	152,089
Endowment net assets, end of year	<u>\$ 3,139,977</u>	<u>\$ 23,319,135</u>	<u>\$ 48,509,457</u>	<u>\$ 74,968,569</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated \$176,530 and \$6,644 at June 30, 2016 and 2015, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide a rate of return between 6.7% and 9.7% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

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

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7% of its endowment fund's average fair value over the prior 36 months through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at a rate of 1% to 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 5: Related Party Transactions

In 1982, the University's Board of Governors authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the University's statements of net position as amounts due from the Foundation, in noncurrent assets. All investment earnings from these funds have been recorded in the accounting records of the Foundation and are not shown on the University's financial statements. All endowment additions since 1982, including gifts and other income, have been recorded in the Foundation's accounting records.

Additionally, the Foundation owed the University approximately \$2,625,176 and \$2,190,623 at June 30, 2016 and 2015, respectively, for pledges receivable and expenses paid by the University for costs to be funded by the Foundation. The balance is shown on the University's statements of net position as current assets and is included in accounts receivable.

Note 6: Pension Plans

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). In accordance with the provisions of GASB 68, the University accounts for and records its participation in the single-employer plan as if it was a cost-sharing plan. 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

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

to the nature of MOSERS' reliance on funding from the state of Missouri and other state government agencies and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

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

Benefits Provided

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

Contributions

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. No employee contribution is required for the MSEP and MSEP 2000 plans. Employees in the MSEP 2011 plan are required to contribute 4.00% of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2016, was 16.97% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan years ended June 30, 2015 and 2014, was 16.97% and 16.98%, respectively, for all plans, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$16,501,401 and \$16,296,821 for the years ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and 2015, the University reported a liability of \$159,338,163 and \$115,013,732, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2015 and 2014. At June 30, 2015, the University's proportion was 4.9623%, which was an increase of 0.0843% from its proportion measured as of June 30, 2014. At June 30, 2014, the University's proportion was 4.8780%, which remained unchanged from the percentage used to allocate the liability as of June 30, 2013, since this was the initial implementation year.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2015 and 2014, that affected the measurement of total pension liability.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of \$16,258,042 and \$10,811,981, respectively. At June 30, 2016 and 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 297,658	\$ 1,030,819
Change in assumptions	-	2,120,652
Net difference between projected and actual earning on pension plan investments	12,234,476	-
Change in proportion and differences between the University's contributions and the University proportionate share of contributions	1,899,602	-
University's contributions subsequent to the measurement date	16,501,401	-
Total	\$ 30,933,137	\$ 3,151,471

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 448,160	\$ -
Net difference between projected and actual earning on pension plan investments	-	33,535,162
University's contributions subsequent to the measurement date	16,296,821	-
Total	\$ 16,744,981	\$ 33,535,162

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

At June 30, 2016 and 2015, the University reported \$16,501,401 and \$16,296,821, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2016, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2017	\$ 650,176
2018	631,345
2019	543,639
2020	9,455,106
	\$ 11,280,266

Actuarial Assumptions

The total pension liability in the June 30, 2015 and 2014, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases or wage inflation	0% in fiscal year 2016 and 3.00% to 5.90% in fiscal 2015 annually, average, including inflation thereafter
Investment rate of return	8.00% per year, compounded annually, net after investment expenses and including inflation

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the net pension liability	\$ 224,556,150	\$ 159,338,163	\$ 104,565,076

Pension Plan Fiduciary Net Position

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

CURP

Beginning July 1, 2002, all faculty on full-time, regular appointment are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third-party administrator. CURP provides a retirement program which offers interstate portability, immediate vesting and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of the Missouri State Employees' Retirement System (MOSERS).

The University was required to contribute 5.89%, 6.16% and 6.38% of the participant's salary to CURP for the years ended June 30, 2016, 2015 and 2014, respectively. The total contributed for years ended June 30, 2016, 2015 and 2014, was \$1,647,232, \$1,614,374 and \$1,547,995, respectively.

Note 7: Postemployment Health Care

Plan Description: Missouri State University Employee Benefit Plan (MSUEBP) is a single-employer defined benefit plan administered by Missouri State University. MSUEBP provides medical benefits to eligible retirees and their spouses. The Missouri State University Board of Governors provides the authority to Missouri State University to establish and amend benefit provisions. The postemployment healthcare plan information is included in the Missouri State University Annual Financial Report and can be obtained by contacting Missouri State University's Financial Services department.

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

Funding Policy: The contribution requirements of plan members are established by the Missouri State University Board of Governors. The postemployment healthcare benefits are funded on a pay-as-you-go basis. Missouri State University funds on a cash basis as benefits are paid. For fiscal year 2016 Missouri State University contributed \$717,000 to the postemployment retirement plan portion of the MSUEBP and the retirees contributed \$760,882 through their required monthly contributions of \$418 for retiree and \$456 for spouse for the medical portion. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan Assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

Annual OPEB Cost and Net OPEB Obligation: Missouri State University's annual OPEB expense is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The following table shows the components of Missouri State University's annual OPEB expense for the year:

	2016	2015
Amortization of Unfunded Actuarial Value of Assets (UAAL)	\$ 331,000	\$ 399,000
Normal cost (with interest)	373,000	411,000
Interest on amortization of UAAL	13,000	18,000
Annual required contribution (ARC)	717,000	828,000
Interest on net OPEB obligation	143,000	164,000
Adjustment to the ARC	(146,000)	(168,000)
Annual OPEB cost (expense)	714,000	824,000
Contributions made	(717,000)	(886,000)
Increase (decrease) in net OPEB obligation	(3,000)	(62,000)
Net OPEB obligation - beginning of year	3,583,000	3,645,000
Net OPEB obligation - end of year	<u>\$ 3,580,000</u>	<u>\$ 3,583,000</u>

Missouri State University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years were as follows:

	2016	2015	2014
Annual OPEB cost	\$ 714,000	\$ 824,000	\$ 808,000
Net employer contributions	\$ 717,000	\$ 886,000	\$ 763,000
Percentage contributed	100.42%	107.52%	94.43%
End of year net OPEB obligation	\$ 3,580,000	\$ 3,583,000	\$ 3,645,000

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

Funded Status and Funding Progress: As of June 30, 2016 and 2015, the Actuarial Accrued Liability (AAL) was \$8,119,000 and \$8,658,000, respectively. No assets have been segregated and restricted to provide postretirement benefits within the definition of plan assets under GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) was \$113,134,000 and \$109,346,000 in 2016 and 2015, respectively. The ratio of the UAAL to the covered payroll was 7.18% and 7.92% in 2016 and 2015, respectively.

Actuarial Methods and Assumptions: Actuarial valuations reflect a long-term perspective and involve estimates of the reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A Schedule of Funding Progress, presented as Required Supplementary Information, follows the notes to the financial statements. The Schedule of Funding Progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement was implemented prospectively in 2008. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

Benefit obligations shown in this report are computed using the projected unit credit method. Benefits are attributed to service based on the plan's benefit eligibility provisions. The beginning of the attribution period is the date of hire and the end is the full eligibility date. The unfunded actuarial accrued liability is amortized over a 30-year open period in level dollar amounts. Cumulative gains and losses are amortized over the same 30-year period as other UAAL. Other assumptions include a discount rate of 4.00% per annum and health care cost trend rates as follows:

	Medical/Rx/ Stop Loss	Admin
2016 - 2017	8.00%	4.50%
2017 - 2018	7.50%	4.50%
2018 - 2019	7.00%	4.50%
2019 - 2020	6.50%	4.50%
2020 - 2021	6.00%	4.50%
2021 - 2022	5.50%	4.50%
2022 - 2023	5.00%	4.50%
2023 - 2024	4.50%	4.50%
2025 and beyond	4.50%	4.50%

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

Note 8: 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; employee injuries and illnesses; natural disasters; and employee health, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to general liability, workers' compensation, natural disasters and employee health benefits.

Settled claims have not exceeded this commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance program, through the Risk Management Division of the Department of Administration Services, in Jefferson City. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Liabilities for employee health and dental benefits are included in liabilities for claims incurred but not yet reported or paid. The liability is estimated based on subsequent payments and historical information. Changes in the balance of claims liabilities for the years ended June 30, 2016 and 2015, is summarized as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 1,289,623	\$ 1,289,623
Health and dental claims	19,832,248	16,063,461
Health insurance payments	<u>(18,441,602)</u>	<u>(16,063,461)</u>
Balance at end of year	<u>\$ 2,680,269</u>	<u>\$ 1,289,623</u>

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

Note 9: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2016, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2016 Total
Instruction	\$ 73,161,770	\$ 25,406,703	\$ -	\$ 82	\$ 13,301,575	\$ -	\$ 111,870,130
Research	4,774,975	1,621,582	-	284	5,097,410	-	11,494,251
Public service	4,554,609	1,415,334	-	49,367	4,354,843	-	10,374,153
Academic support	17,034,992	5,691,271	-	2,383	4,815,821	-	27,544,467
Student services	7,099,011	2,366,732	-	-	5,088,780	-	14,554,523
Institutional support	16,412,098	5,388,839	-	-	3,313,848	-	25,114,785
Operation and maintenance of plant	6,267,618	2,137,762	-	4,324,026	6,214,428	-	18,943,834
Scholarship and fellowships	555,923	143,162	23,666,368	-	1,478	-	24,366,931
Auxiliary enterprises	17,382,194	5,186,966	5,078,054	2,482,724	23,219,853	-	53,349,791
Depreciation	-	-	-	-	-	25,960,733	25,960,733
Total operating expenses for fiscal year 2015	<u>\$ 147,243,190</u>	<u>\$ 49,358,351</u>	<u>\$ 28,744,422</u>	<u>\$ 6,858,866</u>	<u>\$ 65,408,036</u>	<u>\$ 25,960,733</u>	<u>\$ 323,573,598</u>

Operating expenses by functional classification for the year ended June 30, 2015, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2015 Total
Instruction	\$ 71,397,685	\$ 21,966,952	\$ -	\$ 5,443	\$ 12,708,903	\$ -	\$ 106,078,983
Research	5,069,829	1,506,472	-	904	4,834,472	-	11,411,677
Public service	3,885,156	1,089,846	-	46,814	3,850,184	-	8,872,000
Academic support	16,165,261	4,877,184	-	1,981	5,108,319	-	26,152,745
Student services	7,125,260	2,166,277	-	-	4,896,191	-	14,187,728
Institutional support	16,128,192	4,488,254	-	-	3,249,701	-	23,866,147
Operation and maintenance of plant	6,196,558	1,877,235	-	4,437,233	6,209,350	-	18,720,376
Scholarship and fellowships	531,972	(11,577)	22,692,525	-	21,300	-	23,234,220
Auxiliary enterprises	16,576,242	4,500,010	4,767,624	2,796,418	19,212,564	-	47,852,858
Depreciation	-	-	-	-	-	24,004,828	24,004,828
Total operating expenses for fiscal year 2014	<u>\$ 143,076,155</u>	<u>\$ 42,460,653</u>	<u>\$ 27,460,149</u>	<u>\$ 7,288,793</u>	<u>\$ 60,090,984</u>	<u>\$ 24,004,828</u>	<u>\$ 304,381,562</u>

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

Note 10: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2016:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
Auxiliary Enterprise System								
Revenue Bonds								
1988 Note Payable		3.00%	2018	\$ 528,683	\$ -	\$ 171,007	\$ 357,676	\$ 176,176
2005	A	2.75%-4.05%	2025	1,625,000	-	-	1,625,000	-
2010	A	1.00%-2.55%	2016	1,495,000	-	735,000	760,000	760,000
2010	B	4.25%-6.25%	2035	20,565,000	-	-	20,565,000	-
2010	C	1.00%-2.80%	2017	9,175,000	-	2,990,000	6,185,000	3,050,000
2014	A	.50%-4.20%	2036	38,495,000	-	1,030,000	37,465,000	1,040,000
2015	A	2.00%-5.00%	2032	48,900,000	-	2,230,000	46,670,000	2,170,000
				<u>120,783,683</u>	<u>-</u>	<u>7,156,007</u>	<u>113,627,676</u>	<u>7,196,176</u>
MOHEFA Bonds								
2010	A	.3%-2.55%	2016	595,000	-	295,000	300,000	300,000
2010	B	4.25%-6.25%	2036	8,235,000	-	-	8,235,000	-
2012	DNR	2%	2021	706,258	-	143,625	562,633	146,511
2013	DNR	1%	2017	18,607	-	11,231	7,376	7,376
2014	A	2.00%-4.00%	2039	21,485,000	-	540,000	20,945,000	555,000
2015		1.625%-3.800%	2041	-	16,790,000	-	16,790,000	480,000
				<u>151,823,548</u>	<u>16,790,000</u>	<u>8,145,863</u>	<u>160,467,685</u>	<u>8,685,063</u>
Unamortized premium on bond issues				<u>3,980,927</u>	<u>23,401</u>	<u>386,299</u>	<u>3,618,029</u>	<u>371,034</u>
Total bonds and notes payable including unamortized premiums				<u>155,804,475</u>	<u>16,813,401</u>	<u>8,532,162</u>	<u>164,085,714</u>	<u>9,056,097</u>
Compensated absences				10,742,002	6,706,372	6,383,631	11,064,743	5,832,746
Capital lease obligations		1.87%-2.22%	2024	6,031,823	3,551,764	986,909	8,596,678	994,349
Other long-term liabilities				3,583,045	-	3,000	3,580,045	-
Net pension liability				115,013,732	44,324,431	-	159,338,163	-
Total other obligations				<u>135,370,602</u>	<u>54,582,567</u>	<u>7,373,540</u>	<u>182,579,629</u>	<u>6,827,095</u>
Total long-term debt and other obligations				<u>\$ 291,175,077</u>	<u>\$ 71,395,968</u>	<u>\$ 15,905,702</u>	<u>\$ 346,665,343</u>	<u>\$ 15,883,192</u>

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

Long-term debt and other obligations consist of the following as of June 30, 2015:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2014	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
Auxiliary Enterprise System								
Revenue Bonds								
1988 Note Payable		3%	2018	\$ 694,673	\$ -	\$ 165,990	\$ 528,683	\$ 171,007
2005	A	2.75%-4.05%	2025	1,625,000	-	-	1,625,000	-
2007	A	4.00%-5.00%	2032	48,785,000	-	48,785,000	-	-
2010	A	1.00%-2.55%	2016	2,215,000	-	720,000	1,495,000	735,000
2010	B	4.25%-6.25%	2035	20,565,000	-	-	20,565,000	-
2010	C	1%-2.8%	2017	12,100,000	-	2,925,000	9,175,000	2,990,000
2014	A	.5%-4.2%	2036	39,405,000	-	910,000	38,495,000	1,030,000
2015	A	2%-5%	2032	-	48,900,000	-	48,900,000	2,230,000
				<u>125,389,673</u>	<u>48,900,000</u>	<u>53,505,990</u>	<u>120,783,683</u>	<u>7,156,007</u>
MOHEFA Bonds								
2010	A	.3%-2.55%	2016	885,000	-	290,000	595,000	295,000
2010	B	4.25%-6.25%	2036	8,235,000	-	-	8,235,000	-
2012	DNR	0%	2015	17,820	-	17,820	-	-
2012	DNR	2%	2021	958,000	-	251,742	706,258	143,624
2013	DNR	0%	2017	29,784	-	11,177	18,607	11,231
2014	A	2%-4%	2039	-	21,485,000	-	21,485,000	540,000
				<u>135,515,277</u>	<u>70,385,000</u>	<u>54,076,729</u>	<u>151,823,548</u>	<u>8,145,862</u>
Total bonds and notes payable								
				<u>900,205</u>	<u>3,240,832</u>	<u>160,110</u>	<u>3,980,927</u>	<u>385,894</u>
Unamortized premium on bond issues								
				<u>136,415,482</u>	<u>73,625,832</u>	<u>54,236,839</u>	<u>155,804,475</u>	<u>8,531,756</u>
Total bonds and notes payable including unamortized premium								
Compensated absences				10,507,926	6,559,791	6,325,715	10,742,002	5,643,220
Capital lease obligations		1.87%	2020	6,973,535	-	941,712	6,031,823	959,322
Other long-tem liabilities				3,645,045	-	62,000	3,583,045	-
Net pension liability				-	153,209,200	38,195,468	115,013,732	-
				<u>21,126,506</u>	<u>159,768,991</u>	<u>45,524,895</u>	<u>135,370,602</u>	<u>6,602,542</u>
Total other obligations								
				<u>\$ 157,541,988</u>	<u>\$ 233,394,823</u>	<u>\$ 99,761,734</u>	<u>\$ 291,175,077</u>	<u>\$ 15,134,298</u>
Total long-term debt and other obligations								

The revenue bond issues and the 1988 Housing System note payable require the University to establish and fund various debt service reserve funds. At June 30, 2016 and 2015, all debt service reserve funds have been fully funded. The University also is required to maintain certain rate covenants related to the Auxiliary Enterprise System bonds.

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

2014 MOHEFA Bonds

On September 26, 2014, the University issued bonds through the MOHEFA in the principal amount of \$21,485,000 for the acquisition, construction, renovation and improvements of various educational facilities of the University. Projects funded by these bonds include the following:

- Construction of the O'Reilly Clinical Health Sciences Center
- Construction of the Davis-Harrington Welcome Center
- Renovations and improvements to the University's Jim D. Morris Center
- Miscellaneous capital improvements to academic facilities on the Springfield campus

2015 Revenue Bonds

On April 23, 2015, the University issued Auxiliary Enterprise System Revenue Bonds in the principal amount of \$48,900,000 for the purpose of advance refunding the University's outstanding Auxiliary Enterprise System Revenue Bonds, Series 2007A with an outstanding balance of \$46,985,000. The refunding was undertaken to reduce total debt service payments by \$3,605,298 and resulted in an economic gain (present value savings) of \$2,874,713. The current outstanding balance of the defeased bonds is \$45,110,000 and \$46,985,000 at June 30, 2016 and 2015, respectively.

2015 MOHEFA Bonds

On August 11, 2015, the University issued bonds through the MOHEFA in the principal amount of \$16,790,000 for the acquisition, construction, renovation and improvements of various educational facilities of the University including the renovations and improvements to Glass Hall, home of the University's College of Business.

The principal and interest requirements on notes and bonds payable to maturity at June 30, 2016, are as follows:

	Principal	Interest	Total
2017	\$ 8,685,063	\$ 6,031,573	\$ 14,716,636
2018	8,895,978	5,799,969	14,695,947
2019	6,902,460	5,561,269	12,463,729
2020	7,079,184	5,339,320	12,418,504
2021	7,155,000	5,123,219	12,278,219
2022-2026	38,225,000	21,201,406	59,426,406
2027-2031	42,115,000	13,564,639	55,679,639
2032-2036	32,060,000	5,319,178	37,379,178
2037-2041	9,350,000	804,924	10,154,924
	\$ 160,467,685	\$ 68,745,497	\$ 229,213,182

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

Capital Lease Obligations

On April 28, 2016 the University entered into a capitalized lease with Banc of America Public Capital in the amount of \$3,500,000 for expansion of the University's chilled water loop system.

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2016 and 2015, totaled \$5,828,351 and \$6,411,186, respectively, net of accumulated depreciation of \$5,828,351 in 2016 and \$5,627,466 in 2015.

The following is a schedule by year of future minimum lease payments under the capital leases including interest together with the present value of the future minimum lease payments as of June 30, 2016:

2017	\$ 1,117,047
2018	1,166,794
2019	1,154,595
2020	1,154,484
2021	1,154,373
2022-2026	<u>3,669,980</u>
Total minimum lease payments	9,417,273
Less amount representing interest	<u>820,595</u>
Present value of future minimum lease payments	<u><u>\$ 8,596,678</u></u>

Foundation Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2021. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2016, is as follows:

2017	\$ 668,638
2018	159,768
2019	101,606
2020	84,314
2021	78,101

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

Note 11: Auxiliary Enterprise System

The outstanding debt of the University consists of Auxiliary Enterprise System Revenue Bonds. The most recent Auxiliary Enterprise System Revenue Bonds were issued in accordance with a Resolution adopted by the Board of Governors in April 2015. The Resolution provides that the bonds are payable from the gross income and revenues derived from the housing, parking, health center and recreational facilities serving the University and its students. The housing facilities consist of 11 residence halls, four dining facilities and the Student Union Building. The parking facilities consist of all facilities, lots and equipment for the parking of vehicles and the movement of passengers around campus. The health center consists of the Taylor Health and Wellness Center facility which provides medical and wellness services to students and their spouses and University employees and their spouses and eligible dependents. The recreational facilities include the Bill R. Foster and Family Recreation Center, Hammons Student Center, the Plaster Stadium, the JQH Arena, Betty and Bobby Allison Recreation Fields and the athletic programs of the University. The Auxiliary Enterprise System also includes the University's Bookstore and certain auxiliary operations at the University's West Plains campus.

Financial information for the Auxiliary Enterprise System for June 30, 2016 and 2015, is summarized as follows:

	2016	2015
Condensed Statements of Net Position		
Assets		
Current assets	\$ 34,134,911	\$ 33,761,030
Noncurrent assets	237,177,138	238,892,542
Total assets	271,312,049	272,653,572
Deferred Outflows of Resources	6,767,714	5,790,329
Total assets and deferred outflows of resources	278,079,763	278,443,901
Liabilities		
Current liabilities	18,420,914	17,596,765
Long-term liabilities	125,926,302	129,879,061
Total liabilities	144,347,216	147,475,826
Deferred Inflows of Resources	262,962	3,443,381
Total liabilities and deferred inflows of resources	144,610,178	150,919,207
Net Position		
Net investment in capital assets	119,407,237	113,667,051
Unrestricted	14,062,348	13,857,643
Total net position	\$ 133,469,585	\$ 127,524,694

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

	2016	2015
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	\$ 66,199,312	\$ 57,752,857
Operating expenses		
Depreciation	11,018,205	10,034,821
All other operating expenses	53,257,200	47,852,858
Total operating expenses	64,275,405	57,887,679
Operating income	1,923,907	(134,822)
Nonoperating revenues (expenses)	705,220	(296,550)
Excess (deficiency) of revenues over expenses	2,629,127	(431,372)
Transfer from other University units	3,315,764	6,510,568
Increase in Net Position	5,944,891	6,079,196
Net Position, Beginning of Year	127,524,694	121,445,498
Ending Net Position	\$ 133,469,585	\$ 127,524,694

Note 12: Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	2016				
	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Land	\$ 34,141,093	\$ 3,511,999	\$ -	\$ -	\$ 37,653,092
Infrastructure	75,754,628	330,619	-	3,084,117	79,169,364
Buildings	539,620,093	-	-	53,632,870	593,252,963
Furniture, fixtures and equipment	51,991,455	2,737,321	(1,103,499)	291,621	53,916,898
Library materials	59,780,204	2,332,152	-	-	62,112,356
Capitalized collections	526,077	-	-	-	526,077
Construction in progress	42,667,127	34,230,981	(193,521)	(57,008,608)	19,695,979
	804,480,677	43,143,072	(1,297,020)	-	846,326,729
Less accumulated depreciation					
Infrastructure	29,605,645	4,255,838	-	-	33,861,483
Buildings	202,921,302	15,771,447	-	-	218,692,749
Furniture, fixtures and equipment	41,105,445	3,445,657	(1,103,498)	-	43,447,604
Library materials	47,181,125	2,447,173	-	-	49,628,298
Capitalized collections	383,690	40,618	-	-	424,308
Total accumulated depreciation	321,197,207	25,960,733	(1,103,498)	-	346,054,442
Net capital assets	\$ 483,283,470	\$ 17,182,339	\$ (193,522)	\$ -	\$ 500,272,287

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

Capital asset activity for the year ended June 30, 2015, was as follows:

	2015				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 34,141,093	\$ -	\$ -	\$ -	\$ 34,141,093
Infrastructure	49,070,395	-	(861,578)	27,545,811	75,754,628
Buildings	533,844,567	21,944	(1,649,827)	7,403,409	539,620,093
Furniture, fixtures and equipment	51,698,143	2,341,029	(2,221,450)	173,733	51,991,455
Library materials	57,360,311	2,419,893	-	-	59,780,204
Capitalized collections	526,077	-	-	-	526,077
Construction in progress	30,578,431	47,250,627	(38,978)	(35,122,953)	42,667,127
	<u>757,219,017</u>	<u>52,033,493</u>	<u>(4,771,833)</u>	<u>-</u>	<u>804,480,677</u>
Less accumulated depreciation					
Infrastructure	26,530,769	3,837,297	(762,421)	-	29,605,645
Buildings	189,412,011	14,686,729	(1,177,438)	-	202,921,302
Furniture, fixtures and equipment	39,995,024	3,251,524	(2,141,103)	-	41,105,445
Library materials	44,992,465	2,188,660	-	-	47,181,125
Capitalized collections	343,072	40,618	-	-	383,690
Total accumulated depreciation	<u>301,273,341</u>	<u>24,004,828</u>	<u>(4,080,962)</u>	<u>-</u>	<u>321,197,207</u>
Net capital assets	<u>\$ 455,945,676</u>	<u>\$ 28,028,665</u>	<u>\$ (690,871)</u>	<u>\$ -</u>	<u>\$ 483,283,470</u>

Note 13: Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices 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.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

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

Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

Description	2016			
	Total	Level 1	Level 2	Level 3
Government-sponsored enterprises obligations	\$ 111,920,543	\$ -	\$ 111,920,543	\$ -
Total investments measured at fair value	<u>\$ 111,920,543</u>	<u>\$ -</u>	<u>\$ 111,920,543</u>	<u>\$ -</u>

Description	2015			
	Total	Level 1	Level 2	Level 3
Government-sponsored enterprises obligations	\$ 106,054,350	\$ -	\$ 106,054,350	\$ -
Total investments measured at fair value	<u>\$ 106,054,350</u>	<u>\$ -</u>	<u>\$ 106,054,350</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 are not available, securities are classified within Level 3 of the hierarchy.

Note 14: Commitments and Contingencies

Claims and Litigation

As is common with most large governmental entities, various parties have asserted claims against the University through litigation and by other means. The University is vigorously defending each of these matters, the eventual outcomes of which management presently believes will not be material.

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

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.

During fiscal 2016, the U.S. Department of Education performed a program review of the Student Financial Assistance program at the University's West Plains campus. The University has submitted responses. The amount, if any, that will be due to the Department of Education is unknown and no liability has been accrued at June 30, 2016.

Construction Commitments

The University has outstanding commitments for various construction contracts of approximately \$56.7 million at June 30, 2016.

Foundation Contingencies

The John Q. Hammons Trust and more than 70 entities associated with the Trust (the John Q. Hammons Entities) filed for bankruptcy protection in the federal bankruptcy court in Kansas City, Kansas, on June 26, 2016. The entities are believed to include substantially all the hotel operating entities of the John Q. Hammons enterprise. The Trust is scheduled to make scheduled payments to the Foundation towards the pledge receivable on April 1 and October 1. The Foundation received the October 1, 2016, scheduled payment of \$463,004 on September 20, 2016. The John Q. Hammons Entities have been operating in the ordinary course and making payments to creditors, including the Foundation, pursuant to orders approved periodically by the bankruptcy court. Similar orders will need to be entered by the bankruptcy court in the future for the John Q. Hammons Entities to continue operating in the ordinary course and paying creditors during the pendency of the bankruptcy case. The Foundation cannot speculate on the outcome of the bankruptcy case and the ability for future payments to creditors, including the Foundation, and are dependent on the decisions determined by the bankruptcy court. Based on these factors, there is no allowance recorded for this pledge as the uncollectible amount, if any, cannot be reasonably estimated. As the case progresses, more information might be obtained that could significantly effect the balance of the net pledge receivable.

Note 15: Subsequent Event

In October 2016, the University issued Auxiliary Enterprise System Revenue Bonds in the principal amount of \$12,720,000 for the purpose of the demolition of the Taylor Health and Wellness Center and the construction of a replacement health and wellness center on the Springfield campus. Interest rates range between 2.00% and 4.00% with final term bonds being due October 1, 2039.

Required Supplementary Information

Missouri State University
A Component Unit of the State of Missouri
Schedule of University's Proportionate Share of the Net Pension Liability –
Missouri State Employees' Retirement System
June 30, 2016 and 2015*

	2016	2015
University's proportion of the net pension liability	4.9620%	4.8780%
University's proportionate share of the net pension liability	\$ 159,338,163	\$ 115,013,732
University's covered-employee payroll	\$ 96,031,717	\$ 93,529,298
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.92%	122.97%
Plan fiduciary net position as a percentage of the total pension liability	72.62%	79.49%

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

This schedule presents the information available to the University and will include ten-year trend information once available.

Missouri State University
A Component Unit of the State of Missouri
Schedule of University Contributions –
Missouri State Employees’ Retirement System
June 30, 2016, 2015 and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,501,401	\$ 16,296,821	\$15,920,447
Contributions in relation to the contractually required contribution	<u>16,501,401</u>	<u>16,296,821</u>	<u>15,920,447</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University’s covered-employee payroll	\$ 97,238,662	\$ 96,031,717	\$93,529,298
Contributions as a percentage of covered-employee payroll	16.97%	16.97%	17.02%

This schedule presents information available to the University and will include ten-year trend information once available.

Notes to Schedule:

Benefit Changes

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

Changes of Assumptions

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

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

Missouri State University
A Component Unit of the State of Missouri
Schedule of Funding Progress – Other Postemployment Benefits
June 30, 2016

	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014
Actuarial valuation date	July 1, 2015	July 1, 2013	July 1, 2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial accrued liability	\$ 8,119,000	\$ 8,658,000	\$ 8,655,000
Actuarial value of assets	-	-	-
Total unfunded actuarial liability	<u>\$ 8,119,000</u>	<u>\$ 8,658,000</u>	<u>\$ 8,655,000</u>
Funded ratio	0.00%	0.00%	0.00%
Annual coverage payroll	\$ 113,134,000	\$ 109,346,000	\$ 105,135,000
Ratio of unfunded actuarial liability to covered payroll	7.18%	7.92%	8.23%
Participant summary			
Active employees	2,231	2,125	2,125
Retirees	121	101	101
Spouses of retirees	<u>25</u>	<u>27</u>	<u>27</u>
Total	<u>2,337</u>	<u>2,253</u>	<u>2,253</u>

Actuarial assumptions:

UAAL amortization method	Level % of Pay
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	4.00%

	Medical/Rx/Stop Loss	Admin
2016-2017	8.00%	4.50%
2017-2018	7.50%	4.50%
2018-2019	7.00%	4.50%
2019-2020	6.50%	4.50%
2020-2021	6.00%	4.50%
2021-2022	5.50%	4.50%
2022-2023	5.00%	4.50%
2023-2024	4.50%	4.50%
2024 and beyond	4.50%	4.50%

Other Information

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2016

Condensed Statements of Net Position

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 96,419,019	\$ 7,640,814	\$ 104,059,833
Noncurrent assets	588,353,090	15,985,135	604,338,225
Total assets	<u>684,772,109</u>	<u>23,625,949</u>	<u>708,398,058</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	3,530,675	-	3,530,675
Deferred outflows of resources related to pension	29,492,837	1,440,300	30,933,137
Total deferred outflows of resources	<u>33,023,512</u>	<u>1,440,300</u>	<u>34,463,812</u>
Liabilities			
Current liabilities	55,347,780	1,635,054	56,982,834
Long-term liabilities	170,251,885	1,192,103	171,443,988
Accrued net pension liability	152,006,216	7,331,947	159,338,163
Total liabilities	<u>377,605,881</u>	<u>10,159,104</u>	<u>387,764,985</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	<u>3,030,617</u>	<u>120,854</u>	<u>3,151,471</u>
Net Position			
Net investment in capital assets	316,371,362	14,749,208	331,120,570
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	16,291,341	23,885	16,315,226
Unrestricted	<u>4,296,658</u>	<u>13,198</u>	<u>4,309,856</u>
Total net position	<u>\$ 337,159,123</u>	<u>\$ 14,786,291</u>	<u>\$ 351,945,414</u>

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

Operating Revenues	<u>\$ 211,153,538</u>	<u>\$ 4,232,191</u>	<u>\$ 215,385,729</u>
Operating Expenses			
Depreciation	25,259,668	701,065	25,960,733
All other operating expenses	283,528,216	14,084,649	297,612,865
Total operating expenses	<u>308,787,884</u>	<u>14,785,714</u>	<u>323,573,598</u>
Operating Income (Loss)	(97,634,346)	(10,553,523)	(108,187,869)
Nonoperating Revenues	122,795,223	9,983,672	132,778,895
Nonoperating Expenses	<u>(5,681,236)</u>	<u>(69,106)</u>	<u>(5,750,342)</u>
Excess (Deficiency) of Revenues Over Expenses	19,479,641	(638,957)	18,840,684
Transfer from Other University Units	<u>(115,355)</u>	<u>115,355</u>	<u>-</u>
Increase (Decrease) in Net Position	19,364,286	(523,602)	18,840,684
Beginning Net Position	<u>317,794,837</u>	<u>15,309,893</u>	<u>333,104,730</u>
Ending Net Position	<u>\$ 337,159,123</u>	<u>\$ 14,786,291</u>	<u>\$ 351,945,414</u>

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2015

Condensed Statements of Net Position

	Springfield	West Plains	Total
Assets			
Current assets	\$ 87,049,680	\$ 6,591,841	\$ 93,641,521
Noncurrent assets	565,146,309	16,495,471	581,641,780
Total assets	<u>652,195,989</u>	<u>23,087,312</u>	<u>675,283,301</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	4,070,959	-	4,070,959
Deferred outflows of resources related to pension	15,978,061	766,920	16,744,981
Total deferred outflows of resources	<u>20,049,020</u>	<u>766,920</u>	<u>20,815,940</u>
Liabilities			
Current liabilities	52,913,924	504,646	53,418,570
Noncurrent liabilities	159,790,894	1,236,153	161,027,047
Accrued net pension liability	109,746,102	5,267,630	115,013,732
Total liabilities	<u>322,450,920</u>	<u>7,008,429</u>	<u>329,459,349</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	31,999,252	1,535,910	33,535,162
Net Position			
Net investment in capital assets	310,300,884	15,217,247	325,518,131
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	13,109,332	22,806	13,132,138
Unrestricted	<u>(5,815,141)</u>	<u>69,840</u>	<u>(5,745,301)</u>
Total net position	<u>\$ 317,794,837</u>	<u>\$ 15,309,893</u>	<u>\$ 333,104,730</u>

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

Operating Revenues	<u>\$ 193,151,614</u>	<u>\$ 3,733,913</u>	<u>\$ 196,885,527</u>
Operating Expenses			
Depreciation	23,270,111	734,717	24,004,828
All other operating expenses	266,359,725	14,017,009	280,376,734
Total operating expenses	<u>289,629,836</u>	<u>14,751,726</u>	<u>304,381,562</u>
Operating Income (Loss)	(96,478,222)	(11,017,813)	(107,496,035)
Nonoperating Revenues	120,032,855	10,823,894	130,856,749
Nonoperating Expenses	<u>(6,256,921)</u>	<u>(121,147)</u>	<u>(6,378,068)</u>
Excess (Deficiency) of Revenues Over Expenses	17,297,712	(315,066)	16,982,646
Transfer from Other University Units	<u>96,439</u>	<u>(96,439)</u>	<u>-</u>
Increase in Net Position	17,394,151	(411,505)	16,982,646
Net Position, Beginning of Year	<u>300,400,686</u>	<u>15,721,398</u>	<u>316,122,084</u>
Ending Net Position	<u>\$ 317,794,837</u>	<u>\$ 15,309,893</u>	<u>\$ 333,104,730</u>