

Missouri State University

A Component Unit of the State of Missouri

Independent Auditor's Reports and Financial Statements

June 30, 2015 and 2014

Missouri State University
A Component Unit of the State of Missouri
June 30, 2015 and 2014

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Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri State University, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Missouri State University Foundation, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Missouri State University and the discretely presented component unit as of June 30, 2015 and 2014, and the respective changes in financial position and cash flows where applicable, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the University began recording its proportional share of the net pension liability of the Missouri State Employees' Retirement System (MOSERS) in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

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

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of Missouri State University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Missouri State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2015 and 2014

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2015 and 2014, 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 public, comprehensive metropolitan university system with a statewide mission in public affairs with an enrollment of over 24,000 students, whose purpose is to develop educated persons while guided by three overarching and enduring commitments to student learning, inclusive excellence and institutional impact. The University's identity is distinguished by its statewide mission in public affairs, requiring a campus-wide commitment to foster competence and responsibility in the common vocation of citizenship. 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 task of developing educated persons obligates the University to expand the store of human understanding through research, scholarship and creative endeavor and drawing from that store of understanding, to provide service to the communities that support it. In all of its programs, the University uses the most effective methods of discovering and imparting knowledge and the appropriate use of technology in support of these activities.

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, 2015, 2014 and 2013. 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 is effective for fiscal year 2015 and establishes 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 is not possible nor practical to restate information for the years ended June 30, 2014 and 2013, 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, 2015, 2014 and 2013:

Statements of Net Position
As of June 30, 2015, 2014 and 2013
(In Millions)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current Assets	\$ 93.6	\$ 127.8	\$ 156.1
Noncurrent Assets	<u>581.6</u>	<u>523.3</u>	<u>442.2</u>
Total Assets	<u>675.2</u>	<u>651.1</u>	<u>598.3</u>
Deferred Outflows of Resources	<u>20.8</u>	<u>0.5</u>	<u>0.8</u>
Current Liabilities	53.4	54.2	43.4
Noncurrent Liabilities	<u>276.0</u>	<u>144.0</u>	<u>112.8</u>
Total Liabilities	<u>329.4</u>	<u>198.2</u>	<u>156.2</u>
Deferred Inflows of Resources	<u>33.5</u>	<u>-</u>	<u>-</u>
Net Position			
Net investment in capital assets	325.5	313.1	325.2
Restricted	13.3	12.7	8.0
Unrestricted	<u>(5.7)</u>	<u>127.6</u>	<u>109.7</u>
Total Net Position	<u>\$ 333.1</u>	<u>\$ 453.4</u>	<u>\$ 442.9</u>

Comparative Analysis of Fiscal Years 2015, 2014 and 2013

Current Assets – 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. Current assets for Fiscal Year 2014 totaled \$127.8 million which is a decrease of \$28.3 million from Fiscal Year 2013 current assets of \$156.1 million. This decrease is primarily attributed to a reduction in short-term investments offset by an increase in restricted cash associated with the auxiliary system bond issue.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2015 totaled \$581.6 million which is an increase of \$58.3 million from Fiscal Year 2014 noncurrent assets of \$523.3 million and Fiscal Year 2014 increased \$81.1 million from Fiscal Year 2013 noncurrent assets of \$442.2 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 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 & 71 of \$16.7 million and the loss on refunding of the 2007 Auxiliary System Bonds of \$4.1 million. Deferred outflows of resources in Fiscal Year 2014 was \$0.5M which is a decrease of \$0.3M from Fiscal Year 2013 deferred outflows of resources of \$0.8M. The decrease was the result of the normal amortization of bond refunding losses occurring during the year.

Current Liabilities – 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. Current liabilities for Fiscal Year 2014 totaled \$54.2 million which is an increase of \$10.8 million from Fiscal Year 2013 current liabilities of \$43.4 million. This increase is primarily attributed to increased accounts payable related to outstanding capital projects at the end of the fiscal year.

Noncurrent Liabilities – 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. Noncurrent liabilities for Fiscal Year 2014 totaled \$144.0 million which is an increase of \$31.2 million from Fiscal Year 2013 noncurrent liabilities of \$112.8 million. This increase is primarily attributed to the auxiliary system bond issue offset by long-term bond and capital lease payments.

Deferred Inflows of Resources – 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 \$333.1 million for Fiscal Year 2015, \$453.4 million for Fiscal Year 2014 and \$442.9 million for Fiscal Year 2013.

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, 2015, 2014 and 2013, are as follows:

Operating Results Years Ended June 30, 2015, 2014 and 2013 (In Millions)

	June 30, 2015	June 30, 2014	June 30, 2013
Operating Revenue			
Tuition and fees	\$ 149.3	\$ 143.7	\$ 136.7
Scholarship allowances	(33.4)	(31.9)	(30.7)
Net tuition and fees	115.9	111.8	106.0
Sales and services	13.1	13.5	12.3
Grants and contracts	27.8	26.7	26.2
Auxiliary enterprises	36.4	34.6	34.7
Other	3.7	3.7	4.5
Total Operating Revenues	196.9	190.3	183.7
Operating Expenses	304.4	296.5	284.1
Operating Loss	(107.5)	(106.2)	(100.4)
Nonoperating Revenue (Expenses)			
State appropriations	83.9	78.4	77.0
Federal grants and contracts	30.5	30.1	28.5
Loss on disposal of fixed assets	(0.5)	(0.1)	(0.1)
Gifts	8.4	9.1	8.1
Investment income	1.2	0.5	0.4
Interest on capital asset – related debt	(5.8)	(4.9)	(5.0)
Net Nonoperating Revenues	117.7	113.1	108.9
Capital Grants, Gifts and Appropriations	6.8	3.6	4.0
Increase in Net Position	17.0	10.5	12.5
Net Position, Beginning of Year, as Previously Reported	453.4	442.9	430.4
Cumulative Effect of Change in Accounting Principle	(137.3)	-	-
Net Position, Beginning of Year, as Restated	316.1	442.9	430.4
Net Position, End of Year	\$ 333.1	\$ 453.4	\$ 442.9

Comparative Analysis of Fiscal Years 2015, 2014 and 2013

Operating Revenues – Operating Revenues for Fiscal Year 2015 totaled \$196.9 million which is an increase of \$6.6 million from Fiscal Year 2014 operating revenues of \$190.3 and operating revenues for Fiscal Year 2014 increased of \$6.6 million from Fiscal Year 2013 operating revenues of \$183.7.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2015 totaled \$117.7 million which is an increase of \$4.6 million from Fiscal Year 2014 nonoperating revenues of \$113.1 million and Fiscal Year 2014 increased \$4.2 million from Fiscal Year 2013 nonoperating revenues of \$108.9 million. State appropriations were \$83.9 million, \$78.4 million and \$77.0 million for Fiscal Years 2015, 2014 and 2013, respectively.

Operating Expenses
Years Ended June 30, 2015, 2014 and 2013

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Salaries	\$ 143.1	\$ 138.5	\$ 133.0
Benefits	42.5	46.1	44.1
Scholarships and fellowships	27.4	24.5	23.8
Utilities	7.3	6.9	6.6
Supplies and other services	60.1	57.8	54.6
Depreciation	<u>24.0</u>	<u>22.7</u>	<u>22.0</u>
Total	<u>\$ 304.4</u>	<u>\$ 296.5</u>	<u>\$ 284.1</u>

Operating Expenses – Operating Expenses for Fiscal Year 2015 totaled \$304.4 million which is an increase of \$7.9 million from Fiscal Year 2014 operating expenses of \$296.5 million and Fiscal Year 2014 increased \$12.4 million from Fiscal Year 2013 operating expenses of \$284.1 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, 2015, 2014 and 2013, are as follows:

Cash Flows
Years Ended June 30, 2015, 2014 and 2013
(In Millions)

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash Provided By (Used In)			
Operating activities	\$ (86.6)	\$ (83.4)	\$ (73.4)
Noncapital financing activities	122.9	117.5	113.6
Capital and related financing activities	(40.1)	(2.0)	(53.1)
Investing activities	<u>(20.0)</u>	<u>0.4</u>	<u>(2.4)</u>
Increase (Decrease) in Cash and Cash Equivalents	(23.8)	32.5	(15.3)
Cash and Cash Equivalents, Beginning of Year	<u>83.5</u>	<u>51.0</u>	<u>66.3</u>
Cash and Cash Equivalents, End of Year	<u>\$ 59.7</u>	<u>\$ 83.5</u>	<u>\$ 51.0</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 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. During Fiscal Year 2013, the University received \$1.0 million from a renegotiation of an existing capital lease for energy savings projects. At June 30, 2015, total bonds payable equaled \$151.8 million, total bonds payable equaled \$135.5 million as of June 30, 2014, and total bonds payable equaled \$102.2 million at June 30, 2013.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2015, 2014 and 2013.

Capital Assets As of June 30, 2015, 2014 and 2013 (In Millions)

	June 30, 2015	June 30, 2014	June 30, 2013
Capital Assets			
Construction in progress	\$ 42.7	\$ 30.6	\$ 16.2
Capital assets, net	440.6	425.4	419.3

On June 30, 2015, the University had 23 construction projects in progress with costs totaling approximately \$42.7 million incurred to date. The project costs budgeted for these projects totals \$60.0 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
O'Reilly Clinical Health Sciences Center	\$ 19,500,000	\$ 14,258,475	\$ 5,241,525
Sunvilla Tower Renovation	13,303,000	10,137,167	3,165,833
Pummill Hall Renovation	7,025,000	6,687,727	337,273
Davis-Harrington Welcome Center	6,375,000	5,334,610	1,040,390
Temple Lab Renovation	3,378,095	1,235,310	2,142,785
PSC Exterior Envelope Improvements	1,712,300	1,652,833	59,467
Meyer Library - Testing Center	1,317,945	393,764	924,181
Blair Shannon Dining	1,228,350	244,512	983,838
Glass Hall Renovation	1,211,902	1,171,883	40,019
CDC Playground Equipment	620,583	-	620,583
Hammons Transitway	580,000	223,460	356,540
Utility Tunnel Repairs - Taylor to Blair Shannon	580,000	304,646	275,354
Glass Hall Interior Offices	510,000	138,110	371,890
PSU 3rd Floor Renovation Phase III	399,950	136,676	263,274
Intersection Improvement Broadmoor & Kansas Expwy	367,500	249,058	118,442
Parking Lot 20A	349,000	85,153	263,847
Craig Hall 3rd Floor Renovation	306,000	73,587	232,413
Blair Shannon Wireless	249,998	46	249,952
FY15 Preventative Maintenance Parking	232,000	2,116	229,884
Res Life - HMPG Safe Room	231,036	121,162	109,874
Pummill Hall Technology	220,300	199,488	20,812
Freezer Install Garst Dining	210,000	4,815	205,185
FY15 ADA Improvements	118,000	12,529	105,471
	<u>\$ 60,025,959</u>	<u>\$ 42,667,127</u>	<u>\$ 17,358,832</u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2015 and 2014

Assets

	<u>University 2015</u>	<u>University 2014</u>	<u>Component Unit Foundation 2015</u>	<u>Component Unit Foundation 2014</u>
Current Assets				
Cash and cash equivalents	\$ 42,361,919	\$ 57,466,060	\$ 26,132,234	\$ 22,176,603
Restricted cash and cash equivalents	17,330,902	26,056,881	-	-
Short-term investments	10,000,000	20,013,025	1,595,684	1,605,959
Accounts receivable, net	12,319,628	13,184,427	6,383	6,801
Pledges receivable	-	-	5,191,851	6,147,379
Grants receivable	2,378,599	1,738,544	-	-
Accrued interest receivable - unrestricted	207,183	63,080	16,664	11,621
Inventories	6,895,631	6,926,910	-	-
Loans to students, net	536,466	531,266	-	-
Prepaid expenses	1,611,193	1,809,968	641,690	2,600
Assets for resale	-	-	330,626	319,508
	<u>93,641,521</u>	<u>127,790,161</u>	<u>33,915,132</u>	<u>30,270,471</u>
Total current assets				
Noncurrent Assets				
Restricted cash and cash equivalents	-	-	-	1,284,098
Pledges receivable, net	-	-	30,756,914	29,446,888
Restricted long-term investments	-	-	74,664,705	74,890,839
Investments held in trust	-	-	793,010	852,502
Other long-term investments	96,054,350	64,980,825	472,344	431,234
Loans to students, net	2,104,198	2,155,657	-	-
Due from Foundation	199,762	199,762	-	-
Construction in progress	42,667,127	30,578,431	-	-
Capital assets, net	440,616,343	425,367,245	1,204,842	1,255,919
	<u>581,641,780</u>	<u>523,281,920</u>	<u>107,891,815</u>	<u>108,161,480</u>
Total noncurrent assets				
Total assets	<u>675,283,301</u>	<u>651,072,081</u>	<u>141,806,947</u>	<u>138,431,951</u>

Deferred Outflows of Resources

Loss on refunding of bonds	4,070,959	527,481	-	-
Deferred outflows related to pension	16,744,981	-	-	-
	<u>20,815,940</u>	<u>527,481</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				

See Notes to Financial Statements

Liabilities

	University 2015	University 2014	Component Unit Foundation 2015	Component Unit Foundation 2014
Current Liabilities				
Accounts payable and accrued expenses	\$ 13,465,229	\$ 16,492,777	\$ 2,133,204	\$ 1,470,116
Accrued compensated absences	5,643,220	5,395,939	-	-
Accrued payroll	5,409,513	5,184,620	-	-
Unearned revenue	16,053,026	15,540,947	-	-
Deposits	592,462	521,446	-	-
Accrued interest payable	1,474,419	1,617,324	-	-
Capital lease obligation - current	959,322	941,712	-	-
Revenue bonds payable - current	8,531,756	7,168,179	-	-
Annuity obligations - current	-	-	21,711	13,770
Insurance claims payable	1,289,623	1,289,623	-	-
Total current liabilities	<u>53,418,570</u>	<u>54,152,567</u>	<u>2,154,915</u>	<u>1,483,886</u>
Noncurrent Liabilities				
Accrued compensated absences	5,098,782	5,111,987	-	-
Annuity obligations	-	-	194,556	226,259
Capital lease obligations	5,072,501	6,031,823	-	-
Revenue bonds payable	147,272,719	129,247,303	-	-
Net pension liability	115,013,732	-	-	-
Other long-term liabilities	3,583,045	3,645,045	-	-
Due to Missouri State University	-	-	199,762	199,762
Total noncurrent liabilities	<u>276,040,779</u>	<u>144,036,158</u>	<u>394,318</u>	<u>426,021</u>
Total liabilities	<u>329,459,349</u>	<u>198,188,725</u>	<u>2,549,233</u>	<u>1,909,907</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to pension	<u>33,535,162</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	325,518,131	313,084,141	1,204,842	1,255,919
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	30,546,310	29,807,620
Other	-	-	18,570,189	17,937,745
Expendable				
Scholarships and fellowships	-	-	20,229,486	21,855,840
Loans	4,071,945	4,220,691	-	-
Capital projects	8,375,557	7,616,434	-	-
Debt service	684,636	683,143	-	-
Other	-	-	61,704,019	57,232,404
Unrestricted	<u>(5,745,301)</u>	<u>127,606,666</u>	<u>7,002,868</u>	<u>8,432,516</u>
Total net position	<u>\$ 333,104,730</u>	<u>\$ 453,410,837</u>	<u>\$139,257,714</u>	<u>\$136,522,044</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, 2015 and 2014

	University 2015	University 2014	Component Unit Foundation 2015	Component Unit Foundation 2014
Operating Revenues				
Student tuition and fees	\$ 149,307,551	\$ 143,727,248	\$ -	\$ -
Less scholarship allowances	(33,429,015)	(31,947,378)	-	-
Total net student tuition and fees	115,878,536	111,779,870	-	-
Sales and services of educational departments	13,114,866	13,467,472	-	-
Federal grants and contracts	11,205,261	11,699,334	-	-
State and local grants and contracts	8,869,630	6,926,676	-	-
Nongovernmental grants and contracts	7,754,461	8,116,401	-	-
Gifts and contributions	-	-	18,999,819	15,248,980
Auxiliary enterprises				
Residential life (net of scholarship allowances of \$6,173,096 in 2015 and \$5,943,351 in 2014)	24,893,028	24,014,588	-	-
Bookstore (net of scholarship allowances of \$2,291,977 in 2015 and \$2,325,099 in 2014)	1,900,427	1,731,378	-	-
Parking (net of scholarship allowances of \$335,036 in 2015 and \$331,967 in 2014)	1,824,175	1,813,471	-	-
Taylor Health and Wellness Center	2,030,368	1,853,614	-	-
Athletics	4,063,517	3,749,614	-	-
Recreational facilities	748,897	757,058	-	-
Student Union	906,532	714,737	-	-
Other operating revenues	3,695,829	3,693,983	1,027,585	879,876
Total operating revenues	196,885,527	190,318,196	20,027,404	16,128,856
Operating Expenses				
Salaries	143,076,155	138,510,348	-	-
Benefits	42,460,653	46,086,655	-	-
Scholarships and fellowships	27,460,149	24,557,752	1,935,058	1,815,199
Utilities	7,288,793	6,903,207	146,905	130,646
Supplies and other services	60,090,984	57,806,857	3,411,700	3,327,926
Depreciation	24,004,828	22,673,717	107,459	112,771
Total operating expenses	304,381,562	296,538,536	5,601,122	5,386,542
Operating Income (Loss)	(107,496,035)	(106,220,340)	14,426,282	10,742,314
Nonoperating Revenues (Expenses)				
State appropriations	83,947,201	78,365,090	-	-
Federal grants and contracts	30,546,627	30,078,670	-	-
Gifts	8,379,422	9,107,029	-	-
Investment income	1,182,707	462,767	61,009	10,072,802
Interest on capital asset-related debt	(5,841,690)	(4,909,730)	-	-
Gain (loss) on assets held in trust	-	-	-	-
Other nonoperating expenses and losses	-	-	(838,524)	(242,428)
Expenditures to Missouri State University	-	-	(8,379,422)	(9,107,029)
Gain (loss) on disposal of fixed assets	(536,378)	42,193	-	(26,301)
Net nonoperating revenues (expenses)	117,677,889	113,146,019	(9,156,937)	697,044
Income Before Other Revenues, Expenses, Gains or Losses	10,181,854	6,925,679	5,269,345	11,439,358

Missouri State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	University 2015	University 2014	Component Unit Foundation 2015	Component Unit Foundation 2014
Other Revenues, Expenses, Gains or Losses				
Capital gifts	\$ 3,904,809	\$ 3,569,918	\$ (3,904,809)	\$ (3,569,918)
Capital grants and contracts	645,983	68,889	-	-
Capital appropriations	2,250,000	-	-	-
Additions to permanent endowments	-	-	1,371,134	2,196,303
Total other revenues, expenses, gains or losses	<u>6,800,792</u>	<u>3,638,807</u>	<u>(2,533,675)</u>	<u>(1,373,615)</u>
Increase in Net Position	<u>16,982,646</u>	<u>10,564,486</u>	<u>2,735,670</u>	<u>10,065,743</u>
Net Position, Beginning of Year, as Previously Reported	453,410,837	442,846,351	136,522,044	126,456,301
Cumulative Effect of Change in Accounting Principle	<u>(137,288,753)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>316,122,084</u>	<u>442,846,351</u>	<u>136,522,044</u>	<u>126,456,301</u>
Net Position, End of Year	<u><u>\$ 333,104,730</u></u>	<u><u>\$ 453,410,837</u></u>	<u><u>\$ 139,257,714</u></u>	<u><u>\$ 136,522,044</u></u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Operating Activities		
Tuition and fees	\$ 117,326,429	\$ 113,369,265
Sales and services of educational departments	13,114,866	13,467,472
Federal grants and contracts	10,565,206	11,683,492
State and local grants and contracts	8,869,630	6,926,676
Nongovernmental grants and contracts	7,754,461	8,116,401
Payments to suppliers	(93,742,220)	(90,229,030)
Payments to employees	(190,624,679)	(184,165,720)
(Issuance) collections of loans to students	46,259	(833,477)
Auxiliary enterprise charges		
Residential Life	24,893,028	24,014,588
Bookstore	1,900,427	1,731,378
Parking	1,824,175	1,813,471
Taylor Health and Wellness Center	2,030,368	1,853,614
Athletics	4,063,517	3,749,614
Recreational facilities	748,897	757,058
Student Union	906,532	714,737
Other receipts	3,695,828	3,598,777
Net cash used in operating activities	(86,627,276)	(83,431,684)
Noncapital Financing Activities		
State appropriations	83,947,201	78,365,090
Federal grants and contracts	30,546,627	30,078,670
Gifts and grants received for other than capital purposes	8,379,422	9,107,029
Net cash provided by noncapital financing activities	122,873,250	117,550,789
Capital and Related Financing Activities		
Cash received from disposal of fixed assets	115,515	83,432
Purchase of capital assets	(4,782,866)	(4,647,991)
Construction in progress	(49,597,840)	(28,881,379)
Capital appropriations	2,250,000	-
Gifts of cash for capital purposes	4,550,792	3,638,807
Principal paid on capital debt and leases	(55,018,441)	(7,126,718)
Proceeds from issuance of new debt	69,813,618	39,405,000
Interest paid on capital debt and lease	(7,384,976)	(4,454,608)
Net cash used in capital and related financing activities	(40,054,198)	(1,983,457)

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

	2015	2014
Investing Activities		
Proceeds from sales and maturities of investments	\$ 94,995,000	\$ 90,039,186
Purchases of investments	(115,995,000)	(90,025,000)
Interest on investments	978,104	394,805
Net cash provided by (used in) investing activities	(20,021,896)	408,991
Increase (Decrease) in Cash and Cash Equivalents	(23,830,120)	32,544,639
Cash and Cash Equivalents, Beginning of Year	83,522,941	50,978,302
Cash and Cash Equivalents, End of Year	\$ 59,692,821	\$ 83,522,941
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 42,361,919	\$ 57,466,060
Restricted cash and cash equivalents	17,330,902	26,056,881
Total cash and cash equivalents	\$ 59,692,821	\$ 83,522,941
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (107,496,035)	\$ (106,220,340)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	24,004,828	22,673,717
Changes in operating assets and liabilities		
Accounts receivable	864,799	508,079
Loans to students	46,259	(833,477)
Federal and state grants receivable	(640,055)	(15,842)
Inventories	31,279	705,349
Prepaid expenses	198,773	(219,395)
Accounts payable and accrued expenses	867,652	(1,447,168)
Accrued compensated absences	218,313	179,396
Accrued payroll	240,656	206,887
Deferred revenue	512,079	1,071,942
Deposits	71,016	9,374
Insurance claims payable	(62,000)	(50,206)
Accrued pension liability	(5,484,840)	-
Net Cash Used in Operating Activities	\$ (86,627,276)	\$ (83,431,684)
Supplemental Cash Flows Information		
Increase (decrease) in accounts payable incurred for capital asset purchases	\$ (3,895,200)	\$ 9,379,114

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, the Foundation provided \$12,284,231 and \$12,676,947, 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
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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.

During 2015, the Foundation adopted 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 prospectively beginning in 2015. The Foundation received contributed personnel services from the University of \$2,739,346 for the year ended June 30, 2015. 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.

Change in Accounting Principle

In 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts.

The University has not restated its financial statements as of and for the year ended June 30, 2014, because actuarial information was not readily available for that period, thus making restatement of the 2014 financial statements impractical.

As a result of the implementation, unrestricted net position as of July 1, 2014, was restated as follows:

Unrestricted net position, as previously reported	<u>\$ 127,606,666</u>
Cumulative effect of change in accounting principle	
Net pension liability (measurement date of June 30, 2013)	(153,209,200)
Deferred outflows of resources	
Contributions during the year ended June 30, 2014	<u>15,920,447</u>
 Total cumulative effect of change in accounting principle	 <u>(137,288,753)</u>
 Unrestricted net position, as restated	 <u><u>\$ (9,682,087)</u></u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2015 and 2014

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 and liabilities 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, 2015, 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 \$2,656,174 and \$2,444,852 at June 30, 2015 and 2014, respectively. The University reserves for uncollectible accounts that are at least 90 days past due.

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.

Missouri State University
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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 \$1,077,038 and \$1,020,357 at June 30, 2015 and 2014, 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.

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

Missouri State University
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Notes to Financial Statements
June 30, 2015 and 2014

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 \$1,509,007 and \$861,260 for the years ended June 30, 2015 and 2014, 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 2015 and 2014 and tenant remodeling improvements of \$83,695 and \$74,695, for the years ended June 30, 2015 and 2014, respectively. Real estate and equipment for the year ended June 30, 2015, 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.

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.

Missouri State University
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Notes to Financial Statements
June 30, 2015 and 2014

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's 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 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.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2015 and 2014

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 the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Compliance Supplement*.

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$42,229,124 and \$40,547,795 at June 30, 2015 and 2014, 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.

Bad Debt Expense

Bad debt expense is \$1,802,893 and \$1,008,008 for the years ended June 30, 2015 and 2014, respectively, and is netted against tuition and fee revenues.

Missouri State University
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Notes to Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014, 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 2015 and 2014. 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:

	2015	2014
Uninsured and uncollateralized	\$ 804,409	\$ 711,136

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 \$804,409 and \$711,136 of foreign deposits denominated in Chinese Yuan at June 30, 2015 and 2014, respectively.

Missouri State University
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June 30, 2015 and 2014

Investments

The University may invest in United States Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptances.

At June 30, 2015 and 2014, the University had the following investments and maturities:

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

Type	Fair Value	June 30, 2014		
		Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 84,993,850	\$ 20,013,025	\$ 64,980,825	\$ -

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. It is the University's policy to limit its investment in bankers acceptances to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2015 and 2014, the University had no investments not directly guaranteed by the U.S. government or U.S. government agencies.

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. The University had no investments exposed to custodial credit risk at the end of June 30, 2015 and 2014.

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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 and bankers acceptance. 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.

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, 2015 and 2014, 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:

	2015	2014
Carrying value		
Deposits	\$ 59,692,821	\$ 83,522,941
Investments	106,054,350	84,993,850
	<u>\$165,747,171</u>	<u>\$168,516,791</u>

Included in the following statements of net position captions:

	2015	2014
Cash and cash equivalents	\$ 42,361,919	\$ 57,466,060
Restricted cash and cash equivalents	17,330,902	26,056,881
Short-term investments	10,000,000	20,013,025
Long-term investments	96,054,350	64,980,825
	<u>\$165,747,171</u>	<u>\$168,516,791</u>
Cash, cash equivalents and investments total	<u>\$165,747,171</u>	<u>\$168,516,791</u>

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Investment Income

Investment income for the years ended June 30, 2015 and 2014, consisted of:

	2015	2014
Interest and dividend income	\$ 1,182,707	\$ 462,767

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, 2015 and 2014:

	2015	2014
Pooled investments at market value	\$ 73,535,755	\$ 75,978,767
Number of pool shares	309,167	302,565
Market value per pool share	\$ 238	\$ 251
Fiscal year return	0.00%	14.80%
Interest and dividend earnings	\$ 68,934	\$ 113,457
Net gains (losses)	\$ (40,518)	\$ 9,911,001

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 the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

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.

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Investments are summarized as follows at June 30:

	2015	2014
Accrued income	\$ 45,658	\$ 41,188
Money market accounts	782,066	518,307
U.S. equity mutual funds	22,126,907	18,871,551
Non-U.S. equity mutual funds	19,537,386	22,217,197
U.S. fixed income mutual funds	8,933,157	9,117,677
Non-U.S. fixed income mutual funds	3,186,702	3,534,451
Other mutual funds	1,755,884	6,602,021
Real assets	1,935,101	2,618,763
Real estate funds	754,173	1,242,260
Hedge funds	15,826,141	10,525,544
Private equity	1,422,874	1,249,028
Other	3,500	3,500
	<u>\$ 76,309,549</u>	<u>\$ 76,541,487</u>

Investment return consists of the following:

	2015	2014
Investment income	\$ 122,224	\$ 156,356
Net realized and unrealized gains on investments reported at fair value	<u>(61,215)</u>	<u>9,916,446</u>
	<u>\$ 61,009</u>	<u>\$ 10,072,802</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, 2015 and 2014, totaled \$104,468 and \$115,516, respectively.

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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 0.24% to 3.30% for the years ended June 30, 2015 and 2014. Pledges receivable consist of the following unconditional promises to give at June 30:

	2015	2014
Due in less than one year	\$ 5,191,851	\$ 6,150,274
Due in one to five years	14,302,033	13,329,266
Due in more than five years	25,470,324	28,758,878
	44,964,208	48,238,418
Less: Allowance for doubtful accounts	300,438	324,160
Unamortized discount	8,715,005	12,319,991
	9,015,443	12,644,151
	\$ 35,948,765	\$ 35,594,267

Note 4: Foundation Endowment

The Foundation's endowment consists of approximately 985 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:

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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, 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>

The composition of net assets by type of endowment fund at June 30, 2014, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Donor-restricted endowment funds	\$ (109)	\$ 27,016,254	\$ 47,100,058	\$ 74,116,203
Board-designated endowment funds	3,260,779	-	-	3,260,779
Total endowment funds	<u>\$ 3,260,670</u>	<u>\$ 27,016,254</u>	<u>\$ 47,100,058</u>	<u>\$ 77,376,982</u>

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	<u>\$ 3,260,670</u>	<u>\$ 27,016,254</u>	<u>\$ 47,100,058</u>	<u>\$ 77,376,982</u>
Investment return				
Investment income	-	115,648	-	115,648
Net appreciation	(162,214)	118,638	-	(43,576)
Total investment return	<u>(162,214)</u>	<u>234,286</u>	<u>-</u>	<u>72,072</u>
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>

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Changes in endowment net assets for the year ended June 30, 2014, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
Endowment net assets, beginning of year	\$ 2,956,212	\$ 21,059,850	\$ 44,982,700	\$ 68,998,762
Investment return				
Investment income	-	148,033	-	148,033
Net appreciation	273,842	9,635,457	-	9,909,299
Total investment return	273,842	9,783,490	-	10,057,332
Contributions	-	-	2,083,648	2,083,648
Other income	27,753	14,081	33,710	75,544
Appropriation of endowment assets for expenditure	-	(3,889,315)	-	(3,889,315)
Other additions	2,863	48,148	-	51,011
Endowment net assets, end of year	\$ 3,260,670	\$ 27,016,254	\$ 47,100,058	\$ 77,376,982

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 \$6,644 and \$109 at June 30, 2015 and 2014, 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.

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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 \$2,190,623 and \$1,598,313 at June 30, 2015 and 2014, 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

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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, 2015, was 16.97% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2014, was 16.98% for all plans, which is the year of measurement for the net pension liability. Contributions to the pension plan from the University were \$16,296,821 and \$15,920,447 for the years ended June 30, 2015 and 2014, respectively.

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

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

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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, 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, 2014, that affected the measurement of total pension liability.

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

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 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

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

Year Ending June 30,	Amount Recognized
2016	\$ 8,228,233
2017	8,228,233
2018	8,246,745
2019	8,383,791
	\$ 33,087,002

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Actuarial Assumptions

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

Inflation	2.50%
Salary increases	3.00% to 5.90% annually, average, including inflation
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, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.50% to 8.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2014, 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	76.60%	5.70%	4.40%
Illiquids **	19.20%	7.30%	1.40%
Old Portfolio ***	4.20%	6.00%	0.20%
	<u>100.00%</u>		<u>6.00%</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%.

*** As of June 30, 2014, MOSERS was in the final stages of transitioning from a portfolio allocation consisting of 45% public equities, 30% public debt and 25% alternative investments (old portfolio) to a new target allocation of 80% beta-balanced and 20% illiquids.

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Discount Rate

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the net pension liability	\$ 178,390,752	\$ 115,013,732	\$ 61,555,952

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 6.16%, 6.38% and 6.80% of the participant's salary to CURP for the years ended June 30, 2015, 2014 and 2013, respectively. The total contributed for years ended June 30, 2015, 2014 and 2013, was \$1,614,374, \$1,547,995 and \$1,507,206, respectively.

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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 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.

Funding Policy: The contribution requirements of plan members are established by the Missouri State 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 2015 Missouri State University contributed \$886,000 to the postemployment retirement plan portion of the MSUEBP and the retirees contributed \$775,000 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:

	2015	2014
Amortization of Unfunded Actuarial Value of Assets (UAAL)	\$ 399,000	\$ 402,000
Normal cost (with interest)	411,000	393,000
Interest on amortization of UAAL	18,000	18,000
Annual required contribution (ARC)	828,000	813,000
Interest on net OPEB obligation	164,000	162,000
Adjustment to the ARC	(168,000)	(167,000)
Annual OPEB cost (expense)	824,000	808,000
Contributions made	(886,000)	(763,000)
Increase (decrease) in net OPEB obligation	(62,000)	45,000
Net OPEB obligation - beginning of year	3,645,000	3,600,000
Net OPEB obligation - end of year	<u>\$ 3,583,000</u>	<u>\$ 3,645,000</u>

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Missouri State University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

	2015	2014	2013
Annual OPEB cost	\$ 824,000	\$ 808,000	\$ 1,358,000
Net employer contributions	\$ 886,000	\$ 763,000	\$ 807,000
Percentage contributed	107.52%	94.43%	59.43%
End of year net OPEB obligation	\$ 3,583,000	\$ 3,645,000	\$ 3,600,000

Funded Status and Funding Progress: As of June 30, 2015 and 2014, the Actuarial Accrued Liability (AAL) was \$8,658,000 and \$8,655,000, 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 \$109,346,000 and \$105,135,000 in 2015 and 2014, respectively. The ratio of the UAAL to the covered payroll was 7.92% and 8.23% in 2015 and 2014, 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 4.50% per annum and health care cost trend rates as follows:

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Health care cost trend rates:

	Medical/Rx/ Stop Loss	Admin
2015 - 2016	8.50%	5.00%
2016 - 2017	8.00%	5.00%
2017 - 2018	7.50%	5.00%
2018 - 2019	7.00%	5.00%
2019 - 2020	6.50%	5.00%
2020 - 2021	6.00%	5.00%
2021 - 2022	5.50%	5.00%
2022 - 2023	5.00%	5.00%
2023 and beyond	5.00%	5.00%

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, 2015 and 2014, is summarized as follows:

	2015	2014
Balance at beginning of year	\$ 1,289,623	\$ 1,384,829
Health and dental claims	16,063,461	14,711,045
Health insurance payments	<u>(16,063,461)</u>	<u>(14,806,251)</u>
Balance at end of year	<u>\$ 1,289,623</u>	<u>\$ 1,289,623</u>

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Note 9: Operating Expenses by Function

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 2015	\$ 143,076,155	\$ 42,460,653	\$ 27,460,149	\$ 7,288,793	\$ 60,090,984	\$ 24,004,828	\$ 304,381,562

Operating expenses by functional classification for the year ended June 30, 2014, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2014 Total
Instruction	\$ 68,871,857	\$ 23,673,592	\$ -	\$ 4,984	\$ 11,531,652	\$ -	\$ 104,082,085
Research	5,495,171	1,813,552	-	41	4,950,405	-	12,259,169
Public service	4,090,161	1,235,444	-	45,472	3,879,567	-	9,250,644
Academic support	15,198,977	5,152,948	-	-	4,924,142	-	25,276,067
Student services	6,914,779	2,322,951	-	-	4,975,717	-	14,213,447
Institutional support	15,450,319	4,869,399	-	-	2,485,797	-	22,805,515
Operation and maintenance of plant	- 6,104,611	- 2,043,497	-	- 4,408,393	- 5,845,233	-	- 18,401,734
Scholarship and fellowships	475,289	176,608	20,016,576	-	66,067	-	20,734,540
Auxiliary enterprises	15,909,184	4,798,664	4,541,176	2,444,317	19,148,277	-	46,841,618
Depreciation	-	-	-	-	-	22,673,717	22,673,717
Total operating expenses for fiscal year 2014	\$ 138,510,348	\$ 46,086,655	\$ 24,557,752	\$ 6,903,207	\$ 57,806,857	\$ 22,673,717	\$ 296,538,536

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Note 10: Long-Term Liabilities

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 to 4.05%	2025	1,625,000	-	-	1,625,000	-
2007	A	4.00 to 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% to 2.55%	2016	885,000	-	290,000	595,000	295,000
2010	B	4.25% to 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 issue								
Total bonds and notes payable including unamortized premium				<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>
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-term liabilities				3,645,045	-	62,000	3,583,045	-
Net pension liability				-	153,209,200	38,195,468	115,013,732	-
Total other obligations				<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 long-term debt and 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>

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Long-term debt and other obligations consist of the following as of June 30, 2014:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2013	Additions	Reductions	Ending Balance June 30, 2014	Current Portion
Auxiliary Enterprise System								
Revenue Bonds								
1988 Note Payable		3%	2018	\$ 855,793	\$ -	\$ 161,120	\$ 694,673	\$ 165,990
2005	A	2.75 to 4.05%	2025	1,625,000	-	-	1,625,000	-
2007	A	4.00 to 5.00%	2032	50,515,000	-	1,730,000	48,785,000	1,800,000
2010	A	1.00%-2.55%	2016	2,925,000	-	710,000	2,215,000	720,000
2010	B	4.25%-6.25%	2036	20,565,000	-	-	20,565,000	-
2010	C	1%-2.8%	2017	15,270,000	-	3,170,000	12,100,000	2,925,000
2014	A	.5%-4.2%	2036	-	39,405,000	-	39,405,000	910,000
				<u>91,755,793</u>	<u>39,405,000</u>	<u>5,771,120</u>	<u>125,389,673</u>	<u>6,520,990</u>
MOHEFA Bonds								
2010	A	.3% to 2.55%	2016	1,170,000	-	285,000	885,000	290,000
2010	B	4.25% to 6.25%	2036	8,235,000	-	-	8,235,000	-
2012	DNR	0%	2015	49,236	-	31,416	17,820	17,820
2012	DNR	2%	2021	958,000	-	-	958,000	245,491
2013	DNR	0%	2017	40,907	-	11,123	29,784	11,177
				<u>102,208,936</u>	<u>39,405,000</u>	<u>6,098,659</u>	<u>135,515,277</u>	<u>7,085,478</u>
Total bonds and notes payable								
				<u>985,896</u>	<u>-</u>	<u>85,691</u>	<u>900,205</u>	<u>82,701</u>
Unamortized premium on bond issue								
Total bonds and notes payable including unamortized premium				<u>103,194,832</u>	<u>39,405,000</u>	<u>6,184,350</u>	<u>136,415,482</u>	<u>7,168,179</u>
Compensated absences				10,344,293	6,187,999	6,024,366	10,507,926	5,395,939
Capital lease obligations		1.87%	2,020	8,001,594	-	1,028,059	6,973,535	941,712
Other long-tem liabilities				3,600,045	45,000	-	3,645,045	-
				<u>21,945,932</u>	<u>6,232,999</u>	<u>7,052,425</u>	<u>21,126,506</u>	<u>6,337,651</u>
Total other obligations								
Total long-term debt and other obligations				<u>\$ 125,140,764</u>	<u>\$ 45,637,999</u>	<u>\$ 13,236,775</u>	<u>\$ 157,541,988</u>	<u>\$ 13,505,830</u>

The University has bonds, notes and capital lease obligations due in the total amount of \$157,855,371 and \$142,488,812 as of June 30, 2015 and 2014, respectively. At June 30, 2015, these bonds and notes bear interest at rates ranging from 0% to 6.25% annually and mature at various dates through fiscal year 2039. The notes payable and revenue bonds are payable, both as to principal and interest, solely and only out of net income arising from the operation of the various revenue funds.

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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, 2015 and 2014, 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.

Defeased Bonds

During 2003, Auxiliary System bonds, Series 1993A and 1993B of \$5,295,000 and \$14,235,000, respectively, and Classroom Building 1996 Bonds of \$5,155,000 were defeased. At June 30, 2015 and 2014, the current outstanding balance of these defeased bonds was \$990,000 and \$1,445,000, respectively.

In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds are not reflected on the statements of net position of the University.

During 2005, Auxiliary System bonds Series 1997A and 1999A of \$13,960,000 and \$16,835,000, respectively, were defeased. At June 30, 2015 and 2014, the current outstanding balance of these defeased bonds was \$12,505,000 and \$15,285,000, respectively.

2010 Revenue Bonds

On July 30, 2010, the University issued Auxiliary Enterprise System Revenue Bonds in the principal amount of \$46,370,000 in Tax-Exempt and Build America Bonds for additions and improvements to the auxiliary enterprise system and the partial refunding of the 2005A Series Bonds. The refunding portion of this issue was \$21,485,000. Build America Bonds issued were in the amount of \$20,565,000 and Tax-Exempt Bonds issued were in the amount of \$25,805,000. Projects funded by these bonds included the following:

- Construction of the Bill R. Foster and Family Recreation Center on the Springfield campus
- Construction of a multipurpose recreation center on the West Plains campus, which will be constructed as a storm shelter
- Residence hall life safety upgrades to three residence halls on the Springfield campus
- Miscellaneous capital improvements to certain residential facilities on the Springfield campus

2010 MOHEFA Bonds

On July 30, 2010, the University issued bonds through the Missouri Health and Educational Facilities Authority (MOHEFA) in the principal amount of \$10,220,000 in Tax-Exempt and Build America Bonds for the acquisition, renovation and improvement of various health and educational facilities of the University. Build America Bonds issued were in the amount of \$8,235,000 and Tax-Exempt Bonds issued were in the amount of \$1,985,000. Projects funded by these bonds included the following:

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- Construction of an educational building for the Darr Agricultural Center
- Renovation of Looney Hall (West Plains campus) to return it to use exclusively as an academic facility
- Construction of an animal research compliance facility (Springfield campus) to properly house animals needed for research on campus
- An addition to the Physical Therapy Building, the McQueary Family Health Sciences Hall
- Renovations to various academic buildings on the Springfield campus
- Other miscellaneous capital improvements to academic facilities on the Springfield and West Plains campuses

2014 Revenue Bonds

On February 27, 2014, the University issued Auxiliary Enterprise System Revenue bonds in the principal amount of \$39,405,000. Projects to be funded by these bonds included the following:

- Renovations to Kentwood Hall, Hammons House, Hutchens House and Sunvilla Tower
- Construction of a new outdoor track, sand volleyball courts, and soccer, lacrosse and field hockey fields
- Renovations to Robert W. Plaster Stadium including replacement of the turf playing surface and replacement of the student section bleachers

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.

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The principal and interest requirements on notes and bonds payable to maturity at June 30, 2015, are as follows:

	Principal	Interest	Total
2016	\$ 8,145,862	\$ 5,579,265	\$ 13,725,127
2017	8,205,063	5,516,855	13,721,918
2018	8,405,957	5,294,929	13,700,886
2019	6,402,460	5,066,129	11,468,589
2020	6,569,206	4,854,280	11,423,486
2021-2025	35,070,000	20,426,672	55,496,672
2026-2030	37,600,000	13,270,485	50,870,485
2031-2035	32,610,000	5,578,121	38,188,121
2036-2039	8,815,000	661,251	9,476,251
	\$ 151,823,548	\$ 66,247,987	\$ 218,071,535

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2015 and 2014, totaled \$6,411,186 and \$7,062,212, respectively, net of accumulated depreciation of \$5,627,466 in 2015 and \$5,044,631 in 2014.

The following is a schedule by year of future minimum lease payments under the capital leases including interest at the rate of 4.31% together with the present value of the future minimum lease payments as of June 30, 2015:

2016	\$ 1,072,117
2017	1,072,117
2018	1,072,117
2019	1,072,117
2020	1,072,117
2021	1,072,115
Total minimum lease payments	6,432,700
Less amount representing interest	400,877
Present value of future minimum lease payments	\$ 6,031,823

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Foundation Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2020. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2015, is as follows:

2016	\$	662,323
2017		211,879
2018		95,249
2019		79,785
2020		35,917

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, 2015 and 2014, is summarized as follows:

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	2015	2014
Condensed Statements of Net Position		
Assets		
Current assets	\$ 33,761,030	\$ 49,440,379
Noncurrent assets	238,892,542	231,942,981
Total assets	272,653,572	281,383,360
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	5,790,329	498,151
278,443,901	278,443,901	281,881,511
Liabilities		
Current liabilities	17,596,765	24,693,963
Long-term liabilities	129,879,061	121,645,280
Total liabilities	147,475,826	146,339,243
Deferred Inflows of Resources		
Total liabilities and deferred inflows of resources	3,443,381	-
150,919,207	150,919,207	146,339,243
Net Position		
Net investment in capital assets	113,667,051	104,274,862
Unrestricted	13,857,643	31,267,406
Total net position	\$ 127,524,694	\$ 135,542,268
	2015	2014
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	\$ 57,752,857	\$ 54,142,970
Operating expenses	10,034,821	8,289,420
Depreciation	47,852,858	46,841,618
All other operating expenses	57,887,679	55,131,038
Total operating expenses	57,887,679	55,131,038
Operating income	(134,822)	(988,068)
Nonoperating revenues (expenses)	(296,550)	2,693,849
Excess (deficiency) of revenues over expenses	(431,372)	1,705,781
Transfer from other University units	6,510,568	6,379,000
Total	6,079,196	8,084,781
Increase in Net Position	6,079,196	8,084,781
Net Position, Beginning of Year, as Previously Reported	135,542,268	127,457,487
Cumulative Effect of Change in Accounting Principle	(14,096,770)	
Net Position, Beginning of Year, as Restated	121,445,498	
Ending Net Position	\$ 127,524,694	\$ 135,542,268

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Note 12: Capital Assets

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>

Capital asset activity for the year ended June 30, 2014, was as follows:

	2014				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 33,791,093	\$ 350,000	\$ -	\$ -	\$ 34,141,093
Infrastructure	49,070,395	-	-	-	49,070,395
Buildings	509,732,185	-	-	24,112,382	533,844,567
Furniture, fixtures and equipment	50,362,157	1,977,048	(654,821)	13,759	51,698,143
Library materials	55,150,727	2,209,584	-	-	57,360,311
Capitalized collections	434,077	92,000	-	-	526,077
Construction in progress	16,241,045	38,463,844	(317)	(24,126,141)	30,578,431
	<u>714,781,679</u>	<u>43,092,476</u>	<u>(655,138)</u>	<u>-</u>	<u>757,219,017</u>
Less accumulated depreciation					
Infrastructure	23,696,761	2,834,008	-	-	26,530,769
Buildings	175,404,370	14,007,641	-	-	189,412,011
Furniture, fixtures and equipment	36,968,002	3,640,921	(613,899)	-	39,995,024
Library materials	42,832,736	2,159,729	-	-	44,992,465
Capitalized collections	311,654	31,418	-	-	343,072
Total accumulated depreciation	<u>279,213,523</u>	<u>22,673,717</u>	<u>(613,899)</u>	<u>-</u>	<u>301,273,341</u>
Net capital assets	<u>\$ 435,568,156</u>	<u>\$ 20,418,759</u>	<u>\$ (41,239)</u>	<u>\$ -</u>	<u>\$ 455,945,676</u>

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2015 and 2014

Note 13: 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.

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.

Construction Commitments

The University has outstanding commitments for various construction contracts of approximately \$17.4 million at June 30, 2015.

Note 14: Subsequent Event

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 located in Springfield, Missouri, including: (i) renovations and improvements to the David D. Glass Hall, home to the University's College of Business, including construction of an approximately 37,000 square foot addition, the Robert Gourley Student Success Center and (ii) miscellaneous capital improvements to academic facilities on the Springfield campus.

Required Supplementary Information

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

University's proportion of the net pension liability	4.8780%
University's proportionate share of the net pension liability	\$ 115,013,732
University's covered-employee payroll	\$ 93,529,298
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.97%
Plan fiduciary net position as a percentage of the total pension liability	79.49%

* The amounts presented for June 30, 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 of Contributions –
Missouri State Employees’ Retirement System
June 30, 2015

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 16,296,821	\$ 15,920,447
Contributions in relation to the contractually required contribution	<u>16,296,821</u>	<u>15,920,447</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
University’s covered-employee payroll	\$ 96,031,717	\$ 93,529,298
Contributions as a percentage of covered-employee payroll	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 year ended June 30, 2014.

Changes of Assumptions

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, 2015

	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Actuarial valuation date	July 1, 2013	July 1, 2013	July 1, 2012
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial accrued liability	\$ 8,658,000	\$ 8,655,000	\$ 12,069,000
Actuarial value of assets	-	-	-
Total unfunded actuarial liability	<u>\$ 8,658,000</u>	<u>\$ 8,655,000</u>	<u>\$ 12,069,000</u>
Funded ratio	0.00%	0.00%	0.00%
Annual coverage payroll	\$ 109,346,000	\$ 105,135,000	\$ 111,675,000
Ratio of unfunded actuarial liability to covered payroll	7.92%	8.23%	10.81%
Participant summary			
Active employees	2,125	2,125	2,086
Retirees	101	101	112
Spouses of retirees	<u>27</u>	<u>27</u>	<u>29</u>
Total	<u>2,253</u>	<u>2,253</u>	<u>2,227</u>

Actuarial assumptions:

UAAL amortization method	Level % of Pay
UAAL amortization period, closed/open	30 years, open
Investment return (discount) rate	4.50%

	Medical/Rx/Stop Loss	Admin
2015-2016	8.5%	5.0%
2016-2017	8.0%	5.0%
2017-2018	7.5%	5.0%
2018-2019	7.0%	5.0%
2019-2020	6.5%	5.0%
2020-2021	6.0%	5.0%
2021-2022	5.5%	5.0%
2022-2023	5.0%	5.0%
2023 and beyond	5.0%	5.0%

Supplementary Information

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	<u>17,394,151</u>	<u>(411,505)</u>	<u>16,982,646</u>
Net Position, Beginning of Year, as Previously Reported	431,401,614	22,009,223	453,410,837
Cumulative Effect of Change in Accounting Principle	<u>(131,000,928)</u>	<u>(6,287,825)</u>	<u>(137,288,753)</u>
Net Position, Beginning of Year, as Restated	<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>

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2014

Condensed Statements of Net Position

	Springfield	West Plains	Total
Assets			
Current assets	\$ 120,977,648	\$ 6,812,513	\$ 127,790,161
Noncurrent assets	506,127,324	17,154,596	523,281,920
Total assets	<u>627,104,972</u>	<u>23,967,109</u>	<u>651,072,081</u>
Deferred Outflows of Resources	<u>527,481</u>	<u>-</u>	<u>527,481</u>
Liabilities			
Current liabilities	53,487,590	664,977	54,152,567
Long-term liabilities	142,743,249	1,292,909	144,036,158
Total liabilities	<u>196,230,839</u>	<u>1,957,886</u>	<u>198,188,725</u>
Net Position			
Net investment in capital assets	297,249,217	15,834,924	313,084,141
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	12,498,517	21,751	12,520,268
Unrestricted	<u>121,454,118</u>	<u>6,152,548</u>	<u>127,606,666</u>
Total net position	<u>\$ 431,401,614</u>	<u>\$ 22,009,223</u>	<u>\$ 453,410,837</u>

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

Operating Revenues	<u>\$ 186,904,694</u>	<u>\$ 3,413,502</u>	<u>\$ 190,318,196</u>
Operating Expenses			
Depreciation	21,998,501	675,216	22,673,717
All other operating expenses	260,154,162	13,710,657	273,864,819
Total operating expenses	<u>282,152,663</u>	<u>14,385,873</u>	<u>296,538,536</u>
Operating Income (Loss)	(95,247,969)	(10,972,371)	(106,220,340)
Nonoperating Revenues	110,952,774	10,741,782	121,694,556
Nonoperating Expenses	<u>(4,909,730)</u>	<u>-</u>	<u>(4,909,730)</u>
Excess (Deficiency) of Revenues Over Expenses	10,795,075	(230,589)	10,564,486
Transfer from Other University Units	<u>(108,987)</u>	<u>108,987</u>	<u>-</u>
Increase (Decrease) in Net Position	10,686,088	(121,602)	10,564,486
Beginning Net Position	<u>420,715,526</u>	<u>22,130,825</u>	<u>442,846,351</u>
Ending Net Position	<u>\$ 431,401,614</u>	<u>\$ 22,009,223</u>	<u>\$ 453,410,837</u>

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Federal Student Aid Cluster				
Federal Pell Grant Program	U.S. Department of Education			
	Springfield Campus	84.063		\$ 25,892,651
	West Plains Campus	84.063		<u>4,620,256</u>
				<u>30,512,907</u>
Federal Work-Study Program	U.S. Department of Education			
	Springfield Campus	84.033		445,051
	West Plains Campus	84.033		<u>46,280</u>
				<u>491,331</u>
Federal Supplemental Educational Opportunity Grants	U.S. Department of Education			
	Springfield Campus	84.007		426,750
	West Plains Campus	84.007		<u>67,170</u>
				<u>493,920</u>
Federal Perkins Loan Program	U.S. Department of Education			
	Springfield Campus	84.038		<u>630,810</u>
Federal Direct Student Loans	U.S. Department of Education			
	Springfield Campus	84.268		92,564,242
	West Plains Campus	84.268		<u>2,966,916</u>
				<u>95,531,158</u>
Teacher Education Assistance for College and Higher Education (TEACH) Grants	U.S. Department of Education			
	Springfield Campus	84.379		<u>187,789</u>
	Total Federal Student Aid Cluster			<u>127,847,915</u>

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Research and Development				
Agricultural Research-Basic and Applied Research	U.S. Department of Agriculture	10.001		\$ 3,603
Agriculture and Food Research Initiative (AFRI)	U.S. Department of Agriculture	10.310		50,251
National Park Service	U.S. Department of the Interior/CESU	15.DAV	J6370-08-0436	3,848
	U.S. Department of the Interior/CESU	15.DAV	P11AC60519	58,439
Wildland Fire Research and Studies Program	U.S. Department of the Interior	15.232		166
State Wildlife Grants	U.S. Department of the Interior, Fish & Wildlife Service/OK Dept. of Wildlife Conservation	15.634	F13AF01189	24,490
	U.S. Department of the Interior, Fish & Wildlife Service/AR Game & Fish Commission	15.634	E-15-14	17,408
	U.S. Department of the Interior, Fish & Wildlife Service/IL Department of Natural Resources	15.634	RC14U1R1	57,751
Service Training and Technical Assistance (Generic Training)	U.S. Department of the Interior, Fish & Wildlife Service	15.649		28,715
Research Grants (Generic)	U.S. Department of the Interior, Fish & Wildlife Service	15.650		7,339
U.S. Geological Survey - Research and Data Collection	U.S. Department of the Interior	15.808		20,265
Historic Preservation Fund Grants-In-Aid	U.S. Department of the Interior/Oklahoma Historical Society	15.904	12-405	<u>(13)</u>
	Total forward, Research and Development			272,262

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
	Total forward, Research and Development			\$ 272,262
Research and Development (Continued)				
Engineering Grants	National Science Foundation	47.041		178,837
Mathematical and Physical Sciences	National Science Foundation	47.049		77,283
	National Science Foundation/University of Wisconsin Stevens Point	47.049	CHE-1306284	17,756
	National Science Foundation/The Mathematical Association of America	47.049	DMS-0846477	1,267
Education and Human Resources	National Science Foundation	47.076		1,600,906
Nonpoint Source Implementation Grants	Environmental Protection Agency/Missouri Department of Natural Resources	66.460	G11-NPS-05	22,502
	Environmental Protection Agency/Missouri Department of Natural Resources	66.460	None	37,200
Office of Science Financial Assistance Program	U.S. Department of Energy/Carnegie Institute of Washington	81.049	4-10114-05	22,248
Cancer Treatment Research	U.S. Department of Health and Human Services/National Institutes of Health	93.395		70,564
Allergy and Infectious Diseases Research	U.S. Department of Health and Human Services/National Institutes of Health	93.855		65,288
Contract	U.S. Army Corps of Engineers/SCI Engineering	None	W912P9-13- T-7123	9,954
Contract	U.S. Army Corps of Engineers/David Miller & Associates	None	W912DQ-08-D- 0029-0010	5,959
Contract	U.S. Department of Agriculture/American Forest Foundation	None	None	145
Contract	U.S. Department of Defense	None		329,971
Contract	U.S. Department of Defense/CFD Research Corporation	None	9169	5,535
Contract	U.S. Department of Housing & Urban Development/MO DED through Chadwick R-I	None	None	14,074
Contract	U.S. Department of Justice	None		14,865
Contract	National Park Service/Missouri Department of Natural Resources	None	None	<u>22,298</u>
	Total Research and Development Cluster			<u>2,768,914</u>

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Highway Planning and Construction Cluster				
Highway Planning and Construction	U.S. Department of Transportation/Missouri Department of Transportation	20.205	SPR1527S	\$ 57,087
	U.S. Department of Transportation/Missouri Department of Transportation	20.205	DP-5927(804)	249,058
	U.S. Department of Transportation/Missouri Department of Transportation	20.205	DP-5938(802)	223,460
	U.S. Department of Transportation/University of Illinois	20.205	2011-05776-22	<u>23,861</u>
	Total Highway Planning and Construction Cluster			<u>553,466</u>
Special Education Cluster (IDEA) Special Education Grants to States	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.027A	None	<u>553,645</u>
	Total Special Education Cluster (IDEA)			<u>553,645</u>
TRIO Cluster				
TRIO - Student Support Services	U.S. Department of Education	84.042A		486,973
TRIO - Upward Bound	U.S. Department of Education	84.047A		<u>261,309</u>
	Total TRIO Cluster			<u>748,282</u>
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	U.S. Department of Health and Human Services/Missouri Department of Elementary and Secondary Education	93.596	None	<u>19,856</u>
	Total CCDF Cluster			<u>19,856</u>

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Plant and Animal Disease, Pest Control and Animal Care	U.S. Department of Agriculture	10.025		\$ 34,984
Specialty Crop Block Grant Program-Farm Bill	U.S. Department of Agriculture/ MO Dept of Agriculture	10.170	12-25-B-1680	50,136
	U.S. Department of Agriculture/ MO Dept of Agriculture	10.170	14-SCBGP- MO-0018	12,165
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	U.S. Department of Agriculture	10.326		416,197
	U.S. Department of Agriculture/SEMO State University	10.326	12-099-S	2,649
Child and Adult Care Food Program	U.S. Department of Agriculture/Missouri Department of Health and Senior Services	10.558	ERS46110-867	15,798
Rural Business Enterprise Grants	U.S. Department of Agriculture	10.769		15,511
Community Development Block Grants/Entitlement Grants	U.S. Department of Housing and Urban Development/Marshfield Senior Center	14.218	None	7,579
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	U.S. Department of Housing and Urban Development/Missouri Department of Economic Development/Greene County	14.228	2008-DI-57	19,670
Cooperative Endangered Species Conservation Fund	U.S. Department of the Interior/Kansas Dept. of Wildlife	15.615	E-28-R-1	11,940
	U.S. Department of the Interior/Kansas Dept. of Wildlife	15.615	E-29	1,281
	U.S. Department of the Interior/Oklahoma Dept. of Wildlife	15.615	F11AP00447	17,586
Natural Resource Damage Assessment, Restoration and Implementation	U.S. Department of the Interior, Fish & Wildlife Service	15.658		1,361
National Trails System Projects	U.S. Department of the Interior, National Park Service	15.935		6,857
Natural Resource Stewardship	U.S. Department of the Interior, National Park Service	15.944		<u>197,043</u>
	Total forward			810,757

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
	Total forward			\$ 810,757
Second Chance Act Reentry Imitative	U.S. Department of Justice/St. Louis Agency on Training and Employment	16.812	498-14	24,512
Reintegration of Ex-Offenders	U.S. Department of Labor/St. Louis Agency on Training and Employment	17.270	468-14	12,500
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	U.S. Department of Labor	17.282	TC-24973- 13-60-A-29	548,092
Public Diplomacy Programs	Department of State	19.040	S-TD550-14- GR-006	77
Low-Income Taxpayer Clinics	U.S. Department of the Treasury	21.008		24,026
Aerospace Education Services Program	National Aeronautics and Space Administration/University of Missouri-Rolla	43.001	00029558-01	59,704
Aerospace Education Services Program	National Aeronautics and Space Administration/ University of Missouri-Rolla	43.008	NNX13AE52A	164,398
	University of Missouri-Rolla	43.008	00039711-04	12,462
Promotion of the Humanities Federal/State Partnership	National Endowment for the Humanities/ MO Humanities Council	45.129	1805	1,064
Grants to States	Institute of Museum and Library Services/ MO State Library	45.310	2015-LCE4- SHMC4CN4-7793	1,106
Small Business Development Centers	Small Business Administration/ University of Missouri - Columbia	59.037	C00048775-2	135,611
	Small Business Administration/ University of Missouri - Columbia	59.037	E00042414-7	66,660
Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements	Environmental Protection Agency/ Missouri Department of Natural Resources	66.436	None	77,735
Water Quality Cooperative Agreements	Environmental Protection Agency/ OK State University	66.463	AA-5-48413	(5,190)
	Environmental Protection Agency/ OK State University	66.463	AA-5-57855	30,834
	Total forward			<u>1,964,348</u>

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
	Total forward			\$ 1,964,348
State Energy Program	U.S. Department of Energy	81.041		724,864
Adult Education - Basic Grants to States	U.S. Department of Education	84.002A		38,489
Migrant Education - State Grant Program	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.011	None	807,722
Migrant Education - State Grant Program	U.S. Department of Education/Missouri Department of Elementary and Secondary Education	84.011A	None	78,701
Higher Education - Institutional Aid	U.S. Department of Education	84.031A		371,238
Fund for the Improvement of Postsecondary Education	U.S. Department of Education, Office of Postsecondary Education	84.116G		40
Child Care Access Means Parents in School	U.S. Department of Education	84.335A		2,220
Improving Teacher Quality State Grants	U.S. Department of Education/ National Writing Project	84.367	08-MO07- SEED2012	10,972
	U.S. Department of Education/MO Department of Higher Education & University of Missouri	84.367	C00045121-2	15,000
Improving Teacher Quality State Grants	U.S. Department of Education	84.367A		123
Improving Teacher Quality State Grants	U.S. Department of Education/ MO Department of Higher Education	84.367B	ITQG-Cycle 11	34,649
	MO Department of Higher Education	84.367B	ITQG-Cycle 12	345,043
	MO Department of Higher Education	84.367B	ITQG-Cycle 13	25,423
	Total forward			4,418,832

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
	Total forward			\$ 4,418,832
Investing in Innovation (i3) Fund	U.S. Department of Education/ University of CA/National Writing Project	84.411B	08-MO07-i32013	228,838
	U.S. Department of Education/ National Writing Project	84.411B	08-MO07- i3DP2015	4,355
National Writing Project	U.S. Department of Education/University of California/NWP	84.928	08-MO07- FEDSCORE	743
Enhance Safety of Children Affected by Substance Abuse	U.S. Department of Health and Human Services/Alternative Opportunities	93.087	None	24,042
Area Health Education Centers Model Programs	U.S. Department of Health and Human Services/KCOM	93.107	None	72,269
Oral Diseases and Disorders Research	U.S. Department of Health and Human Services/NIH	93.121		113,604
Nurse Anesthetist Traineeships	U.S. Department of Health and Human Services	93.124		27,337
Affordable Care Act (ACA) Abstinence Education Program	U.S. Department of Health and Human Services/ Missouri Department of Health and Senior Services	93.235	AOC14380021	271,698
Universal Newborn Hearing Screening	U.S. Department of Health and Human Services/ Missouri Department of Health and Senior Services	93.251	AOC15380203	78,043
Child Welfare Research Training or Demonstration	U.S. Department of Health and Human Services/University at Albany SUNY	93.648	1113708- 15-66158	105,256
Foster Care - Title IV-E	U.S. Department of Health and Human Services/Missouri Department of Social Services	93.658	AOC11380042	<u>26,187</u>
	Total forward			5,371,204

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
	Total forward			\$ 5,371,204
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	U.S. Department of Health and Human Services/ MO Department of Health and Human Services	93.758	AOC15380203	99,998
Social Innovation Fund	Corporation for National and Community Service/Ozarks Regional YMCA	94.019	None	4,460
Hazard Mitigation Grant (B)	Department of Homeland Security/State Emergency Management Agency	97.039	None	430
	Department of Homeland Security/State Emergency Management Agency	97.039	EMK-2015-PC-002	23,521
	Department of Homeland Security/State Emergency Management Agency	97.039	DR-1980-MO	121,162
Pre-Disaster Mitigation	Department of Homeland Security/SEMA	97.047	DR-MO-1736	6,696
Homeland Security Grant Program	Department of Homeland Security/Office of Homeland Security	97.067	AOC11380125	208
Homeland Security Grant Program	Department of Homeland Security/State Emergency Management Agency (SEMA)	97.067	EMW-2012-SS-00023-S01-014-5486	9,282
Homeland Security Grant Program	Department of Homeland Security/State Emergency Management Agency (SEMA)	97.067	EMW-2014-SS-0002-S01-010	102,849
Homeland Security Grant Program Agreement	Department of Homeland Security/State Emergency Management Agency (SEMA)	97.067	EMW-2013-SS-0023-5760	70,872
	U.S. Department of Agriculture/Forest Service	None	14-CS-11090500-023	55,358
	U.S. Army Corps of Engineers/HNTB Corp	None	Task Order 3/ W912DQ-14-D-1000	19,180
	U.S. Army Corps of Engineers/Statistical Engineers	None	13ST06 (SRI)	16,501
	The Presidio Trust	None	PT-2014-CA-001	6,738
				<u>5,908,459</u>
				<u>\$ 138,400,537</u>

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Notes to Schedule

1. This schedule includes the federal awards activity of Missouri State University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, Missouri State University provided federal awards to subrecipients as follows:

Missouri State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Program	CFDA Number	Subrecipient	Amount Provided
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	Truman State University	\$ 74,686
		Northwest Missouri State University	22,494
		University of Central Missouri	26,037
			<u>123,217</u>
Service Training and Technical Assistance (Generic Training)	15.649	East Carolina University	<u>5,071</u>
Aerospace Education Services Program	43.008	Washington University	<u>48,549</u>
Engineering Grants	47.041	University of Massachusetts	<u>114,473</u>
Education and Human Resources	47.076	Arkansas Tech University	39,419
		Central Lakes College	65,944
		Highland Community College	81,783
		Kent State University	58,502
		Michigan State University	163,209
		Niagara County Community College	71,886
		Northeast Iowa Community College	56,710
		Northeast Wisconsin Technical College	62,571
		Northern New Mexico College	63,806
		Redlands Community College	25,429
		Rend Lake College	96,047
		Sonoma State University	61,933
		Surry Community College	64,018
		Texas State Technical College	70,051
Umpqua Community College	21,039		
Yakima Valley Community College	45,386		
		<u>1,047,733</u>	
Migrant Education - State Grant Program	84.011A	McDonald County R-1 School District	<u>33,363</u>
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	Indiana University	<u>34,153</u>
Allergy and Infectious Diseases Research	93.855	Oklahoma State University	<u>42,092</u>
			<u>\$ 1,448,651</u>

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

Board of Governors
Missouri State University
Springfield, Missouri

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component unit of Missouri State University (the "University"), which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 1, 2015, which contained an "Emphasis of Matter" paragraph regarding a change in accounting principles. The financial statements of Missouri State University Foundation, which are included in the University's financial statements as a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Board of Governors
Missouri State University

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Springfield, Missouri
December 1, 2015

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

Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

Report on Compliance for Each Major Federal Program

We have audited the compliance of Missouri State University with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Missouri State University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Governors
Missouri State University

Opinion on Each Major Federal Program

In our opinion, Missouri State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Missouri State University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Springfield, Missouri
December 1, 2015

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Summary of Auditor's Results

1. The opinion expressed in the independent auditor's report was:
 Unmodified Qualified Adverse Disclaimer

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

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

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

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

Significant deficiency(ies)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Material weakness(es)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

5. The opinions expressed in the independent auditor's report on compliance for major federal awards were:
 Unmodified Qualified Adverse Disclaimer

6. The audit disclosed findings required to be reported by OMB Circular A-133?
 Yes No

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for Higher Education (TEACH) Grants	84.379
Highway Planning & Construction Cluster	
Highway Planning and Construction	20.205
Migrant Education, State Grant Program	84.011
Higher Education - Institutional Aid	84.031A

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.

9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

Yes

No

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
No matters are reportable.		

Missouri State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Missouri State University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Summary of Finding	Status
2014-001	U.S. Department of Education Student Financial Assistance Cluster Federal Supplemental Education Opportunity Grants CFDA Number 84.007 Federal Work Study Program CFDA Number 84.033 Federal Perkins Loan Program CFDA Number 84.038 Federal Pell Grant Program CFDA Number 84.063 Federal Direct Student Loans CFDA Number 84.268 Teacher Education Assistance for College and Higher Education (TEACH) Grants CFDA Number 84.379 Program Year 2013-2014	Resolved

Criteria or Specific Requirement - Cash Management

Condition - Federal funds drawn were in excess of what the University had posted to students' accounts.

Context - Out of a population of 58 draws during the year, a sample of six draws was selected for testing. Of the six draws tested, two were in excess of the amounts posted to student accounts.

Effect - Federal funds drawn were in excess of what the University posted to students' accounts for two individual draws.

Cause - There was a period of time when the University's normal drawdown procedures were altered to cover for a personnel change causing them to inadvertently draw additional federal funds.