

Missouri State University

A Component Unit of the State of Missouri

Independent Auditor's Report and Financial Statements

June 30, 2018 and 2017

Missouri State University
A Component Unit of the State of Missouri
June 30, 2018 and 2017

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Independent Auditor's Report

Board of Governors
Missouri State University
Springfield, Missouri

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Missouri State University (the "University"), collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Missouri State University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Missouri State University as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2018, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 a 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

BKD, LLP

Springfield, Missouri
November 28, 2018

Missouri State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2018 and 2017

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2018 and 2017, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Position, which presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the institution as of the end of the fiscal year, the Statement of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

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

Overview

Missouri State University is a comprehensive institution offering undergraduate and graduate programs, including the professional doctorate with an enrollment of over 26,000 students. The University educates students to be global citizen scholars committed to the public affairs mission. The University's Mission, Vision and Values are detailed on the following link:

<https://www.missouristate.edu/about/mission-statement.htm>.

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's 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, 2018, 2017 and 2016. 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 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective for fiscal year 2018 and established standards for the recognition of liabilities, deferred outflows and inflows of resources and expenses related to postemployment benefit plans other than pensions. Prior year financial statements contained herein have not been restated for the adoption of GASB Statement No. 75 because it was not practical to do so.

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 refunding and pension items required to be reported under 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 are those applicable to a future reporting period and include pension and OPEB items required to be reported under GASB Statement No. 68 and 75, respectively.

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, deferred outflows, liabilities, deferred inflows and net position at June 30, 2018, 2017 and 2016:

**Statements of Net Position
As of June 30, 2018, 2017 and 2016
(In Millions)**

	June 30, 2018	June 30, 2017	June 30, 2016
Current Assets	\$ 86.6	\$ 104.0	\$ 104.1
Noncurrent Assets	668.8	632.9	604.3
Deferred Outflows of Resources	<u>91.9</u>	<u>87.0</u>	<u>34.5</u>
Total Assets and Deferred Outflows of Resources	<u>847.3</u>	<u>823.9</u>	<u>742.9</u>
Current Liabilities	60.8	58.5	57.0
Noncurrent Liabilities	438.9	407.3	330.8
Deferred Inflows of Resources	<u>5.2</u>	<u>2.1</u>	<u>3.2</u>
Total Liabilities and Deferred Inflows of Resources	<u>504.9</u>	<u>467.9</u>	<u>391.0</u>
Net Position			
Net investment in capital assets	382.6	348.2	331.1
Restricted	15.9	16.2	16.5
Unrestricted	<u>(56.1)</u>	<u>(8.4)</u>	<u>4.3</u>
Total Net Position	<u>\$ 342.4</u>	<u>\$ 356.0</u>	<u>\$ 351.9</u>

Comparative Analysis of Fiscal Years 2018, 2017 and 2016

Current Assets – Current assets for Fiscal Year 2018 totaled \$86.6 million which is a decrease of \$17.4 million from Fiscal Year 2017 current assets of \$104.0 million. The decrease is primarily the result of restricted cash and restricted investments from bond proceeds in 2017 spent on the capital projects in 2018. Current assets for Fiscal Year 2017 totaled \$104.0 million which is an increase of \$0.1 million from Fiscal Year 2016 current assets of \$104.1 million.

Noncurrent Assets – Noncurrent assets for Fiscal Year 2018 totaled \$668.8 million which is an increase of \$35.9 million from Fiscal Year 2017 noncurrent assets of \$632.9 million. Noncurrent assets for Fiscal Year 2017 totaled \$632.9 million which is an increase of \$28.6 million from Fiscal Year 2016 noncurrent assets of \$604.3 million. The increases are primarily due to an increase in long-term investments and increased construction in progress and/or capital assets.

Deferred Outflows of Resources – Deferred outflows of resources for Fiscal Year 2018 totaled \$91.9 million which is an increase of \$4.9 million from Fiscal Year 2017 deferred outflows of resources of \$87.0 million. The increase is the result of GASB 68 in the amount of \$4.4 million. Deferred outflows of resources for Fiscal Year 2017 totaled \$87.0 million which is an increase of \$52.5 million from Fiscal Year 2016 deferred outflows of resources of \$34.5 million. The increase was the result of GASB 68 in the amount of \$53.0 million.

Current Liabilities – Current liabilities for Fiscal Year 2018 totaled \$60.8 million which is an increase of \$2.3 million from Fiscal Year 2017 current liabilities of \$58.5 million. This increase is primarily attributable to an increase in accounts payable and unearned revenue offset by reduced current portion of bond payments. Current liabilities for Fiscal Year 2017 totaled \$58.5 million which is an increase of \$1.5 million from Fiscal Year 2016 current liabilities of \$57.0 million. This increase is primarily attributable to an increase in accounts payable and unearned revenue offset by reduced insurance claims payable.

Noncurrent Liabilities – Noncurrent liabilities for Fiscal Year 2018 totaled \$438.9 million which is an increase of \$31.6 million from Fiscal Year 2017 noncurrent liabilities of \$407.3 million. The increase is primarily the adoption of GASB Statements Nos. 68, 71 and 75 with an increase of the accrued pension liability of \$27.9 million and recording \$6.7 million for GASB 75, postemployment benefits. Noncurrent liabilities for Fiscal Year 2017 totaled \$407.3 million which is an increase of \$76.5 million from Fiscal Year 2016 noncurrent liabilities of \$330.8 million. The increase is primarily the adoption of GASB Statements Nos. 68 and 71 with an increase of the accrued pension liability of \$73.7 million.

Deferred Inflows of Resources – Deferred inflows of resources for Fiscal Year 2018 totaled \$5.2 million an increase of \$3.1 million from Fiscal Year 2017. This amount is related to the adoption of GASB Statements Nos. 68, 71 and 75. Deferred inflows of resources for Fiscal Year 2017 totaled \$2.1 million a decrease of \$1.1 million from Fiscal Year 2016. This amount is related to the adoption of GASB Statements Nos. 68 and 71.

Net Position – Net Position totaled \$342.4 million for Fiscal Year 2018, \$356.0 million for Fiscal Year 2017 and \$351.9 million for Fiscal Year 2016.

Overall, two significant noncash items have impacted the Fiscal Year 2018 and 2017 financial results. In order to reflect a comparable comparison of the change in net position on the Statements of Revenues, Expenses and Changes in Net Position, the following table adjusts for the two items:

Operating Results
Years Ended June 30, 2018, 2017 and 2016
(In Millions)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Increase in Net Position	\$ (7.00)	\$ 4.10	\$ 18.80
Noncash Items Impacting Results			
GASB 68 Unfunded Pension Expense (Note 7)	26.5	19.6	(0.2)
Return of Perkin Loans to Department of Education (Note 1)	2.2	-	-
Adjusted Increase in Net Position for Noncash Expenses	<u>\$ 21.70</u>	<u>\$ 23.70</u>	<u>\$ 18.60</u>

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, 2018, 2017 and 2016, are as follows:

Operating Results Years Ended June 30, 2018, 2017 and 2016 (In Millions)

	June 30, 2018	June 30, 2017	June 30, 2016
Operating Revenue			
Tuition and fees	\$ 170.7	\$ 161.6	\$ 158.2
Scholarship allowances	(37.9)	(34.6)	(34.1)
Net tuition and fees	132.8	127.0	124.1
Sales and services	16.8	14.0	18.0
Grants and contracts	29.4	30.4	30.0
Auxiliary enterprises	40.2	40.7	39.4
Other	4.3	4.1	3.9
Total Operating Revenues	223.5	216.2	215.4
Operating Expenses	362.2	346.4	323.6
Operating Loss	(138.7)	(130.2)	(108.2)
Nonoperating Revenue (Expenses)			
State appropriations	80.9	83.2	85.2
Federal grants and contracts	32.6	29.8	30.6
Loss on disposal/impairment of fixed assets	(0.7)	(1.4)	-
Other nonoperating expenses and losses	(2.2)	-	-
Gifts	8.8	8.4	8.0
Investment income	0.9	(0.5)	2.7
Interest on capital asset – related debt	(4.7)	(5.3)	(5.8)
Net Nonoperating Revenues	115.6	114.2	120.7
Capital Grants, Gifts and Appropriations	16.2	20.1	6.3
Increase in Net Position	(6.9)	4.1	18.8
Net Position, Beginning of Year, as Previously Reported	356.0	351.9	333.1
Cumulative Effect of Change in Accounting Principle	(6.7)	-	-
Net Position, Beginning of Year, as Restated	349.3	351.9	333.1
Net Position, End of Year	\$ 342.4	\$ 356.0	\$ 351.9

Comparative Analysis of Fiscal Years 2018, 2017 and 2016

Operating Revenues – Operating Revenues for Fiscal Year 2018 totaled \$223.5 million which is an increase of \$7.3 million from Fiscal Year 2017 operating revenues of \$216.2 million. The increase in operating revenues is caused primarily by tuition and fee rate increases in 2018. Operating revenues for Fiscal Year 2017 totaled \$216.2 million which is an increase of \$0.8 million from Fiscal Year 2016 operating revenues of \$215.4 million.

Nonoperating Revenues – Nonoperating Revenues for Fiscal Year 2018 totaled \$115.6 million which is an increase of \$1.4 million from Fiscal Year 2017 nonoperating revenues of \$114.2 million. Nonoperating Revenues for Fiscal Year 2017 totaled \$114.2 million which is a decrease of \$6.5 million from Fiscal Year 2016 nonoperating revenues of \$120.7 million. State appropriations were \$80.9 million, \$83.2 million and \$85.2 million for Fiscal Years 2018, 2017 and 2016, respectively.

Operating Expenses Years Ended June 30, 2018, 2017 and 2016

	June 30, 2018	June 30, 2017	June 30, 2016
Salaries	\$ 149.3	\$ 150.1	\$ 147.2
Benefits	81.7	70.4	49.4
Scholarships and fellowships	30.6	30.7	28.7
Utilities	7.5	7.0	6.9
Supplies and other services	66.2	62.3	65.4
Depreciation	26.9	25.9	26.0
	<u>362.2</u>	<u>346.4</u>	<u>323.6</u>
Total	<u>\$ 362.2</u>	<u>\$ 346.4</u>	<u>\$ 323.6</u>

Operating Expenses – Operating Expenses for Fiscal Year 2018 totaled \$362.2 million which is an increase of \$15.8 million from Fiscal Year 2017 operating expenses of \$346.4 million. Operating Expenses for Fiscal Year 2017 totaled \$346.4 million which is an increase of \$22.8 million from Fiscal Year 2016 operating expenses of \$323.6 million. The increase in 2018 and 2017 is primarily related to the adoption of GASB Statements Nos. 68 and 71 of \$26.5 million and \$19.8 million, respectively, and, an increased contribution rate in Fiscal Year 2018 for the MOSERS pension plan.

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, 2018, 2017 and 2016, are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash Provided By (Used In)			
Operating activities	\$ (79.8)	\$ (82.9)	\$ (83.8)
Noncapital financing activities	120.0	121.3	123.8
Capital and related financing activities	(51.6)	(28.2)	(31.5)
Investing activities	<u>(4.2)</u>	<u>(8.4)</u>	<u>(6.9)</u>
Increase (Decrease) in Cash and Cash Equivalents	(15.6)	1.8	1.6
Cash and Cash Equivalents, Beginning of Year	<u>63.1</u>	<u>61.3</u>	<u>59.7</u>
Cash and Cash Equivalents, End of Year	<u>\$ 47.5</u>	<u>\$ 63.1</u>	<u>\$ 61.3</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 2018 the University issued \$41.2 million of auxiliary enterprise system bonds which \$36.2 million was used to advance refund the 2005 and the majority of the 2014 series bonds. During Fiscal Year 2017 the University issued \$12.7 million of auxiliary system enterprise bonds. During Fiscal Year 2016 the University issued \$16.8 million of education bonds. At June 30, 2018, total bonds payable equaled \$161.3 million, total bonds payable equaled \$164.5 million as of June 30, 2017, and total bonds payable equaled \$160.5 million as of June 30, 2016.

The following table summarizes the construction in progress and capital assets, net as of June 30, 2018, 2017 and 2016.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Capital Assets			
Construction in progress	\$ 29.0	\$ 55.6	\$ 19.7
Capital assets, net	521.3	465.4	480.6

On June 30, 2018, the University had 26 construction projects in progress with costs totaling approximately \$29.0 million incurred to date. The project costs budgeted for these projects totals \$45.8 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
Intrsectn Imprv Broadmoor & Ks Expwy	\$ 367,500	\$ 245,361	\$ 122,139
Hammons Transitway	580,000	504,984	75,016
Hill Hall Renovation	11,001,423	9,723,800	1,277,623
Kentwood Elevator Reno	2,043,395	2,102,627	(59,232)
Greenwood Addition	1,400,000	975,593	424,407
Library Classroom Technology	28,000	4,652	23,348
Reno Professional Building	1,100,000	1,080,009	19,991
KOZK Fordland Reassign	3,369,160	507,483	2,861,677
KOZL Joplin Reassign	4,404,338	241,835	4,162,503
Boiler Replacement-Kentwood	180,000	172,552	7,448
Boiler Replacement-Morris Ctr	330,000	295,296	34,704
Woods House Reno	11,050,000	7,466,354	3,583,646
Plaster Ctr Mechanical	1,330,000	663,966	666,034
Temple Greenhouse Expansion	500,000	17,207	482,793
Hill Hall Technology	304,500	220,338	84,162
Einsteins Infill Glass	265,000	195,888	69,112
FY18 Prev Parking Mtnc	355,000	2,628	352,372
Hill Hall Exterior	495,000	158,715	336,285
NPHC Plots McDonald	384,917	62,080	322,837
Kemper Reno CNAS/COB	40,000	11,519	28,481
Mill Street Parking Lot	260,000	18,544	241,456
IPTV	600,000	181,061	418,939
Tent Theatre, Permanent Structure	51,750	52,502	(752)
Hass-Darr Hall Renovation	4,930,000	3,923,117	1,006,883
West Plains Amphitheatre	404,274	138,273	266,001
West Plains Stdt Life Residence Roof	19,000	19,483	(483)
	<u>\$ 45,793,257</u>	<u>\$ 28,985,867</u>	<u>\$ 16,807,390</u>

Per the TRULY AGREED TO AND FINALLY PASSED SENATE COMMITTEE SUBSTITUTE FOR HOUSE COMMITTEE SUBSTITUTE for House Bill No. 19 98th General Assembly, Missouri State University was appropriated \$18,925,377 from the Board of Public Buildings Bond Proceeds Fund (Various). As permitted expenditures are made on approved projects, the University submits monthly draws for reimbursement of such expenditures from the approved appropriation balance. As of June 30, 2018, the University had received \$18,925,375 for permitted expenditures.

Missouri State University
A Component Unit of the State of Missouri
Statements of Net Position
June 30, 2018 and 2017

Assets

	University 2018	University 2017	Component Unit Foundation 2018	Component Unit Foundation 2017
Current Assets				
Cash and cash equivalents	\$ 43,167,781	\$ 48,273,112	\$ 19,764,910	\$ 11,737,342
Restricted cash and cash equivalents	4,340,670	14,740,555	-	-
Short-term investments	9,905,195	10,000,000	11,176,598	9,740,484
Restricted short-term investments	272,355	3,501,421	-	-
Accounts receivable, net	17,699,620	12,563,582	5,881	5,675
Pledges receivable	-	-	5,330,939	6,933,388
Grants receivable	2,460,883	2,822,600	-	-
Accrued interest receivable - unrestricted	486,154	352,999	198,752	49,167
Inventories	5,587,307	9,080,623	-	-
Loans to students, net	-	507,366	-	-
Prepaid expenses	2,700,135	2,203,667	1,662,584	1,138,915
Assets for resale	-	-	123,126	203,126
	<u>86,620,100</u>	<u>104,045,925</u>	<u>38,262,790</u>	<u>29,808,097</u>
Total current assets				
Noncurrent Assets				
Pledges receivable, net	-	-	15,965,499	25,745,349
Restricted long-term investments	24,000,000	-	87,970,616	88,263,128
Investments held in trust	-	-	744,635	744,241
Other long-term investments	94,201,819	109,887,750	467,307	478,943
Loans to students, net	59,492	1,860,357	-	-
Due from Foundation	199,762	199,762	-	-
Construction in progress	28,985,867	55,558,593	362,044	-
Capital assets, net	521,295,466	465,424,228	933,588	1,246,344
	<u>668,742,406</u>	<u>632,930,690</u>	<u>106,443,689</u>	<u>116,478,005</u>
Total noncurrent assets				
Total assets				
	<u>755,362,506</u>	<u>736,976,615</u>	<u>144,706,479</u>	<u>146,286,102</u>

Deferred Outflows of Resources

Loss on refunding of bonds	3,595,217	3,049,200	-	-
Deferred outflows of resources related to pensions	88,295,306	83,925,503	-	-
	<u>91,890,523</u>	<u>86,974,703</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources				

See Notes to Financial Statements

Liabilities

	University 2018	University 2017	Component Unit Foundation 2018	Component Unit Foundation 2017
Current Liabilities				
Accounts payable and accrued expenses	\$ 16,981,647	\$ 15,426,004	\$ 3,301,916	\$ 2,903,649
Accrued compensated absences	5,378,837	5,448,591	-	-
Accrued payroll	5,756,301	5,736,234	-	-
Unearned revenue	20,272,865	17,143,475	21,547	-
Deposits	582,389	585,628	-	-
Accrued interest payable	1,574,492	1,889,115	-	-
Capital lease obligations - current	1,019,152	1,012,624	-	-
Revenue bonds payable - current	7,774,521	9,490,788	-	-
Annuity obligations - current	-	-	25,729	25,544
Insurance claims payable	1,424,000	1,806,848	-	-
Total current liabilities	<u>60,764,204</u>	<u>58,539,307</u>	<u>3,349,192</u>	<u>2,929,193</u>
Noncurrent Liabilities				
Accrued compensated absences	5,746,401	5,592,869	-	-
Annuity obligations	-	-	114,591	140,063
Capital lease obligations	5,570,553	6,589,705	-	-
Revenue bonds payable	156,875,582	158,725,104	-	-
Net pension liability	260,931,464	232,984,565	-	-
Total other postemployment benefits liability	9,819,805	3,420,000	-	-
Due to Missouri State University	-	-	199,762	199,762
Total noncurrent liabilities	<u>438,943,805</u>	<u>407,312,243</u>	<u>314,353</u>	<u>339,825</u>
Total liabilities	<u>499,708,009</u>	<u>465,851,550</u>	<u>3,663,545</u>	<u>3,269,018</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to other postemployment benefits	197,821	-	-	-
Deferred inflows of resources related to pensions	4,956,787	2,081,116	-	-
Total deferred inflows of resources	<u>5,154,608</u>	<u>2,081,116</u>	<u>-</u>	<u>-</u>
Net Position				
Net investment in capital assets	382,636,742	348,213,800	1,295,632	1,246,344
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	38,896,201	34,818,444
Other	-	-	19,297,345	18,996,024
Expendable				
Scholarships and fellowships	-	-	23,956,985	19,740,604
Loans	1,166,625	3,398,499	-	-
Capital projects	14,505,494	11,927,536	-	-
Debt service	-	687,812	-	-
Other	-	-	48,303,942	58,650,722
Unrestricted	<u>(56,118,211)</u>	<u>(8,408,757)</u>	<u>9,292,829</u>	<u>9,564,946</u>
Total net position	<u>\$ 342,390,412</u>	<u>\$ 356,018,652</u>	<u>\$ 141,042,934</u>	<u>\$ 143,017,084</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, 2018 and 2017

	University 2018	University 2017	Component Unit Foundation 2018	Component Unit Foundation 2017
Operating Revenues				
Student tuition and fees	\$ 170,737,851	\$ 161,600,673	\$ -	\$ -
Less scholarship allowances	(37,927,630)	(34,608,972)	-	-
Total net student tuition and fees	132,810,221	126,991,701	-	-
Sales and services of educational departments	16,846,379	13,964,539	-	-
Federal grants and contracts	12,124,303	12,096,695	-	-
State and local grants and contracts	10,531,089	11,455,959	-	-
Nongovernmental grants and contracts	6,711,983	6,904,958	-	-
Gifts and contributions	-	-	17,510,014	13,568,304
Auxiliary enterprises				
Residential life (net of scholarship allowances of \$7,613,288 in 2018 and \$6,928,395 in 2017)	28,250,292	27,957,750	-	-
Bookstore (net of scholarship allowances of \$1,959,627 in 2018 and \$2,075,911 in 2017)	797,764	2,150,427	-	-
Parking (net of scholarship allowances of \$375,641 in 2018 and \$379,898 in 2017)	1,892,948	2,165,712	-	-
Magers Health and Wellness Center	1,995,259	2,004,624	-	-
Athletics	4,944,741	4,709,613	-	-
Recreational facilities	1,534,020	954,500	-	-
Student Union	737,046	722,443	-	-
Other operating revenues	4,270,933	4,134,283	1,506,097	1,033,255
Total operating revenues	<u>223,446,978</u>	<u>216,213,204</u>	<u>19,016,111</u>	<u>14,601,559</u>
Operating Expenses				
Salaries	149,292,548	150,035,183	-	-
Benefits	81,728,100	70,434,813	-	-
Scholarships and fellowships	30,624,207	30,713,762	1,878,657	2,436,837
Utilities	7,467,202	7,008,919	140,986	140,540
Supplies and other services	66,208,358	62,324,175	3,404,728	3,706,081
Depreciation	26,892,052	25,854,143	90,451	90,451
Total operating expenses	<u>362,212,467</u>	<u>346,370,995</u>	<u>5,514,822</u>	<u>6,373,909</u>
Operating Income (Loss)	<u>(138,765,489)</u>	<u>(130,157,791)</u>	<u>13,501,289</u>	<u>8,227,650</u>
Nonoperating Revenues (Expenses)				
State appropriations	80,899,028	83,148,188	-	-
Federal grants and contracts	32,555,744	29,743,496	-	-
Gifts	8,807,876	8,380,289	-	-
Investment income (loss)	881,583	(455,579)	6,622,275	9,146,217
Interest on capital asset-related debt	(4,689,629)	(5,328,578)	-	-
Other nonoperating expenses and losses	(2,173,708)	-	(12,316,476)	(458,743)
Expenditures to Missouri State University	-	-	(8,807,876)	(8,380,289)
Gain (loss) on disposal of capital assets	(708,759)	(1,336,992)	-	-
Net nonoperating revenues (expenses)	<u>115,572,135</u>	<u>114,150,824</u>	<u>(14,502,077)</u>	<u>307,185</u>
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	<u>(23,193,354)</u>	<u>(16,006,967)</u>	<u>(1,000,788)</u>	<u>8,534,835</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, 2018 and 2017

	University 2018	University 2017	Component Unit Foundation 2018	Component Unit Foundation 2017
Other Revenues, Expenses, Gains or Losses				
Capital gifts	\$ 5,352,440	\$ 6,643,404	\$ (5,352,440)	\$ (6,643,404)
Capital grants and contracts	843,591	(80,097)	-	-
Capital appropriations	10,030,083	13,516,898	-	-
Additions to permanent endowments	-	-	4,379,078	3,783,361
	<u>16,226,114</u>	<u>20,080,205</u>	<u>(973,362)</u>	<u>(2,860,043)</u>
Increase (Decrease) in Net Position	<u>(6,967,240)</u>	<u>4,073,238</u>	<u>(1,974,150)</u>	<u>5,674,792</u>
Net Position, Beginning of Year, as Previously Reported	356,018,652	351,945,414	143,017,084	137,342,292
Cumulative Effect of Change in Accounting Principle	<u>(6,661,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>349,357,652</u>	<u>351,945,414</u>	<u>143,017,084</u>	<u>137,342,292</u>
Net Position, End of Year	<u><u>\$ 342,390,412</u></u>	<u><u>\$ 356,018,652</u></u>	<u><u>\$ 141,042,934</u></u>	<u><u>\$ 143,017,084</u></u>

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Tuition and fees	\$ 130,800,334	\$ 130,653,475
Sales and services of educational departments	16,846,379	13,964,539
Federal grants and contracts	12,486,020	11,926,073
State and local grants and contracts	10,531,089	11,455,959
Nongovernmental grants and contracts	6,711,983	6,904,958
Payments to suppliers	(98,977,901)	(100,615,487)
Payments to employees	(204,527,410)	(201,280,918)
Collections of loans to students	2,308,231	137,426
Auxiliary enterprise charges		
Residential Life	28,250,292	27,957,750
Bookstore	797,764	2,150,427
Parking	1,892,948	2,165,712
Magers Health and Wellness Center	1,995,259	2,004,624
Athletics	4,944,741	4,709,613
Recreational facilities	1,534,020	954,500
Student Union	737,046	722,443
Other receipts	3,888,085	3,260,862
	<u>(79,781,120)</u>	<u>(82,928,044)</u>
Net cash used in operating activities		
Noncapital Financing Activities		
State appropriations	80,899,028	83,148,188
Federal grants and contracts	32,555,744	29,743,496
Other expenses	(2,173,708)	-
Gifts and grants received for other than capital purposes	8,807,876	8,380,289
	<u>120,088,940</u>	<u>121,271,973</u>
Net cash provided by noncapital financing activities		
Capital and Related Financing Activities		
Cash received from disposal of capital assets	67,674	65,875
Purchase of capital assets	(8,543,659)	(5,996,223)
Construction in progress	(47,899,553)	(39,624,275)
Capital appropriations	10,030,083	13,516,898
Gifts and grants received for capital purposes	6,196,031	6,563,307
Principal paid on capital debt and leases	(45,378,582)	(9,679,411)
Proceeds from issuance of new debt	41,190,000	13,195,127
Interest paid on capital debt and lease	(7,233,260)	(6,230,478)
	<u>(51,571,266)</u>	<u>(28,189,180)</u>
Net cash used in capital and related financing activities		

Missouri State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Investing Activities		
Proceeds from sales and maturities of investments	\$ 43,255,997	\$ 40,000,000
Purchases of investments	(49,941,930)	(50,100,000)
Interest on investments	2,444,163	1,708,931
Net cash used in investing activities	<u>(4,241,770)</u>	<u>(8,391,069)</u>
Increase (Decrease) in Cash and Cash Equivalents	(15,505,216)	1,763,680
Cash and Cash Equivalents, Beginning of Year	<u>63,013,667</u>	<u>61,249,987</u>
Cash and Cash Equivalents, End of Year	<u>\$ 47,508,451</u>	<u>\$ 63,013,667</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 43,167,781	\$ 48,273,112
Restricted cash and cash equivalents	<u>4,340,670</u>	<u>14,740,555</u>
Total cash and cash equivalents	<u>\$ 47,508,451</u>	<u>\$ 63,013,667</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	\$ (138,765,489)	\$ (130,157,791)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	26,892,052	25,854,143
Changes in operating assets and liabilities		
Accounts receivable	(5,136,038)	2,026,920
Loans to students	2,308,231	137,426
Federal and state grants receivable	361,717	(170,622)
Inventories	3,493,316	(38,040)
Prepaid expenses	(496,468)	(124,537)
Accounts payable and accrued expenses	2,325,018	(406,054)
Accrued compensated absences	83,778	(23,283)
Accrued payroll	20,067	(211,275)
Unearned revenue	3,129,390	1,621,173
Deposits	(3,239)	13,681
Insurance claims payable	(382,848)	(873,421)
Total other postemployment benefits	(261,195)	-
Net other postemployment benefit	-	(160,045)
Deferred outflows of resources	(4,369,803)	(52,992,366)
Deferred inflows of resources	3,073,492	(1,070,355)
Net pension liability	<u>27,946,899</u>	<u>73,646,402</u>
Net Cash Used in Operating Activities	<u>\$ (79,781,120)</u>	<u>\$ (82,928,044)</u>
Noncash Investing, Capital and Financing Activities		
Accounts payable incurred for purchase of capital assets	\$ 8,185,860	\$ 8,955,235
Gifts in kind of capital assets	\$ 2,931,140	\$ 1,293,172

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2018 and 2017

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, 2018 and 2017, the Foundation provided \$14,160,316 and \$15,023,693, 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 or voluntary nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements.

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

The Foundation applies ASU 2013-06, *Services Received from Personnel of an Affiliate*, which requires recognition of personnel services received from an affiliate for which the Foundation was not charged. The Foundation received contributed personnel services from the University of \$2,975,375 and \$2,860,306 for the years ended June 30, 2018 and 2017, respectively. The contributed personnel services are based on costs incurred and expense recognized by the University. The Foundation receives administrative support outside of personnel services from the University without charge.

Use of Estimates

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

Cash Equivalents

The University and Foundation consider all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, the Foundation cash equivalents consisted primarily of 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 \$3,069,667 and \$2,819,402 at June 30, 2018 and 2017, respectively. The University reserves for uncollectible accounts that are at least 90 days past due.

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2018 and 2017

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

Loans receivable consists of amounts due under the Federal Perkins Loan Program and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need for both Perkins and institutional loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. The Perkins Program ended in September 2017. The University has submitted all Perkins loans back to the Department of Education and awaits the final settlement of the returned loans. When the Perkins Loan Program commenced, the University recorded the loans as assets on the books of the University. This was acceptable to record the loans as assets since there was no indication the program would cease. Since the program has ceased and the loans and or cash collections are required to be returned to the Department of Education the University submitted the loans for back to the Department of Education. The University recorded a nonoperating expense in the amount of \$2,173,708 to reflect the expenses of returning all Perkins loans to the Department of Education. Until all documentation is received regarding the acceptance of the loans, the University has provided an allowance for uncollectible loans totaling \$3,196,794 representing the return of all loans as of June 30, 2018 and \$1,023,086 at June 30, 2018 and 2017, 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 acquisition 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.

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

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

The University capitalizes interest costs as a component of construction in progress, based on either the weighted average rates paid for long-term borrowing or the rates associated with specific debt. Interest expense is capitalized net of interest income earned on resources set aside for this purpose. Total interest capitalized was \$1,293,160 and \$1,275,590 for the years ended June 30, 2018 and 2017, respectively.

Deferred Outflows of Resources

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

Loss on Refinancing

Losses 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 2018 and 2017 and tenant remodeling improvements of \$83,695, for the years ended June 30, 2018 and 2017, respectively. Real estate and equipment for the year ended June 30, 2018, also includes building costs of \$2,948,716 and land of \$176,483.

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.

Missouri State University
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Notes to Financial Statements
June 30, 2018 and 2017

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.

Noncurrent Liabilities

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

Defined Benefit Pension Plan

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

Missouri State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2018 and 2017

Defined Benefit Other Postemployment Benefit Plan Non-Trusted Single - Employer - GASB 75

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

Deferred Inflows of Resources

The University reports the acquisition of net position that relates to a future reporting period as deferred inflows of resources in a separate section of its statements of net position.

Net Position

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

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.

Missouri State University
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June 30, 2018 and 2017

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.

Tuition Revenue

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

Scholarship Allowances

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$47,876,186 and \$43,993,176 at June 30, 2018 and 2017, 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 \$1,503,543 and \$1,755,817 for the years ended June 30, 2018 and 2017, respectively, and is netted against tuition and fee revenues.

Income Taxes

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

Change in Accounting Principle

In 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenses for other postemployment benefits that are provided to retirees.

The University has not restated its financial statements as of and for the year ended June 30, 2017, because the actuarial information was not readily available for that period, thus making restatement of the 2017 financial statements not practical.

Missouri State University
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As a result of the implementation, unrestricted net position as of July 1, 2017, was restated as follows:

Unrestricted net position, as previously reported	<u>\$ (8,408,757)</u>
Cumulative effect of change in accounting principle	
OPEB liability (measurement date of June 30, 2017) -	
GASB 75	(10,081,000)
Total OPEB obligation - GASB 45	<u>3,420,000</u>
	<u>(6,661,000)</u>
 Unrestricted net position, as restated	 <u><u>\$(15,069,757)</u></u>

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, 2018 and 2017, 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 2018 and 2017. 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:

	<u>2018</u>	<u>2017</u>
Uninsured and uncollateralized	\$ 85,946	\$ 194,290

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 \$85,946 and \$194,290 of foreign deposits denominated in Chinese Yuan at June 30, 2018 and 2017, respectively.

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Investments

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

At June 30, 2018 and 2017, the University had the following investments and maturities:

Type	Fair Value	June 30, 2018 Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 128,107,014	\$ 9,905,195	\$ 118,201,819	\$ -
Money market treasury funds	<u>272,355</u>	<u>272,355</u>	<u>-</u>	<u>-</u>
	<u>\$ 128,379,369</u>	<u>\$ 10,177,550</u>	<u>\$ 118,201,819</u>	<u>\$ -</u>

Type	Fair Value	June 30, 2017 Maturities in Years		
		Less than 1	1-5	6-10
Government-sponsored enterprises obligations	\$ 119,887,750	\$ 10,000,000	\$ 109,887,750	\$ -
Money market treasury funds	<u>3,501,421</u>	<u>3,501,421</u>	<u>-</u>	<u>-</u>
	<u>\$ 123,389,171</u>	<u>\$ 13,501,421</u>	<u>\$ 109,887,750</u>	<u>\$ -</u>

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

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

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

Concentration of Credit Risk. The University's investment policy places maximum percentages on the total investment funds held in each type of instrument. The type of investments that can be held in the University's portfolio include U.S. Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper, bankers acceptance and money market funds. It is the University's policy that no more than 15 percent of the total portfolio will be held in any one bank, unless a safekeeping custody agreement is in place. 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 percent of the portfolio will be held in corporate bonds or bankers acceptances with no more than 5 percent of the portfolio to be held with any one issuer. No more than 30 percent of the portfolio will be held in commercial paper, with no more than 5 percent of the portfolio to be held with any one issuer. Money market funds must be SEC 2a-7 compliant and no more than \$4,000,000 to be held in money market funds.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University's exposure to foreign currency risk did not exist at June 30, 2018 and 2017, 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:

	2018	2017
Carrying value		
Deposits	\$ 47,508,451	\$ 63,013,667
Investments	128,379,369	123,389,171
	<u>\$175,887,820</u>	<u>\$186,402,838</u>

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Included in the following statements of net position captions:

	2018	2017
Cash and cash equivalents	\$ 43,167,781	\$ 48,273,112
Restricted cash and cash equivalents	4,340,670	14,740,555
Short-term investments	9,905,195	10,000,000
Restricted short-term investments	272,355	3,501,421
Long-term investments	94,201,819	109,887,750
Restricted long-term investments	24,000,000	-
	<u>\$175,887,820</u>	<u>\$186,402,838</u>
Cash, cash equivalents and investments total	<u>\$175,887,820</u>	<u>\$186,402,838</u>

Investment Income

Investment income for the years ended June 30, 2018 and 2017, consisted of:

	2018	2017
Interest and dividend income	\$ 2,799,676	\$ 1,961,090
Fair value adjustment	(1,918,093)	(2,416,669)
	<u>\$ 881,583</u>	<u>\$ (455,579)</u>

Foundation Pooled Investments

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the unrestricted, temporarily restricted and permanently restricted net asset classes. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the years ended June 30, 2018 and 2017:

	2018	2017
Pooled investments at market value	\$ 84,523,814	\$ 77,773,393
Number of pool shares	352,804	333,441
Market value per pool share	\$ 240	\$ 233
Fiscal year return	8.44%	12.24%
Interest and dividend earnings	\$ 1,611,500	\$ 68,403
Net gains (losses)	\$ 4,896,612	\$ 8,977,049

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Foundation Investments and Investment Return

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

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

Investments are summarized as follows at June 30:

	2018	2017
Accrued income	\$ 198,752	\$ 106,851
Money market accounts	11,176,598	9,740,484
U.S. equity mutual funds	21,670,577	17,053,706
Non-U.S. equity mutual funds	26,169,142	25,827,828
Other mutual funds	1,550,929	1,576,772
Real estate funds	3,187,357	2,694,944
Corporate bonds	6,182,755	5,121,826
Hedge funds	1,231,713	10,197,884
Private equity	2,666,930	1,814,760
Governmental issues and similar bonds	25,307,713	23,914,224
Other	3,500	3,500
	<u>\$ 99,345,966</u>	<u>\$ 98,052,779</u>

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Investment return consists of the following:

	2018	2017
Investment income	\$ 2,263,330	\$ 323,102
Net realized and unrealized gains (losses) on investments reported at fair value	4,358,945	8,823,115
	\$ 6,622,275	\$ 9,146,217

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, 2018 and 2017, totaled \$286,881 and \$110,999, respectively.

Note 3: Foundation Disclosures About Fair Value of Assets and Liabilities

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

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018.

	Total Fair Value	Fair Value Measurements Using		
		Quoted in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Cash equivalents	\$ 4,008,648	\$ 4,008,648		
Money market funds	11,176,598	11,176,598	\$ -	\$ -
U.S. equity mutual funds	21,670,577	21,670,577	-	-
Non-U.S. equity mutual funds	26,169,142	26,169,142	-	-
U.S. Treasury securities	25,307,713	-	25,307,713	-
Corporate bonds	6,182,755	-	6,182,755	-
Real estate funds	3,184,883	3,184,883	-	-
Other	3,500	3,500	-	-
Investments held in trust				
Mutual funds	369,517	369,517	-	-
Other	375,118	280,662	-	94,456
Total investments by fair value level	98,448,451	\$ 66,863,527	\$ 31,490,468	\$ 94,456
Investments measured at the net asset value (NAV) (A)				
Other mutual funds	1,550,929			
Real estate	2,473			
Hedge funds	1,231,713			
Private equity	2,666,930			
Total investments measured at the NAV	5,452,045			
Total investments	\$ 103,900,496			

(A) Certain investments that are measured using the net assets value per share (or equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliations of the fair value hierarchy to the amounts presented in the statements of financial position.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash equivalents, money market funds, equity securities, hedge funds and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Inputs used to value Level 2 securities include interest rates for similar debt securities and Treasury obligations with similar maturities.

Investments Held in Trust

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the investments are classified as Level 1, Level 2 and Level 3 of the hierarchy. The Level 3 investments are the Foundation's beneficial interest in trusts. Fair value is determined based on the market value of the securities held in the trusts and the Foundation's proportional beneficial interest.

Unobservable (Level 3) Inputs

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at June 30, 2018.

	Fair Value at 6/30/2018	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Investments held in trust	\$ 94,456	Market value of underlying securities	Liquidation Discount Rate	0%

Fair Value of Financial Instruments

The following method and assumptions were used to estimate the fair value of all other financial instruments recognized in the accompanying statement of financial position at amounts other than fair value.

Cash Equivalents

The carrying amount approximates fair value.

Pledges Receivable

The carrying amount is a reasonable estimate of fair value as described in *Note 8*, which is estimated by discounting the cash flows of the future payments expected to be received.

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Annuities and Trusts Payable

Fair values of the annuity and trust obligations are based on the present value of the estimated annuity or other payments under such obligations.

Note 4: Foundation Pledges Receivable

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 0.66 percent to 3.30 percent for the years ended June 30, 2018 and 2017. Pledges receivable consist of the following unconditional promises to give at June 30:

	2018	2017
Due in less than one year	\$ 5,330,939	\$ 6,933,388
Due in one to five years	14,200,129	12,325,028
Due in more than five years	3,502,142	20,507,886
	23,033,210	39,766,302
Less: Allowance for doubtful accounts	297,697	256,948
Unamortized discount	1,439,075	6,830,617
	1,736,772	7,087,565
	\$ 21,296,438	\$ 32,678,737

Note 5: Foundation Endowment

The Foundation's endowment consists of approximately 1,019 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.

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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:

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, 2018, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total
Donor-restricted endowment funds	\$ (49,823)	\$ 26,158,615	\$ 57,567,186	\$ 83,675,978
Board-designated endowment funds	<u>3,263,090</u>	<u>-</u>	<u>-</u>	<u>3,263,090</u>
Total endowment funds	<u>\$ 3,213,267</u>	<u>\$ 26,158,615</u>	<u>\$ 57,567,186</u>	<u>\$ 86,939,068</u>

The composition of net assets by type of endowment fund at June 30, 2017, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Donor-restricted endowment funds	\$ (38)	\$ 23,873,897	\$ 53,211,125	\$ 77,084,984
Board-designated endowment funds	<u>3,161,109</u>	<u>-</u>	<u>-</u>	<u>3,161,109</u>
Total endowment funds	<u>\$ 3,161,071</u>	<u>\$ 23,873,897</u>	<u>\$ 53,211,125</u>	<u>\$ 80,246,093</u>

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Changes in endowment net assets for the year ended June 30, 2018, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total
Endowment net assets, beginning of year	\$ 3,161,071	\$ 23,873,897	\$ 53,211,125	\$ 80,246,093
Investment return				
Investment income	-	1,613,899	-	1,613,899
Net appreciation	20,324	4,875,369	-	4,895,693
Total investment return	20,324	6,489,268	-	6,509,592
Contributions	-	-	4,320,662	4,320,662
Other income	23,465	21,639	35,399	80,503
Appropriation of endowment assets for expenditure	-	(4,451,925)	-	(4,451,925)
Other additions	8,407	225,736	-	234,143
Endowment net assets, end of year	<u>\$ 3,213,267</u>	<u>\$ 26,158,615</u>	<u>\$ 57,567,186</u>	<u>\$ 86,939,068</u>

Changes in endowment net assets for the year ended June 30, 2017, were:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Endowment net assets, beginning of year	\$ 2,782,895	\$ 18,235,722	\$ 49,476,277	\$ 70,494,894
Investment return				
Investment income	-	9,504,328	-	9,504,328
Net depreciation	348,291	(348,291)	-	-
Total investment return	348,291	9,156,037	-	9,504,328
Contributions	-	-	3,699,278	3,699,278
Other income	22,939	(449)	35,570	58,060
Appropriation of endowment assets for expenditure	-	(4,321,317)	-	(4,321,317)
Other additions	6,946	803,904	-	810,850
Endowment net assets, end of year	<u>\$ 3,161,071</u>	<u>\$ 23,873,897</u>	<u>\$ 53,211,125</u>	<u>\$ 80,246,093</u>

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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 \$49,823 and \$38 at June 30, 2018 and 2017, 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 7.6 percent 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.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7 percent of its endowment fund's average fair value over the prior 36 months through the month end preceding the month 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 1.5 percent to 3.0 percent 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 6: 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.

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Additionally, the Foundation owed the University approximately \$2,911,712 and \$2,786,410 at June 30, 2018 and 2017, 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 7: 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 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.

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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 percent of their annual pay. The University's required contribution rate for all plans for the year ended June 30, 2018, was 19.45 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan years ended June 30, 2017 and 2016, was 16.97 percent, for all plans, which was the years of measurement for the net pension liability. Contributions to the pension plan from the University were \$18,853,579 and \$16,698,515 for the years ended June 30, 2018 and 2017, respectively.

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

At June 30, 2018 and 2017, the University reported a liability of \$260,931,464 and \$232,984,565, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2017 and 2016. At June 30, 2017, the University's proportion was 5.0112 percent, which was a decrease of 0.0079 percent from its proportion measured as of June 30, 2016. At June 30, 2016, the University's proportion was 5.0191 percent, which was an increase of 0.0568 percent from its proportion measured as of June 30, 2015.

During the MOSERS plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from 10 years of credited services to 5 years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that effected the measurement of total pension liability. There were no changes in benefit terms during the MOSERS plan year ended June 30, 2016, that affected the measurement of total pension liability.

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For the years ended June 30, 2018 and 2017, the University recognized pension expense of \$45,345,808 and \$36,276,228, respectively. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 1,445,586	\$ 4,109,560
Change in assumptions	22,896,404	654,883
Net difference between projected and actual earning on pension plan investments	43,710,014	-
Change in proportion and differences between the University's contributions and the University proportionate share of contributions	1,389,723	192,344
University's contributions subsequent to the measurement date	<u>18,853,579</u>	<u>-</u>
Total	<u><u>\$ 88,295,306</u></u>	<u><u>\$ 4,956,787</u></u>
	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 2,399,504	\$ 680,715
Change in assumptions	24,258,217	1,400,401
Net difference between projected and actual earning on pension plan investments	38,067,319	-
Change in proportion and differences between the University's contributions and the University proportionate share of contributions	2,501,948	-
University's contributions subsequent to the measurement date	<u>16,698,515</u>	<u>-</u>
Total	<u><u>\$ 83,925,503</u></u>	<u><u>\$ 2,081,116</u></u>

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June 30, 2018 and 2017

At June 30, 2018 and 2017, the University reported \$18,853,579 and \$16,698,515, respectively, as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018, related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount Recognized
2019	\$ 21,745,221
2020	28,619,725
2021	10,798,831
2022	3,321,160
	\$ 64,484,937

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% to 8.75% including inflation
Wage inflation	3.00%
Investment rate of return	7.5% per year, compounded annually, net after investment expenses and including inflation

Mortality: Mortality rates for postretirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The preretirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. As a result of this actuarial experience study, the MOSERS' Board made various demographic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate from 7.65 percent to 7.50 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

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The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. As a result of this actuarial experience study, the MOSERS Board made various demographic and economic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 8 percent to 7.65 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2017, 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
Opportunistic global equity	38.00%	5.50%	2.10%
Nominal bonds	44.00%	1.00%	0.50%
Commodities	20.00%	4.50%	0.90%
Inflation-linked bonds	39.00%	0.80%	0.30%
Alternative beta	31.00%	4.50%	1.40%
	172.00%		5.20%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent and 7.65 percent at June 30, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.50 percent) or 1 percent point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
University's proportionate share of the net pension liability	\$ 335,955,308	\$ 260,931,464	\$ 197,827,346

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 6.19 percent, 5.67 percent and 5.89 percent of the participant's salary to CURP for the years ended June 30, 2018, 2017 and 2016, respectively. The total contributed for years ended June 30, 2018, 2017 and 2016, was \$1,917,811, \$1,712,511 and \$1,647,232, respectively.

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Note 8: Other Postemployment Benefit Plan

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

Benefits Provided: The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and retirees contribute premiums ranging between \$448 for a single person to \$946 for retiree and family. For employees who retire before reaching age 65, their insurance will be continued until the earlier of the date the plan is canceled or until their 65th birthday.

The employees covered by the benefit terms at June 30, 2018 and 2017, are:

	2018	2017
Inactive employees or beneficiaries currently receiving benefit payments	118	144
Active employees	2,216	2,198
	2,334	2,342

GASB 75 Disclosures (2018)

Total OPEB Liability

The University’s total OPEB liability of \$9,819,805 was measured as of June 30, 2018, for the year ended June 30, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Discount rate	3.87% (prior year 3.58%)
Salary increases	3.50% per year
Health care cost trend rates	7.0% for 2018, decreasing 0.5% per year to an ultimate rate of 4.5% for 2023 and later years

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

Mortality rates were based on the RP-2014 generational table scaled using MP-2017 and applied on a gender-specific basis.

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The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study from 2013.

Changes in Total OPEB Liability

Changes in the total OPEB liability are:

Balance, beginning of year	<u>\$ 10,081,348</u>
Service cost	317,973
Interest	387,922
Changes in assumptions or other inputs	(216,676)
Benefit payments	<u>(750,762)</u>
Net changes	<u>(261,543)</u>
Balance, end of year	<u><u>\$ 9,819,805</u></u>

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

The total OPEB liability of the University has been calculated using a discount rate of 3.87 percent. The following present the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the discount rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
University's total OPEB liability	\$ 10,597,772	\$ 9,819,805	\$ 9,124,570

The total OPEB liability of the University has been calculated using health care cost trend rates of 7.00 percent decreasing to 4.50 percent. The following presents the total OPEB liability using health care cost rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	<u>1% Decrease</u>	<u>Current Health Care Cost Trend Rates</u>	<u>1% Increase</u>
University's total OPEB liability	\$ 8,915,972	\$ 9,819,805	\$ 11,101,672

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OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the University recognized OPEB expense of \$687,040. At June 30, 2018, the University reported deferred inflows of resources related to OPEB from the following source.

Changes of assumptions	\$ 197,821
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Deferred inflows of resources at June 30, 2018, related to OPEB will be recognized as a reduction in OPEB expense as follows:

2019	\$ (18,855)
2020	(18,855)
2021	(18,855)
2022	(18,855)
2023	(18,855)
Thereafter	<u>(103,546)</u>
	<u><u>\$ (197,821)</u></u>

GASB 45 Disclosures (2017)

Funding Policy: The contribution requirements of plan members are established by the Missouri State University Board of Governors. The postemployment healthcare benefits are funded on a pay-as-you-go basis. Missouri State University funds on a cash basis as benefits are paid. For fiscal year 2017 Missouri State University contributed \$886,000 to the postemployment retirement plan portion of the Missouri State University Employee Benefit Plan (MSUEBP) and the retirees contributed \$744,868 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.

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The following table shows the components of Missouri State University's annual OPEB expense for the year ended June 30, 2017:

Annual required contribution (ARC)	\$ 727,000
Interest on net OPEB obligation	143,000
Adjustment to the ARC	<u>(144,000)</u>
Annual OPEB cost (expense)	726,000
Contributions made	<u>(886,000)</u>
Increase (decrease) in net OPEB obligation	(160,000)
Net OPEB obligation - beginning of year	<u>3,580,000</u>
Net OPEB obligation - end of year	<u><u>\$ 3,420,000</u></u>

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

	2017	2016	2015
Annual OPEB cost	\$ 726,000	\$ 714,000	\$ 824,000
Net employer contributions	\$ 886,000	\$ 717,000	\$ 886,000
Percentage contributed	122.04%	100.42%	107.52%
End of year net OPEB obligation	\$ 3,420,000	\$ 3,580,000	\$ 3,583,000

Funded Status and Funding Progress: As of June 30, 2018, the Actuarial Accrued Liability (AAL) was \$8,086,000. 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 \$117,094,000 in 2017. The ratio of the UAAL to the covered payroll was 6.91 percent in 2017.

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

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

	Medical/Rx/ Stop Loss	Admin
2017 - 2018	7.50%	4.50%
2018 - 2019	7.00%	4.50%
2019 - 2020	6.50%	4.50%
2020 - 2021	6.00%	4.50%
2021 - 2022	5.50%	4.50%
2022 - 2023	5.00%	4.50%
2023 - 2024	4.50%	4.50%
2024 - 2025	4.50%	4.50%
2026 and beyond	4.50%	4.50%

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Note 9: Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; 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, 2018 and 2017, is summarized as follows:

	2018	2017
Balance at beginning of year	\$ 1,806,848	\$ 2,680,269
Health and dental claims	20,292,216	18,735,928
Health insurance payments	<u>(20,675,064)</u>	<u>(19,609,349)</u>
Balance at end of year	<u>\$ 1,424,000</u>	<u>\$ 1,806,848</u>

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Note 10: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2018, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2018 Total
Instruction	\$ 74,454,919	\$ 42,089,860	\$ -	\$ 3,030	\$ 13,307,742	\$ -	\$ 129,855,551
Research	3,884,638	2,248,094	-	47,233	5,283,116	-	11,463,081
Public service	5,472,333	2,743,315	-	17,325	4,487,998	-	12,720,971
Academic support	16,479,133	9,109,392	-	5	7,088,041	-	32,676,571
Student services	7,394,491	4,007,304	-	-	4,182,920	-	15,584,715
Institutional support	16,542,569	9,198,189	-	-	2,384,363	-	28,125,121
Operation and maintenance of plant	5,980,217	3,408,383	-	4,984,078	6,641,856	-	21,014,534
Scholarship and fellowships	795,181	(44,295)	25,255,675	-	15,810	-	26,022,371
Auxiliary enterprises	18,289,067	8,967,858	5,368,532	2,415,531	22,816,512	-	57,857,500
Depreciation	-	-	-	-	-	26,892,052	26,892,052
Total operating expenses for fiscal year 2018	\$ 149,292,548	\$ 81,728,100	\$ 30,624,207	\$ 7,467,202	\$ 66,208,358	\$ 26,892,052	\$ 362,212,467

Operating expenses by functional classification for the year ended June 30, 2017, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2017 Total
Instruction	\$ 75,045,687	\$ 36,569,357	\$ -	\$ 6,074	\$ 12,940,903	\$ -	\$ 124,562,021
Research	3,998,617	2,035,103	-	1,809	4,715,522	-	10,751,051
Public service	5,211,584	2,262,775	-	48,831	4,379,243	-	11,902,433
Academic support	17,111,992	8,112,486	-	1,494	5,679,508	-	30,905,480
Student services	7,469,126	3,474,511	-	-	4,545,026	-	15,488,663
Institutional support	16,679,946	7,666,367	-	-	2,706,194	-	27,052,507
Operation and maintenance of plant	6,122,195	2,973,903	-	4,517,943	6,478,813	-	20,092,854
Scholarship and fellowships	706,084	(229,794)	25,378,530	-	4,439	-	25,859,259
Auxiliary enterprises	17,689,952	7,570,105	5,335,232	2,432,768	20,874,527	-	53,902,584
Depreciation	-	-	-	-	-	25,854,143	25,854,143
Total operating expenses for fiscal year 2017	\$ 150,035,183	\$ 70,434,813	\$ 30,713,762	\$ 7,008,919	\$ 62,324,175	\$ 25,854,143	\$ 346,370,995

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Note 11: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2018:

	Bond Series	Interest Rate	Maturity	Beginning Balance June 30, 2017	Additions	Reductions	Ending Balance June 30, 2018	Current Portion
Auxiliary Enterprise System								
Revenue Bonds								
1988 Note Payable		3.00%	2018	\$ 181,500	\$ -	\$ 181,500	\$ -	\$ -
2005	A	2.75%-4.05%	2025	1,625,000	-	1,625,000	-	-
2010	B	4.25%-6.25%	2035	20,565,000	-	775,000	19,790,000	795,000
2010	C	1.00%-2.80%	2017	3,135,000	-	3,135,000	-	-
2014	A	.50%-4.20%	2036	36,425,000	-	34,415,000	2,010,000	2,010,000
2015	A	2.00%-5.00%	2032	44,500,000	-	2,230,000	42,270,000	2,320,000
2016	A	2.00%-3.25	2039	12,720,000	-	205,000	12,515,000	395,000
2017	A	2.15%-2.63%	2036	-	36,190,000	275,000	35,915,000	310,000
2018	A	3.35%	2037	-	5,000,000	-	5,000,000	-
				<u>119,151,500</u>	<u>41,190,000</u>	<u>42,841,500</u>	<u>117,500,000</u>	<u>5,830,000</u>
MOHEFA Bonds								
2010	B	4.25%-6.25%	2036	8,235,000	-	310,000	7,925,000	320,000
2012	DNR	2%	2021	416,123	-	149,458	266,665	152,460
2014	A	2.00%-4.00%	2039	20,390,000	-	575,000	19,815,000	600,000
2015		1.625%-3.800%	2041	16,310,000	-	490,000	15,820,000	500,000
				<u>164,502,623</u>	<u>41,190,000</u>	<u>44,365,958</u>	<u>161,326,665</u>	<u>7,402,460</u>
Total bonds and notes payable								
				<u>164,502,623</u>	<u>41,190,000</u>	<u>44,365,958</u>	<u>161,326,665</u>	<u>7,402,460</u>
Unamortized premium on bond issues				<u>3,713,269</u>	<u>-</u>	<u>389,831</u>	<u>3,323,438</u>	<u>372,061</u>
				<u>3,713,269</u>	<u>-</u>	<u>389,831</u>	<u>3,323,438</u>	<u>372,061</u>
Total bonds and notes payable including unamortized premiums				<u>168,215,892</u>	<u>41,190,000</u>	<u>44,755,789</u>	<u>164,650,103</u>	<u>7,774,521</u>
				<u>168,215,892</u>	<u>41,190,000</u>	<u>44,755,789</u>	<u>164,650,103</u>	<u>7,774,521</u>
Compensated absences				11,041,460	6,124,040	6,040,262	11,125,238	5,378,837
Capital lease obligations		1.87%-2.22%	2024	7,602,329	-	1,012,624	6,589,705	1,019,152
Other post employment benefits				3,420,000	6,661,000	261,195	9,819,805	-
Net pension liability				232,984,565	27,946,899	-	260,931,464	-
				<u>232,984,565</u>	<u>27,946,899</u>	<u>-</u>	<u>260,931,464</u>	<u>-</u>
Total other obligations				<u>255,048,354</u>	<u>40,731,939</u>	<u>7,314,081</u>	<u>288,466,212</u>	<u>6,397,989</u>
				<u>255,048,354</u>	<u>40,731,939</u>	<u>7,314,081</u>	<u>288,466,212</u>	<u>6,397,989</u>
Total long-term debt and other obligations				<u>\$ 423,264,246</u>	<u>\$ 81,921,939</u>	<u>\$ 52,069,870</u>	<u>\$ 453,116,315</u>	<u>\$ 14,172,510</u>
				<u>\$ 423,264,246</u>	<u>\$ 81,921,939</u>	<u>\$ 52,069,870</u>	<u>\$ 453,116,315</u>	<u>\$ 14,172,510</u>

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Long-term debt and other obligations consist of the following as of June 30, 2017:

	Bond Series	Interest Rate	Maturity	Beginning Balance June 30, 2016	Additions	Reductions	Ending Balance June 30, 2017	Current Portion
Auxiliary Enterprise System Revenue Bonds								
1988 Note Payable		3%	2018	\$ 357,676	\$ -	\$ 176,176	\$ 181,500	\$ 181,500
2005	A	2.75%-4.05%	2025	1,625,000	-	-	1,625,000	-
2010	A	1.00%-2.55%	2016	760,000	-	760,000	-	-
2010	B	4.25%-6.25%	2035	20,565,000	-	-	20,565,000	775,000
2010	C	1%-2.8%	2017	6,185,000	-	3,050,000	3,135,000	3,135,000
2014	A	.5%-4.2%	2036	37,465,000	-	1,040,000	36,425,000	1,050,000
2015	A	2%-5%	2032	46,670,000	-	2,170,000	44,500,000	2,230,000
2016	A	2%-3.25%	2039	-	12,720,000	-	12,720,000	205,000
				<u>113,627,676</u>	<u>12,720,000</u>	<u>7,196,176</u>	<u>119,151,500</u>	<u>7,576,500</u>
MOHEFA Bonds								
2010	A	.3%-2.55%	2016	300,000	-	300,000	-	-
2010	B	4.25%-6.25%	2036	8,235,000	-	-	8,235,000	310,000
2012	DNR	2%	2021	562,633	-	146,510	416,123	149,456
2013	DNR	1%	2017	7,376	-	7,376	-	-
2014	A	2.00%-4.00%	2039	20,945,000	-	555,000	20,390,000	575,000
2015		1.625%-3.800%	2041	16,790,000	-	480,000	16,310,000	490,000
Total bonds and notes payable				<u>160,467,685</u>	<u>12,720,000</u>	<u>8,685,062</u>	<u>164,502,623</u>	<u>9,100,956</u>
Unamortized premium on bond issues				<u>3,618,029</u>	<u>475,127</u>	<u>379,887</u>	<u>3,713,269</u>	<u>389,832</u>
Total bonds and notes payable including unamortized premium				<u>164,085,714</u>	<u>13,195,127</u>	<u>9,064,949</u>	<u>168,215,892</u>	<u>9,490,788</u>
Compensated absences				11,064,743	6,170,174	6,193,457	11,041,460	5,448,591
Capital lease obligations		1.87% - 2.22%	2024	8,596,678	-	994,349	7,602,329	1,012,624
Other post employment benefits				3,580,045	-	160,045	3,420,000	-
Net pension liability				159,338,163	73,646,402	-	232,984,565	-
Total other obligations				<u>182,579,629</u>	<u>79,816,576</u>	<u>7,347,851</u>	<u>255,048,354</u>	<u>6,461,215</u>
Total long-term debt and other obligations				<u>\$ 346,665,343</u>	<u>\$ 93,011,703</u>	<u>\$ 16,412,800</u>	<u>\$ 423,264,246</u>	<u>\$ 15,952,003</u>

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, 2018 and 2017, 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.

All auxiliary enterprise system revenue bonds are secured by the net revenues pledged of the Auxiliary Enterprise System (see Note 12). The payments to be made by the University with respect to the educational facilities revenue bonds are general unsecured obligations of the University, and that the full faith and credit of the University, except funds appropriated to the University by the State of Missouri and funds pledged to the payment of the revenue bonds of the University, is pledged to the payment of the loan agreement between the University and the Health and Educational Facilities Authority of the State of Missouri.

Missouri State University
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Notes to Financial Statements
June 30, 2018 and 2017

2016 Revenue Bonds

On October 27, 2016, the University issued Auxiliary Enterprise System Revenue Bonds in the principal amount of \$12,720,000 for the purpose of the demolition of the existing health and wellness center and capital improvements to the Auxiliary Enterprise System. The bonds are secured by the net revenues pledged of the Auxiliary Enterprise System (see *Note 12*).

2017 Revenue Bonds

On December 20, 2017, the University issued Auxiliary Enterprise System Revenue Bonds in a direct placement with Regions Bank in the principal amount of \$36,190,000, the proceeds of which are being used to (i) current refund all outstanding Series 2005A Bonds in the remaining principal and interest amount of \$1,625,000, and (ii) advance refund the Series 2014A Bonds maturing in the years 2020 through 2036, inclusive, in the outstanding principal and interest amount of \$34,535,000. The Series 2005A Bonds were called for redemption on January 19, 2018, at a redemption price equal to 100 percent of the principal amount thereof plus accrued interest thereon to the redemption date. The bonds are secured by the net revenues pledged of the Auxiliary Enterprise System (see *Note 12*).

The Defeased 2014A Bonds are not eligible for early payment until April 1, 2019, therefore the University has restricted funds on hand at June 30, 2018, to cover payments of principal and interest due through April 1, 2019. The Defeased 2014A Bonds have been advance refunded by depositing money with U.S. Bank National Association, St. Louis, Missouri, to pay the interest on the Defeased 2014A Bonds through April 1, 2019, and to redeem the Defeased 2014A Bonds on April 1, 2019. The University completed the advance refunding to reduce total debt service payments by \$2,659,129 and resulted in an economic gain (present value savings) of \$2,120,193.

2018 Revenue Bonds

On May 24, 2018, the University executed an agreement with Regions Banks for a direct placement in the principal amount of \$19,000,000 to be drawn over the period ending September 30, 2019. As of June 30, 2018, \$5,000,000 was drawn with a total draw of \$10,000,000 as of September 30, 2018. Proceeds are used to finance certain improvements to the Auxiliary Enterprise System Facilities. The bonds are secured by the net revenues pledged of the Auxiliary Enterprise System (see *Note 12*).

Missouri State University
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The principal and interest requirements on notes and bonds payable to maturity at June 30, 2018, are as follows:

	Principal	Interest	Total
2019	\$ 7,402,460	\$ 5,872,035	\$ 13,274,495
2020	7,869,205	5,663,225	13,532,430
2021	7,905,000	5,411,290	13,316,290
2022	8,175,000	5,105,320	13,280,320
2023	8,485,000	4,782,908	13,267,908
2024 - 2028	43,385,000	19,136,123	62,521,123
2029 - 2033	45,940,000	10,783,041	56,723,041
2034 - 2038	25,650,000	3,283,673	28,933,673
2039 - 2043	6,515,000	289,018	6,804,018
	<u>\$ 161,326,665</u>	<u>\$ 60,326,633</u>	<u>\$ 221,653,298</u>

Capital Lease Obligations

The University is obligated under two leases accounted for as capital leases. The leases provide financing primarily for improvements for utility system improvements to the Springfield campus. Assets under capital leases at June 30, 2018 and 2017, totaled \$8,604,332 and \$5,758,174, respectively, net of accumulated depreciation of \$7,340,507 in 2018 and \$6,551,329 in 2017.

The following is a schedule by year of future minimum lease payments under the capital leases including interest together with the present value of the future minimum lease payments as of June 30, 2018:

Capital Lease Obligations

2019	\$ 1,154,595
2020	1,154,484
2021	1,154,373
2022	917,495
2023	917,495
2024 - 2028	1,834,990
Total minimum lease payments	<u>7,133,432</u>
Less amount representing interest	<u>543,727</u>
Present value of future minimum lease payments	<u>\$ 6,589,705</u>

Missouri State University
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Notes to Financial Statements
June 30, 2018 and 2017

Foundation Leases

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2022. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2018, is as follows:

2019	\$	671,944
2020		89,357
2021		41,744
2022		6,675
2023		-

Note 12: 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 May 2018. 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, 4 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 Magers 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.

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Notes to Financial Statements
June 30, 2018 and 2017

Financial information for the Auxiliary Enterprise System for June 30, 2018 and 2017, is summarized as follows:

	2018	2017
Condensed Statements of Net Position		
Assets		
Current assets	\$ 46,270,670	\$ 51,346,908
Noncurrent assets	244,711,698	234,412,942
Total assets	290,982,368	285,759,850
Deferred Outflows of Resources		
Total assets and deferred outflows of resources	12,707,503	11,765,438
	303,689,871	297,525,288
Liabilities		
Current liabilities	21,001,013	20,566,204
Long-term liabilities	141,403,594	138,833,681
Total liabilities	162,404,607	159,399,885
Deferred Inflows of Resources		
Total liabilities and deferred inflows of resources	442,379	151,966
	162,846,986	159,551,851
Net Position		
Net investment in capital assets	123,340,465	110,186,541
Unrestricted	17,502,420	27,786,896
Total net position	\$ 140,842,885	\$ 137,973,437
Condensed Statements of Revenues, Expenses and Changes in Net Position		
Operating revenues	\$ 64,882,044	\$ 62,531,060
Operating expenses		
Depreciation	11,003,549	10,853,908
All other operating expenses	57,857,500	53,771,538
Total operating expenses	68,861,049	64,625,446
Operating income (loss)	(3,979,005)	(2,094,386)
Nonoperating revenues (expenses)	1,227,946	346,151
Excess (deficiency) of revenues over expenses	(2,751,059)	(1,748,235)
Transfer from other University units	5,620,507	6,252,087
Increase in Net Position	2,869,448	4,503,852
Net Position, Beginning of Year	137,973,437	133,469,585
Net Position, End of Year	\$ 140,842,885	\$ 137,973,437

Missouri State University
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Notes to Financial Statements
June 30, 2018 and 2017

Note 13: Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	2018				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 38,023,092	\$ 2,945,814	\$ -	\$ -	\$ 40,968,906
Infrastructure	79,768,280	119,077	(2,258,121)	4,743,796	82,373,032
Buildings	595,070,779	1,238,867	(127,992)	70,038,821	666,220,475
Furniture, fixtures and equipment	54,862,636	2,219,910	(850,639)	213,447	56,445,354
Library materials	64,108,036	1,661,193	-	-	65,769,229
Capitalized collections	1,356,937	349,261	-	-	1,706,198
Construction in progress	55,558,593	48,423,338	-	(74,996,064)	28,985,867
	<u>888,748,353</u>	<u>56,957,460</u>	<u>(3,236,752)</u>	<u>-</u>	<u>942,469,061</u>
Less accumulated depreciation					
Infrastructure	38,349,388	4,791,628	(1,786,504)	-	41,354,512
Buildings	232,371,100	17,106,876	(77,062)	-	249,400,914
Furniture, fixtures and equipment	44,720,195	2,640,604	(606,291)	-	46,754,508
Library materials	51,887,119	2,256,437	-	-	54,143,556
Capitalized collections	437,730	96,508	-	-	534,238
Total accumulated depreciation	<u>367,765,532</u>	<u>26,892,053</u>	<u>(2,469,857)</u>	<u>-</u>	<u>392,187,728</u>
Net capital assets	<u>\$ 520,982,821</u>	<u>\$ 30,065,407</u>	<u>\$ (766,895)</u>	<u>\$ -</u>	<u>\$ 550,281,333</u>

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Notes to Financial Statements
June 30, 2018 and 2017

Capital asset activity for the year ended June 30, 2017, was as follows:

	2017				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 37,653,092	\$ 370,000	\$ -	\$ -	\$ 38,023,092
Infrastructure	79,169,364	29,942	-	568,974	79,768,280
Buildings	593,252,963	(29,942)	(3,646,802)	5,494,560	595,070,779
Furniture, fixtures and equipment	53,916,898	2,799,681	(1,899,118)	45,175	54,862,636
Library materials	62,112,356	1,995,680	-	-	64,108,036
Capitalized collections	526,077	830,860	-	-	1,356,937
Construction in progress	19,695,979	41,971,323	-	(6,108,709)	55,558,593
	<u>846,326,729</u>	<u>47,967,544</u>	<u>(5,545,920)</u>	<u>-</u>	<u>888,748,353</u>
Less accumulated depreciation					
Infrastructure	33,861,483	4,487,905	-	-	38,349,388
Buildings	218,692,749	15,940,764	(2,262,413)	-	232,371,100
Furniture, fixtures and equipment	43,447,604	3,153,231	(1,880,640)	-	44,720,195
Library materials	49,628,298	2,258,821	-	-	51,887,119
Capitalized collections	424,308	13,422	-	-	437,730
Total accumulated depreciation	<u>346,054,442</u>	<u>25,854,143</u>	<u>(4,143,053)</u>	<u>-</u>	<u>367,765,532</u>
Net capital assets	<u>\$ 500,272,287</u>	<u>\$ 22,113,401</u>	<u>\$ (1,402,867)</u>	<u>\$ -</u>	<u>\$ 520,982,821</u>

Note 14: Disclosure About Fair Value of Assets

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

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Missouri State University
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Recurring Measurements

The following tables present the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 and 2017:

Description	2018			
	Total	Level 1	Level 2	Level 3
Government-sponsored enterprises obligations	\$ 128,107,014	\$ -	\$ 128,107,014	\$ -
Total investments measured at fair value	<u>\$ 128,107,014</u>	<u>\$ -</u>	<u>\$ 128,107,014</u>	<u>\$ -</u>

Description	2017			
	Total	Level 1	Level 2	Level 3
Government-sponsored enterprises obligations	\$ 119,887,750	\$ -	\$ 119,887,750	\$ -
Total investments measured at fair value	<u>\$ 119,887,750</u>	<u>\$ -</u>	<u>\$ 119,887,750</u>	<u>\$ -</u>

Investments

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

Note 15: Commitments and Contingencies

Claims and Litigation

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

Missouri State University
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Notes to Financial Statements
June 30, 2018 and 2017

Government Grants

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

During fiscal 2016, the U.S. Department of Education performed a program review of the Student Financial Assistance program at the University's West Plains campus. During fiscal 2018 the University repaid \$199,000 per the U.S. Department of Education's final report. This matter is closed as of June 30, 2018.

Construction Commitments

The University has outstanding commitments for various construction contracts of approximately \$16.8 million at June 30, 2018.

Real Estate Purchase Agreement Commitments

On May 17, 2018, the Board of Governors approved the University entering into a build to suite real estate purchase agreement to construct a 402 bed facility adjacent to the Springfield campus for \$24,000,000 with a closing to occur on or before July 2, 2020. The University has classified \$24,000,000 as restricted long-term investments for this purchase.

Note 16: Subsequent Event

- The John Q. Hammons Trust and more than 70 entities associated with the John Q. Hammons Trust filed for bankruptcy protection in the federal bankruptcy court in Kansas City, Kansas, on June 26, 2016. The entities are believed to include substantially all the hotel operating entities of the John Q. Hammons enterprise. Accordingly to published reports, the JQH bankruptcy filing was precipitated by developments in pending litigation against John Q. Hammons entities by a lawsuit initiated by Jonathan Eilian and his affiliated entities (referred to herein as "JD Holdings") arising from a complicated and multistep 2005 transaction.

The balance of the Trust's payment obligation to the Foundation was transferred to JD Holdings in May 2018, as a result of a bankruptcy settlement reached between the Trust and JD Holdings relating to the rights of the parties under the 2005 financing transactions referenced in the preceding paragraph.

Missouri State University
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On September 28, 2018, the University announced that the University and the Foundation had reached a settlement agreement with JD Holdings regarding the University's claim against JD Holdings for the remainder owed to the Foundation and the University under the Gift Agreement and settled the pledge balance for \$8.4 million. The settlement agreement was approved by the Bankruptcy Court on October 25, 2018.

Under the terms of the settlement, JD Holdings will pay the University \$8.4 million of the amount due (in addition to the \$1.8 million payment made by JD Holdings in May of 2018). Under the settlement agreement, JD Holdings has agreed to pay the remaining \$8.4 million in four installments – starting in 2019 and ending in 2022. All naming rights of the Trust and JD Holdings with respect to JQH Arena were terminated in May 2018, and reverted to the University at that time. The University is seeking a new partner for naming rights of the arena in the future.

The Series 2015A Bonds originally supported by the Gift Agreement are callable at par on and after April 1, 2022, the year in which the final settlement payment from JD Holdings is expected to be received. The University is contemplating cash redeeming in 2022 the approximately 47.5 percent of the Series 2015A Bonds but is not obligated to do so.

The net pledge balance recorded by the Foundation before the settlement agreement was \$20,095,156 net of the discount. At June 30, 2018, \$12,136,162 was recognized as uncollectible and recorded as bad debt expense by the Foundation. The net balance of the pledge at June 30, 2018, is \$7,958,994.

- On July 26, 2018, the University entered into a capital lease with Banc of America Public Capital in the amount of \$1,612,570 for the purchase of 52 Steinway pianos.
- On October 19, 2018, the Board of Governors approved purchase and sale agreements for certain buildings in the area commonly known as Brick City located in Springfield, Missouri, for a purchase price of \$17,700,000 with a closing scheduled for January 23, 2019. The Board of Governors also approved the declaration of official intent towards the issuance of educational facilities revenue bonds to purchase these buildings.

Required Supplementary Information

Missouri State University
A Component Unit of the State of Missouri
Schedule of University's Proportionate Share of the Net Pension Liability –
Missouri State Employees' Retirement System
Last Four Fiscal Years*

	2018	2017	2016	2015
University's proportion of the net pension liability	5.0112%	5.0191%	4.9620%	4.8780%
University's proportionate share of the net pension liability	\$ 260,931,464	\$ 232,984,565	\$ 159,338,163	\$ 115,013,832
University's covered-employee payroll	\$ 98,849,750	\$ 97,425,261	\$ 96,031,717	\$ 95,529,298
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	263.97%	239.14%	165.92%	120.40%
Plan fiduciary net position as a percentage of the total pension liability	60.41%	63.60%	72.62%	79.49%

* The amounts presented for June 30, 2018, 2017, 2016 and 2015, were determined as of the end of the preceding fiscal year.

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

Missouri State University
A Component Unit of the State of Missouri
Schedule of University Contributions –
Missouri State Employees’ Retirement System
Last Five Fiscal Years

	2018	2017	2016	2015	2014
Contractually required contribution	\$ 18,853,579	\$16,698,515	\$16,501,401	\$16,296,821	\$15,920,447
Contributions in relation to the contractually required contribution	18,853,579	16,698,515	16,501,401	16,296,821	15,920,447
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University’s covered-employee payroll	\$ 96,849,465	\$98,400,206	\$97,238,662	\$96,031,717	\$93,529,298
Contributions as a percentage of covered-employee payroll	19.45%	16.97%	16.97%	16.97%	17.02%

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

Notes to Schedule:

Benefit Changes

During the MOSERS plan year ended June 30, 2017, the vesting requirements were changed for the MSEP 2011 plan from 10 years of credit service to 5 years for members employed on or after January 1, 2018. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

There were no changes to benefit terms for MOSERS for the other years presented above.

Changes of Assumptions

Actuarial assumptions used in the June 30, 2017, valuation were changed as follows:

- Salary increases: 3.25 percent to 8.75 percent including inflation
- Wage inflation: 3.00 percent
- Investment rate of return: 7.50 percent
- Post-retirement mortality tables: RP-2014 Healthy Annuitant projected to 2026 with Scale MP-2015 and scaled by 120 percent
- Preretirement mortality tables: RP-2014 Employee projected to 2026 with Scale MP-2015 and scaled by 95 percent for males and 90 percent for females

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

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

Missouri State University
A Component Unit of the State of Missouri
Schedule of Changes in the University's Total OPEB Liability and Related Ratios
(GASB 75)
June 30, 2018

Total OPEB Liability	
Service cost	\$ 317,973
Interest	387,922
Changes in assumptions or other inputs	(216,676)
Benefit payments	<u>(750,762)</u>
Net Change in Total OPEB Liability	(261,543)
Total OPEB Liability – Beginning	<u>10,081,348</u>
Total OPEB Liability – Ending	<u><u>\$ 9,819,805</u></u>
Covered-Employee Payroll	<u><u>\$ 114,704,876</u></u>
Total OPEB Liability as a Percentage of Covered-Employee Payroll	9.08%

Notes to Schedule:

Benefit Changes

There were no changes to benefit terms for the year ended June 30, 2018.

Changes of Assumptions

There were no changes in assumptions for the year ended June 30, 2018, except for a change in the discount rate used from 3.58% in the prior year to 3.87% in the current year.

Missouri State University
A Component Unit of the State of Missouri
Schedule of Funding Progress – Other Postemployment Benefits (GASB 45)
June 30, 2018

	Year Ended June 30, 2017
Actuarial valuation date	July 1, 2015
Actuarial cost method	Projected Unit Credit
Actuarial accrued liability	\$ 8,086,000
Actuarial value of assets	-
Total unfunded actuarial liability	\$ 8,086,000

Funded ratio	0.00%
Annual coverage payroll	\$ 117,094,000
Ratio of unfunded actuarial liability to covered payroll	6.91%
Participant summary	
Active employees	2,198
Retirees	118
Spouses of retirees	26
Total	2,342

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

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

Other Information

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2018

Condensed Statements of Net Position

	Springfield	West Plains	Total
Assets			
Current assets	\$ 80,869,605	\$ 5,750,495	\$ 86,620,100
Noncurrent assets	649,839,535	18,902,871	668,742,406
Total assets	<u>730,709,140</u>	<u>24,653,366</u>	<u>755,362,506</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	3,595,217	-	3,595,217
Deferred outflows of resources related to pension	84,216,468	4,078,838	88,295,306
Total deferred outflows of resources	<u>87,811,685</u>	<u>4,078,838</u>	<u>91,890,523</u>
Liabilities			
Current liabilities	59,450,138	1,314,066	60,764,204
Long-term liabilities	176,793,393	1,218,948	178,012,341
Accrued net pension liability	248,913,798	12,017,666	260,931,464
Total liabilities	<u>485,157,329</u>	<u>14,550,680</u>	<u>499,708,009</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	4,949,546	205,062	5,154,608
Net Position			
Net investment in capital assets	364,881,553	17,755,189	382,636,742
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	15,645,792	26,327	15,672,119
Unrestricted	<u>(52,313,157)</u>	<u>(3,805,054)</u>	<u>(56,118,211)</u>
Total net position	<u>\$ 328,413,950</u>	<u>\$ 13,976,462</u>	<u>\$ 342,390,412</u>

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

Operating Revenues	<u>\$ 219,047,341</u>	<u>\$ 4,399,637</u>	<u>\$ 223,446,978</u>
Operating Expenses			
Depreciation	26,191,532	700,520	26,892,052
All other operating expenses	320,501,902	14,818,513	335,320,415
Total operating expenses	<u>346,693,434</u>	<u>15,519,033</u>	<u>362,212,467</u>
Operating Income (Loss)	(127,646,093)	(11,119,396)	(138,765,489)
Nonoperating Revenues	124,926,952	11,560,925	136,487,877
Nonoperating Expenses	<u>(4,651,073)</u>	<u>(38,555)</u>	<u>(4,689,628)</u>
Excess (Deficiency) of Revenues Over Expenses	(7,370,214)	402,974	(6,967,240)
Transfer from Other University Units	<u>464,978</u>	<u>(464,978)</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>(6,905,236)</u>	<u>(62,004)</u>	<u>(6,967,240)</u>
Net Position, Beginning of Year, as Previously Reported	341,980,186	14,038,466	356,018,652
Cumulative Effect of Change in Accounting Principle	<u>(6,661,000)</u>	<u>-</u>	<u>(6,661,000)</u>
Net Position, Beginning of Year, as Restated	<u>335,319,186</u>	<u>14,038,466</u>	<u>349,357,652</u>
Ending Net Position	<u>\$ 328,413,950</u>	<u>\$ 13,976,462</u>	<u>\$ 342,390,412</u>

Missouri State University
A Component Unit of the State of Missouri
Condensed Statements by Campus
June 30, 2017

Condensed Statements of Net Position

	<u>Springfield</u>	<u>West Plains</u>	<u>Total</u>
Assets			
Current assets	\$ 97,989,302	\$ 6,056,623	\$ 104,045,925
Noncurrent assets	615,739,729	17,190,961	632,930,690
Total assets	<u>713,729,031</u>	<u>23,247,584</u>	<u>736,976,615</u>
Deferred Outflows of Resources			
Loss on refunding of bonds	3,049,200	-	3,049,200
Deferred outflows of resources related to pension	80,056,083	3,869,420	83,925,503
Total deferred outflows of resources	<u>83,105,283</u>	<u>3,869,420</u>	<u>86,974,703</u>
Liabilities			
Current liabilities	57,388,369	1,150,938	58,539,307
Noncurrent liabilities	173,192,343	1,135,335	174,327,678
Accrued net pension liability	222,263,903	10,720,662	232,984,565
Total liabilities	<u>452,844,615</u>	<u>13,006,935</u>	<u>465,851,550</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pension	<u>2,009,513</u>	<u>71,603</u>	<u>2,081,116</u>
Net Position			
Net investment in capital assets	332,215,312	15,998,488	348,213,800
Restricted			
Nonexpendable	199,762	-	199,762
Expendable	15,988,642	25,205	16,013,847
Unrestricted	<u>(6,423,530)</u>	<u>(1,985,227)</u>	<u>(8,408,757)</u>
Total net position	<u>\$ 341,980,186</u>	<u>\$ 14,038,466</u>	<u>\$ 356,018,652</u>

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

Operating Revenues	<u>\$ 211,839,526</u>	<u>\$ 4,373,678</u>	<u>\$ 216,213,204</u>
Operating Expenses			
Depreciation	25,151,181	702,962	25,854,143
All other operating expenses	305,281,036	15,235,816	320,516,852
Total operating expenses	<u>330,432,217</u>	<u>15,938,778</u>	<u>346,370,995</u>
Operating Income (Loss)	(118,592,691)	(11,565,100)	(130,157,791)
Nonoperating Revenues	128,884,493	10,675,114	139,559,607
Nonoperating Expenses	<u>(5,273,723)</u>	<u>(54,855)</u>	<u>(5,328,578)</u>
Excess (Deficiency) of Revenues Over Expenses	5,018,079	(944,841)	4,073,238
Transfer from Other University Units	<u>(197,016)</u>	<u>197,016</u>	<u>-</u>
Increase (Decrease) in Net Position	4,821,063	(747,825)	4,073,238
Net Position, Beginning of Year	<u>337,159,123</u>	<u>14,786,291</u>	<u>351,945,414</u>
Ending Net Position	<u>\$ 341,980,186</u>	<u>\$ 14,038,466</u>	<u>\$ 356,018,652</u>