Missouri Western State University
A Component Unit of the State of Missouri

Independent Auditor's Report and Financial Statements
(Including Reports Required Under Uniform Guidance)

June 30, 2017 and 2016

BKD LLP
CPAs & Advisors

Missouri Western State University
A Component Unit of the State of Missouri
June 30, 2017 and 2016

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Overview

Missouri Western State University (the University of Missouri Western) is a four-year public institution providing a blend of traditional liberal arts and professional degree programs. The University offers student centered, high quality instruction that focuses on experience-based learning, community service and state-of-the-art technology. Missouri Western is located in St. Joseph, Missouri and is committed to the educational, economic, cultural and social development of the region it serves.

The University is a component unit of the State of Missouri and is authorized under Missouri statute to offer associate, baccalaureate and graduate degrees as well as certificate programs. Professional programs, programs for transfer students, continuing education opportunities and self-enrichment courses are also offered. Missouri Western State University has an enrollment of approximately 5,800 under graduate and graduate students. The University has on-campus student housing that can accommodate approximately 23% of the student body.

The predecessor to Missouri Western State University, St. Joseph Junior College, was organized in 1915 as an integral part of the city public school system. An independent junior college district involving eleven school districts was organized in 1965, and the school's name was changed to Missouri Western Junior College. Also in 1965, legislation allowing the junior college to become a four-year college passed the Missouri General Assembly. In the fall of 1969, 2,536 students began attending the new four-year school, Missouri Western College, on the present campus, which now comprises 723 acres. The College became a fully funded state institution on July 1, 1977. University designation for Missouri Western became official on August 28, 2005. The legislation (SB 98) that included university designation also gives Missouri Western a statewide mission in the area of applied learning.

Missouri Western State University invests its resources, including student fees and state appropriations, efficiently and effectively to serve the needs of students, our region and the State of Missouri. Missouri Western invests approximately 83% of its total budget in instruction and in other activities that specifically support students. The University works with students to connect the theory of the classroom with its applications beyond the classroom in the community, the region and well beyond. Missouri Western serves students who are typically first-generation college students and who demonstrate financial need at a level substantially above the average for students in Missouri. The University produces student outcomes that compare well with other colleges and universities in Missouri.

Strategic Planning

Missouri Western has a long-standing commitment to strategic planning and formally implemented a systematic planning schedule in 2002. Each of the strategic plans that were adopted have guided institutional efforts to fulfill the mission, vision and values of the institution. The current plan, *Achieving Excellence, Transforming Lives* concludes in 2017. The planning process has begun to create the next plan, which will guide institutional efforts for the period of 2018-2022.

Accreditation

Missouri Western maintains institutional accreditation through the Higher Learning Commission (HLC) and has been accredited since 1919. Missouri Western hosted a Comprehensive Quality Review (CQR) site visit in October 2016 and received Reaffirmation of Accreditation in January 2017.

As a member of the Open Pathway with HLC, Missouri Western will engage in a Quality Initiative during the second half of the ten year accreditation cycle. This initiative will be a large-scale project that facilitates continuous improvement at the institution.

Missouri Western also has specialized accreditation and program approval for a wide variety of our programs. This includes the following:

- Association to Advance Collegiate Schools of Business (AACSB International) - Institutional Accreditation Steven L. Craig School of Business, BS in Business Administration
- Commission on Accreditation for Health Informatics and Information Management Education (CAHIIM) - Health Information Technology AS, Health Information Management, BS
- Commission on Accreditation in Physical Therapy Education (CAPTE) - Physical Therapist Assistant, AAS
- Commission on Collegiate Nursing Education (CCNE) - Nursing: BSN, MSN
- Council on Social Work Education (CSWE) - Social Work, BSW
- Engineering Technology Accreditation Commission of ABET (ETAC of ABET) - Construction Engineering Technology, BS; Electronics Engineering Technology, BS
- National Accrediting Agency for Clinical Laboratory Science (NAACLS) - Clinical Program in Medical Technology
- National Association of Schools of Music (NASM) - Music: BA, BM, BME
- National Council for Accreditation of Teacher Education (NCATE) - Elementary Education BSE, Early Childhood Education BSE, Art BSE, English BSE, Music BME, French BSE, Spanish BSE, Speech and Theatre BSE; Teacher Certification attached to the BS in Biology, Chemistry, Mathematics, Physical Education and Social Science
- American Chemical Society (ACS) - BS, Chemistry (curriculum approval)
- American Bar Association (ABA) – Legal Assistant: Certificate, AS, minor in Legal Studies (program approval)
- Missouri State Board of Education with the Department of Elementary and Secondary Education (SBOE/DESE) – Educator Preparation Programs in Elementary Education BSE, Early Childhood Education BSE, Art BSE, English BSE, Music BME, French BSE, Spanish BSE, Speech and Theatre BSE; Teacher Certification attached to the BS in Biology, Chemistry, Mathematics, Physical Education and Social Science
- Missouri State Board of Nursing (MSBN) - BSN, Nursing

Student Enrollment Increase

Interest in Missouri Western was at an all-time high for the 2017-2018 academic year, with the number of freshman applications and admits both up 47 percent over a year ago. The number of prospective students who visited campus also increased dramatically.

First day of the semester enrollment data indicated there were about 1,000 incoming freshmen, an increase of more than 16 percent over last year's number. Locally, there was a 22 percent increase in students from Buchanan County and a 13 percent increase from Andrew County. Other areas with significant increases included Jackson County, Missouri 31 percent; Kansas, 85 percent; Nebraska, 50 percent; and Iowa, 19 percent.

The growth in the number of incoming freshmen did not come at the expense of academic quality. The average ACT and high school GPA of the Class of 2021 held steady at 21.2 and 3.38, respectively, and there was a 33 percent increase in the number of students with an ACT between 23 and 26.

Academic Programs

Missouri Western offers a variety of degree programs through the Steven L. Craig School of Business, Graduate School, School of Fine Arts, School of Nursing and Health Professions, College of Liberal Arts and Sciences, and College of Professional Studies. The University is authorized under Missouri statutes to offer professional master's degrees, four-year baccalaureate programs, two-year associate degrees, pre-professional transfer programs and one-year certificates. In addition, the University offers continuing education courses, seminars, conferences and workshops suited to the needs of the community and serving groups throughout the nation.

Missouri Western's Honors program offers high-achieving students the opportunity to enhance their college experience through interesting guest speakers, conferences across the country, a semester of study abroad, scholarship opportunities, in-depth research and study of a variety of topics, museum visits and close friendships. The Honors program has been a part of the campus community since 1988.

New Academic Programs

- ***Masters of Business Administration***

  Our new Masters of Business Administration program is a natural extension of the excellent Craig School of Business and already has over 45 new graduate students enrolled. The AACSB accredited program is a professional degree program that offers students, of all educational and professional backgrounds, a broad business education to help launch or advance their professional careers. The program focuses on applied academic education to develop a student's analytical and decision-making abilities. The MBA program includes classes covering several business disciplines such as accounting, finance, marketing, and management. By offering late afternoon and evening classes, the program is designed to accommodate working professionals seeking to advance their career as well as recent graduates eager to advance into graduate studies.

- ***Bachelor of Science in Population Health Management***

  The health care industry is changing faster than ever before, and now, healthcare professionals are no longer in the industry of managing illness—they are in the business of keeping people healthy. At Missouri Western, we've developed the Bachelor of Science in Population Health Management—a brand-new program in the field and across the nation—to reflect the ever-changing industry and help it maintain the goals of improving health outcomes and reducing health disparities.

  The Population Health program also incorporates the Missouri Western statewide mission of Applied Learning. Faculty will incorporate applied learning objectives to facilitate professional skill building including fostering student internship placement during their senior year of the program.

- ***Bachelor of General Studies***

  The Bachelor of General Studies degree is designed specifically for adult learners who have delayed or interrupted their studies, or for whom their original major is no longer appropriate. It is designed to be multidisciplinary and have maximum flexibility to suit the needs of students.

- ***Masters of Applied Science in K-12 Cross-Categorical Special Education***

  The K-12 Cross-Categorical Special Education option is designed as an online degree program to help a wide range of educators and professionals including:

  - Current and future educators who want to effectively support learners who experience mild/moderate disability in diverse, inclusive, K-12 classrooms.
  - Speech/language pathologists, occupational therapists, physical therapists, and other related service providers who want to better serve learners who experience mild/moderate disability.
  - Parents/Family advocates who want to learn ways to more effectively support learners who experience mild/moderate disability.
  - School administrators who are interested in improving special education services in their school or district.
  - Current or future educational policy makers who want to enhance their understanding of the unique needs of learners who experience mild/moderate disabilities and the most up-to-date research in the field of special education.

- ***Associate Degree in Manufacturing Engineering Technology – new options***

  Two new options have been added to the Associate Degree in Manufacturing Engineering Technology program: Precision Machining and Instrumentation & Automation. These programs were created in direct response to the needs of local industry and citizens of our community to educate the workforce of the future and keep St. Joseph at the forefront of innovation in manufacturing.

Applied Learning

Missouri Western State University has been designated by the State of Missouri as the official applied learning institution for the state. Applied learning refers to activities outside of the classroom in which students use discipline-specific knowledge, including internships, practica, study away and student/faculty research. Undergraduate students who engage in applied learning get an education that better prepares them to enter the workforce or pursue graduate study. Because it is a scholarly pursuit for students, applied learning is naturally tied to faculty scholarly activities. In all disciplines, applied learning opportunities arise when students work alongside faculty mentors who are pursuing their own professional scholarship goals. Approximately 98 percent of Missouri Western students complete a significant applied learning experience prior to their graduation.

Campus Environment

In FY16 the State of Missouri, under House Bill 19, approved $4.8 million for capital appropriations for the University. This capital appropriations approved by the State of Missouri included replacement of Network Infrastructure, upgrade of the HVAC systems and the repair and renovation of multiple buildings across campus. During FY16 and FY17, the University has completed $3.7 million of renovations to six halls. The renovations included the replacement of flooring, painting, remodeling of bathrooms and entryways, replacing the HVAC systems, installation of new network wiring and a partial roof replacement for one hall. Construction in progress for the HB19 renovations for FY17 for Popplewell Hall, Potter Hall and the Hearnes Center at June 30, 2017 was $643,000. The remaining $1.1 million of capital appropriations for this project is scheduled to be completed in FY18.

Spratt Football Stadium was completed in FY17 at a total cost of $8.0 million. The Stadium will be used for football and soccer games, spring commencement and various other programs like Battle of the Bands competitions and High School Football Jamboree. The scope of the project included the demolition and construction of the concourse, concessions area, restrooms, press-box and club level suites. This project also included the removal of the track, addition of new turf and relocation of the football field closer to the home stands to increase the game day experience.

Fiscal 2017 also saw a complete and extensive renovation to the Thomas Eagleton Pool located the Looney Sports Complex. The pool underwent a $745,000 renovation to the pool shell interior, pool deck and the addition of a new storefront and ticket office. The project also included the renovation of the locker rooms and the addition of a family restroom. The University in conjunction with the City of St. Joseph has been collaborating to cover the operating expenses of the pool.

In FY16 the University entered into an energy savings and performance contract with Schneider Electric that was completed in April 2016. The scope of this project includes lighting retrofits and controls, building automation system and sub-metering, water conservation and mechanical and building improvements. The annual energy savings over the next 15 years of the contract are guaranteed to be more than the annual payment on the capital lease for the project.

Kansas City Chiefs Summer Training Camp – The University entered into a contract with the Kansas City Chiefs Professional Football Franchise to hold their summer training camp on the campus of the University beginning in July 2010. The summer of 2017 marked the eighth year the training camp has been held on the campus. As part of the agreement, the University built an indoor practice facility, multi-purpose facility, two outdoor practice fields and other enhancements in preparation for the camp. The project was funded by the Kansas City Chiefs, City of St. Joseph, Buchanan County, the University and private donations. Construction of the facilities was completed in July 2010 at a cost of $11,338,408.

After extensive contract negotiations, MWSU and the KC Chiefs have signed a three year contract with two optional one year extensions from July 2015 through July 2017 with contract options through the 2019 summer camp. Part of the contract negotiations, a new irrigation system was installed and the existing grass was replaced by Bermuda sod. In addition, a new driveway, parking lot and sidewalk were paved to the practice field. The project cost was approximately $675,000 which was funded by a tax credit agreement with the Missouri Development Finance Board and the Missouri Western State University Foundation.

Once again this year was a very successful camp with a high level of fan attendance. The Chiefs expressed their appreciation for the University’s hard work in hosting the camp.

BKD LLP
CPAs & Advisors
1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816.221.6300 // fax 816.221.6380 // bkd.com

Independent Auditor's Report

Board of Governors
Missouri Western State University
St. Joseph, Missouri

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Missouri Western State University Foundation, Inc., a discretely presented component unit of the University, which statements reflect total assets of $50,294,000 and $49,003,411 as of June 30, 2017 and 2016, respectively, and total revenues of $5,487,306 and $5,954,638, respectively, for the years then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for Missouri Western State University Foundation, Inc., are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Missouri Western State University Foundation, Inc., the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

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

Prior Year Audited by Other Auditors

The 2016 financial statements were audited by other auditors and their report thereon, dated October 27, 2016 expressed an unmodified opinion.

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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. Management's Introduction and information required for bonds listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2017, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
October 27, 2017

Missouri Western State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
June 30, 2017 and 2016

Introduction

This discussion and analysis of Missouri Western State University (the University) financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2017, 2016 and 2015. Since the Management's Discussion and Analysis is designed to focus on current activities, resulting change and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes.

Financial Highlights

Comparative Analysis of Fiscal Years 2017 and 2016

A review of the University's net position at June 30, 2017 reflects a decrease of $9.1 million or 22.6 percent to $40.3 million. Operating revenues for the year ended June 30, 2017, which includes tuition and fees of $23.8 million; federal and state grants and contracts of $1.2 million; auxiliary revenues of $7.9 million; and other revenues of $1.0 million, decreased by $1.4 million to $33.9 million.

Operating expenses increased by $5.9 million to $76.0 million, resulting in an operating loss of $42.0 million. Operating expenses included depreciation of $6.6 million. This operating loss of $42.0 million and net non-operating and other capital revenues of $33.0 million resulted in a decrease in net position of $9.1 million.

Comparative Analysis of Fiscal Years 2016 and 2015

A review of the University's net position at June 30, 2016 reflects a decrease of $0.4 million or .08 percent to $49.4 million. Operating revenues for the year ended June 30, 2016, which includes tuition and fees of $24.2 million; federal and state grants and contracts of $1.0 million; auxiliary revenues of $7.7 million; and other revenues of $2.4 million, decreased by $.3 million to $35.3 million.

Operating expenses increased by $0.8 million to $70.1 million, resulting in an operating loss of $34.8 million. Operating expenses included depreciation of $5.9 million. This operating loss of $34.8 million and net non-operating and other capital revenues of $34.4 million resulted in a decrease in net position of $0.4 million.

Net Position

The Statements of Net Position present the financial position of the University at the end of the fiscal year and includes all assets and deferred outflows of resources, liabilities and deferred inflows of resources of the University. Assets and liabilities are generally measured using historical cost, which approximates current value, with certain exceptions, such as, capital assets which are stated at cost less accumulated depreciation, and long-term debt, which is stated at cost. A summary of the University's assets, liabilities and net position at June 30, 2017, 2016 and 2015 is as follows:

Net Position
as of June 30
(In millions)

	2017	2016	2015 (As Restated)
Current Assets	**$ 18.2**	**$ 24.8**	**$ 27.3**
Non-current Assets			
Capital assets, net of depreciation	116.5	118.3	111.0
Other	-	-	1.2
Total assets	**$ 134.7**	**$ 143.1**	**$ 139.5**
Deferred Outflows of Resources	**18.4**	**7.4**	**4.9**
Total assets and deferred outflows of resources	**$ 153.1**	**$ 150.5**	**$ 144.4**
Current Liabilities	**$ 8.4**	**$ 9.3**	**$ 9.6**
Noncurrent Liabilities	**$ 103.7**	**91.0**	**77.6**
Total liabilities	**$ 112.1**	**$ 100.3**	**$ 87.2**
Deferred Inflows of Resources	**$ 0.7**	**0.8**	**7.4**
Total liabilties and deferred inflows of resources	**$ 112.8**	**$ 101.1**	**$ 94.6**
Net Assets			
Net investment in capital assets	$ 62.6	$ 64.6	$ 62.5
Restricted	0.6	0.8	2.0
Unrestricted operating	9.9	13.0	14.4
Unrestricted GASB 68	(32.8)	(29.1)	(29.2)
Total net position	**$ 40.3**	**$ 49.3**	**$ 49.7**

Comparative Analysis of Fiscal Years 2017 and 2016

Current assets decreased by 6.6 million or 36.3 percent from $24.8 million to $18.2 million. This is primarily due to the construction of the Spratt Stadium, Looney Pool renovation, liquidation of the Perkins Loan program and multiple other capital projects that were completed during the fiscal year.

Noncurrent assets decreased by $1.8 million or 1.5 percent from $118.3 million to $116.5 million. Capital assets, net of accumulated depreciation, decreased 1.5 percent from $118.3 million to $116.5 million, primarily due to the first year of depreciation on the new Spratt Football Stadium and the multiple building improvements completed during FY17.

Deferred outflows increased by $11.0 million or 249.5 percent from $7.4 million to $18.4 million due to changes in assumptions related to the Missouri State Employee's Retirement System (MOSERS).

Non-current liabilities increased by $12.7 million or 13.9 percent from $91.0 to $103.7 million. This is primarily due to GASB 68 requiring the recognition of the proportionate share of the unfunded MOSERS pension that increased by $15.0 million.

Deferred inflows decreased from by $0.1 million from $0.8 million to $0.7 million due to GASB 68 requiring recognition of projected versus actual earnings on investments in MOSERS plan.

Comparative Analysis of Fiscal Years 2016 and 2015

Current assets decreased by 2.5 million or 10 percent from $27.3 million to $24.8 million. This is primarily due to the construction of the Spratt Stadium.

Noncurrent assets increased by 6.1 million or 5.4 percent from $112.2 million to $118.3 million. Capital assets, net of accumulated depreciation, increased 6.5 percent from $111 million to $118.3 million, primarily due to the new Spratt Football/Soccer Stadium and the additional Capital Appropriations from the State that allowed the University to complete multiple capital building improvements.

Deferred outflows increased by 2.5 million or 51 percent from $4.9 million to $7.4 million due GASB 71 pronouncement requiring MOSERS contribution are reported as a deferred outflow rather than an expense.

Non-current liabilities increased by 13.4 million or 17.3 percent from $77.6 to $91.0 million. This is primarily due to the GASB 68 pronouncement requiring the recognition of the proportionate share of the unfunded Moser's pension that increased by 9.0 million. Auxiliary System Revenue Bonds Series 2015 was issued to finance the Spratt Football/Soccer Stadium that increased the Long-term debt by $4.8 million.

Deferred inflows decreased from by $6.6 million from $7.4 million to $.8 million due to GASB 68 pronouncement requiring recognition of projected versus actual earnings on investments in Moser's plan.

Capital Assets, Net
June 30, 2017
(In millions)

	Cost	Accumulated Depreciation	Net Capital Assets
Land	$ 0.3	$ -	$ 0.3
Land improvements	10.3	4.8	5.5
Buildings and improvements	170.0	64.1	105.9
Furniture, fixtures and equipment	19.2	15.7	3.5
Library materials	4.1	3.7	0.4
Construction in progress	0.9	0.0	0.9
	$ 204.8	$ 88.3	$ 116.5

Comparative Analysis of Fiscal Years 2017 and 2016

As of June 30, 2017, the University had recorded $204.8 million in gross capital assets and $88.3 million in accumulated depreciation that resulted in $116.5 million in net capital assets.

In 2017, the University completed multiple additions to capital assets, including $13.4 million in Building Improvements. Construction of the Spratt Football Stadium and the Spratt Stadium Scoreboard was completed in FY17 at a cost of $11.1 million. The University invested $1.1 million in Building Improvements by upgrading the HVAC systems in the Hearnes Center, Wilson Hall, Potter Hall and Popplewell Hall. Other renovations ranged from the replacement of flooring, painting, remodeling of bathrooms and entryways. The Thomas Eagleton Pool renovation in Looney Complex was completed at a cost of $0.7 million.

The University added $0.5 million in furniture, fixtures and equipment during the year. This was primarily computers purchased for various University labs at approximately $0.3 million. An additional $0.06 million was spent to upgrade the University's existing firewall.

The University recorded $0.9 million in Construction in Progress for 2017. The amount includes ongoing renovations to Popplewell Hall, Potter Hall and Hearnes Center. These renovations include new HVAC units and entryway renovations to Popplewell Hall and Hearnes Center.

Comparative Analysis of Fiscal Years 2016 and 2015

As of June 30, 2016, the University had recorded $200.7 million in gross capital assets and $82.4 million in accumulated depreciation that resulted in $118.0 million in net capital assets.

In 2016, the University completed multiple additions to capital assets, including $4.1 million in Building Improvements, and $.5 million additions in furniture, fixtures and equipment. The University partnered with Schneider Electric in an energy savings and performance contract in November of 2014. The scope of the project included lighting retrofits, upgrade of building automation systems and sub-metering, water conservation and mechanical and building improvements. This project was completed in 2016 at a cost of $5.1 million. The University applied for and received $.5 million in rebates from KCP&L and Laclede Gas for the completion of the project. Schneider Electric has guaranteed energy savings for the next 15 years ranging from $.4 to $.6 million each year.

The University recorded $10.1 million in Construction in Progress for 2016. The largest part of this is the construction of Spratt Football Stadium that was completed in FY2017. There was an additional $1.1 million for the construction of the Spratt Stadium Scoreboard that was also completed in FY2017.

Analysis of Net Position
June 30
(In millions)

	2017	2016	2015
Net investment in capital assets	$ 62.6	$ 64.6	$ 62.5
Restricted	0.6	0.8	2.0
Unrestricted Operating	9.9	13.0	14.4
Unrestricted GASB 68	(32.8)	(29.1)	(29.2)
Total	$ 40.3	$ 49.3	$ 49.7

Comparative Analysis of Fiscal Years 2017 and 2016

Net position decreased by 23.8% or $9.6 million from fiscal year 2016 to 2017. The net position are comprised of unrestricted operating $9.9 million and the cumulative effect of a change in accounting principle from GASB 68 unrestricted GASB 68 of ($32.7) million; restricted for loans and other $.2 million; and restricted for debt service agreement for repairs and maintenance of $0.4 million; net investment in capital assets $62.6 million.

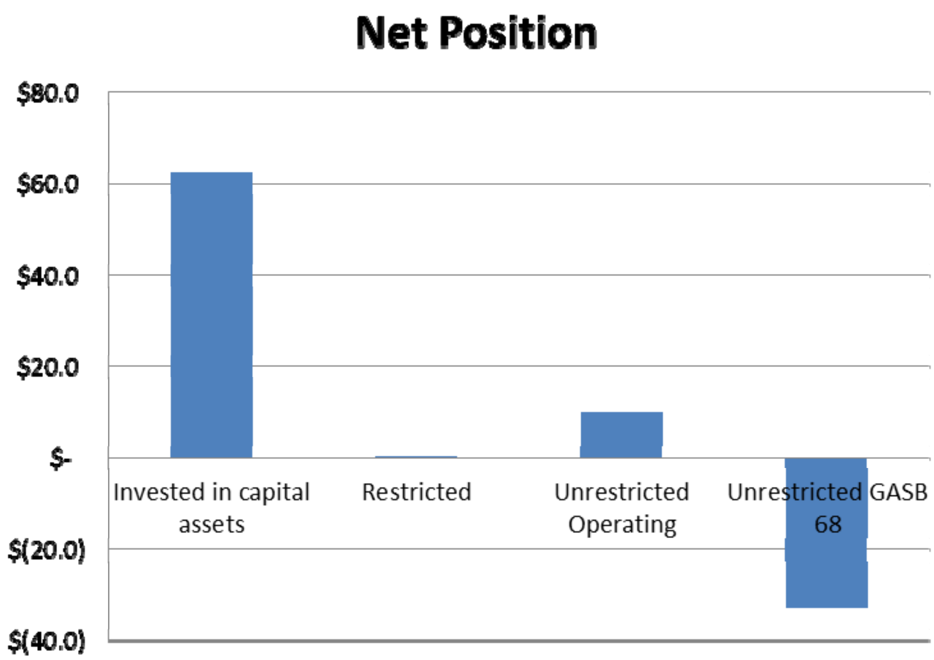
The decrease in restricted net position is due to the liquidation of the Perkins Loan program.

Comparative Analysis of Fiscal Years 2016 and 2015

Net position decreased by 3.4% or $1.8 million from fiscal year 2015 to 2016. The net position are comprised of unrestricted operating $13.0 million and the cumulative effect of a change in accounting principle from GASB 68 unrestricted GASB 68 of ($29.1) million; restricted for loans and other $.8 million; and restricted for debt service agreement for repairs and maintenance of $0.3 million; net investment in capital assets $64.6 million.

The decrease in restricted net position is due to the liquidation of the Perkins Loan program.

The following is a graphic illustration of net position at June 30, 2016.



Analysis of Unrestricted Net Position
Year Ended June 30
(In millions)

	2017	2016	2015
Operating Fund			
Unrestricted Funds Operating	$ 4.9	$ 5.2	$ 6.3
Unrestricted Funds GASB 68	(32.8)	(29.1)	(29.2)
Designated Funds	2.9	5.4	5.7
	(25.0)	(18.5)	(17.2)
Auxiliary Fund			
Unrestricted Funds	2.2	2.6	2.5
	2.2	2.6	2.5
Total	$ (22.8)	$ (15.9)	$ (14.7)

Operating Results

The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operations. The statements distinguish revenues and expenses between operating and non-operating categories, and provide a view of the University's operating margin. Comparative summary statements of revenues, expenses and changes in net position for the years ended June 30, 2017, 2016 and 2015 are as follows:

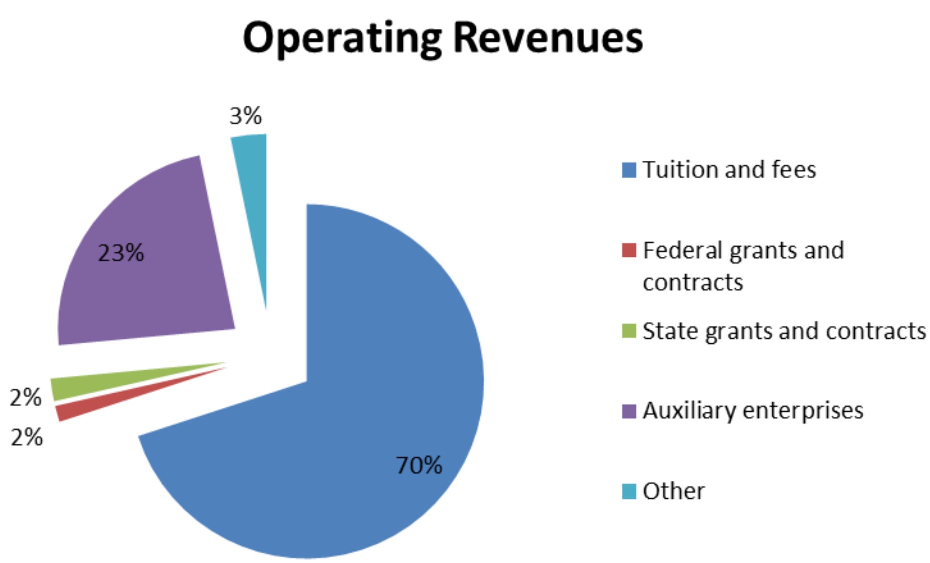
Operating Results
Year Ended June 30
(In millions)

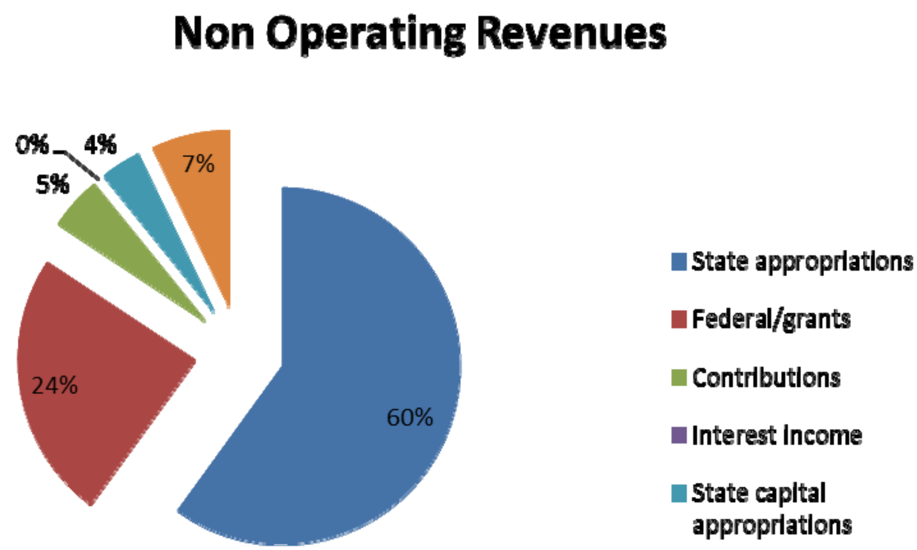
	2017	2016	2015
Operating Revenues			
Tuition and fees	$ 23.8	$ 24.2	$ 24.9
Federal grants and contracts	0.5	0.5	0.5
State grants and contracts	0.7	0.5	0.5
Auxiliary enterprises	7.9	7.7	8.8
Other	1.0	2.4	0.9
Total operating revenues	33.9	35.3	35.6
Operating Expenses	75.9	70.1	69.2
Operating Loss	(42.0)	(34.8)	(33.6)
Nonoperating Revenues (Expenses)			
State appropriations	21.0	21.9	21.6
Federal grants	8.4	9.6	11.0
Contributions	1.7	1.2	1.0
Interest income	0.2	0.1	0.1
Loss on disposal of capital assets	(0.0)	(0.4)	(1.0)
Interest on capital asset – related debt	(2.2)	(2.5)	(2.4)
Net nonoperating revenues	29.1	29.9	30.3
Capital Appropriations	1.3	2.6	-
Capital Revenues	2.5	1.9	1.5
Increase/Decrease in Net Position	(9.1)	(0.4)	(1.8)
Net Position, Beginning of Year	49.4	49.8	51.6
Net Position, End of Year	$ 40.3	$ 49.4	$ 49.8

Tuition and fees and auxiliary enterprises revenue is reported only to the extent they are earned. Student financial assistance provided by federal and state sources is reported as federal and state grants and contract revenues rather than as tuition and fees or auxiliary revenues.

In fiscal year 2017, total operating revenues had a decrease of 4.1 percent from $35.3 to $33.9 million. The decrease was due primarily to a small decrease in enrollment and in FY16 the University had received a $0.9 million refund from the health insurance company.

The following are graphic illustrations of revenues by source for the year ended June 30, 2017.





In fiscal year 2017, non-operating and capital revenues decreased by $1.5 million or 4.4 percent from $34.4 to $32.9 million due primarily from the following increases (decreases) in millions:

Non-Operating Revenue and Capital Gifts

State of Mo Capital Appropriation	$ 0.8
Captial Gifts	0.5
Total Non-Operating Revenue and Capital Gifts	**$ 1.3**

In fiscal year 2016, non-operating and capital revenues increased by $2.6 million or 8.2 percent from $31.8 to $34.4 million due primarily from the following increases (decreases) in millions:

Non-Operating Revenue and Capital Gifts

State of Mo Capital Appropriation	$ 2.6
Captial Gifts	0.4
Contribution Expense	1.0
Federal Grants	(1.4)
Total Non-Operating Revenue and Capital Gifts	**$ 2.6**

Operating Expenses
Year Ended June 30
(In millions)

	2017	2016	2015
Compensation	$ 47.7	$ 42.1	$ 41.0
Scholarships	3.9	4.4	4.7
Supplies and other services	15.4	15.4	15.3
Depreciation	6.6	5.9	5.6
Utilities	2.3	2.3	2.6
Total	$ 75.9	$ 70.1	$ 69.2

Missouri Western State University elected to use the natural classification for operating expenses, as did all state public higher education institutions in the State of Missouri.

During 2017, 2016 and 2015, tuition fee waivers are reported as a reduction in revenue rather than scholarships and amounted to approximately $4.6, $4.2 and $3.8 million, respectively. In addition, Federal Pell Grants and Federal Education Opportunity Grants outlays are recorded as a reduction in tuition and fees revenue and amounted to approximately $7.8, $7.6 and $8.6 million respectively.

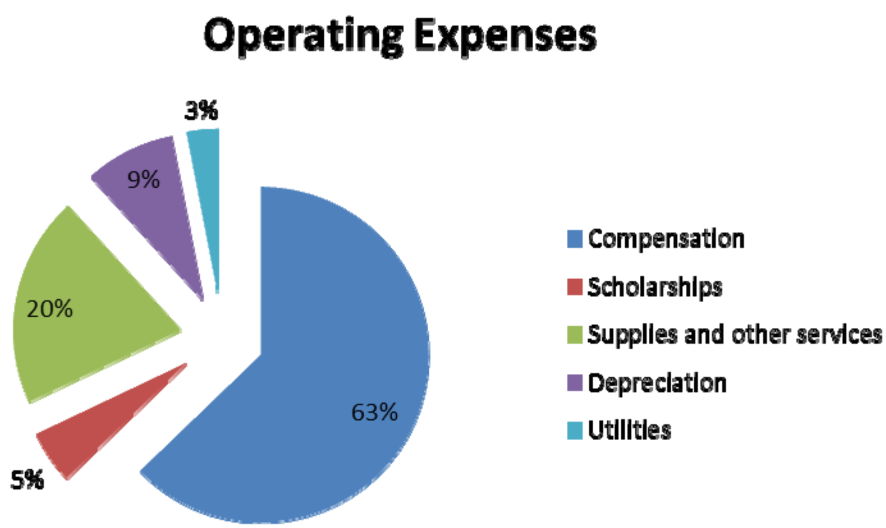
Missouri Western State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
June 30, 2017 and 2016

Comparative Analysis of Fiscal Years 2017 and 2016

In 2017, the University's operating expenses increased by $5.8 million, or 8.2 percent increase of which $5.6 million is due to an increase in compensation and fringe benefits. Salary and Wages represents a $0.1 million increase and a $4.9 increase in Fringe Benefits is due to the GASB 68 Moser's Pension expense allocation which increased the financial statement expenses by $3.8 million from the actual expense that was paid out for MOSERS. This reflects a 13.4 percent increase in compensation to employees and a $0.7 million increase in depreciation.

Comparative Analysis of Fiscal Years 2016 and 2015

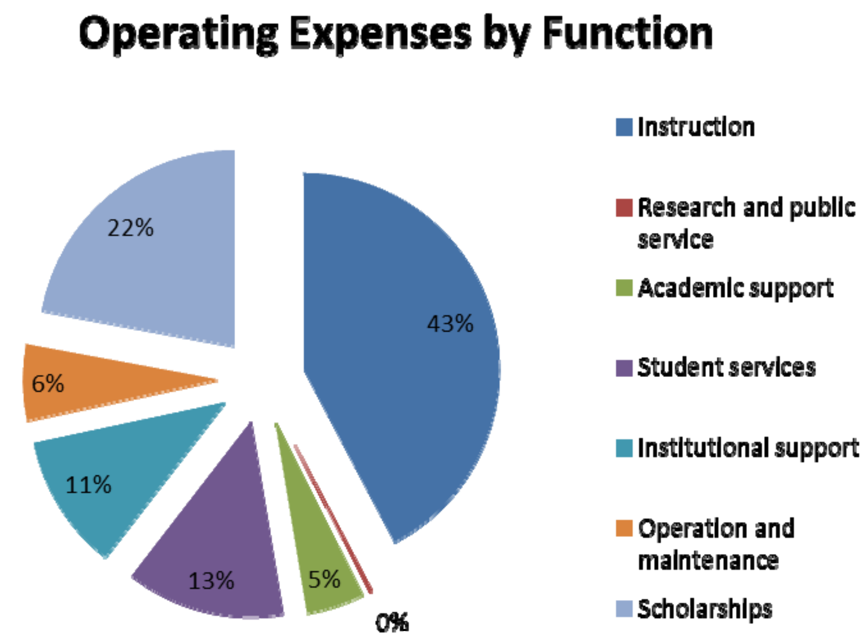
In 2016, the University's operating expenses increased by $1.8 million, or 2.5 percent increase of which $1.6 million is due to an increase in compensation and fringe benefits. Salary and Wages represents a $.5 million increase and a$1.1 increase in Fringe Benefits is due to the GASB 68 Moser's Pension expense allocation. This reflects a 3.9 percent increase in compensation to employees and a $.05 million increase in supplies. Supplies and other services increased in multiple areas due to the various renovation projects that were completed throughout the year. The following is a graphic illustration of operating expenses for the fiscal year ended June 30, 2017.



Analysis of Educational and General Operating Expenses by Functional Classification June 30, 2016

(In millions)

The following is a graphic illustration of educational and general operating expenses at June 30, 2017.



Missouri Western continues to invest a high proportion of its total expenditures in instruction and other activities that specifically support students and the community. Instruction, Research and Public Service, Student Services, Scholarships, and Academic Support combined represent 83 percent of total educational and general expenses. Institutional support 11 percent and Operation and Maintenance 6 percent make up the remainder.

Cash Flows

The Statement of Cash Flows provides a view of the sources and uses of the University's cash resources. Comparative summary statements of cash flows for the years ended June 30, 2017, 2016 and 2015 are as follows:

Cash Flows
Year Ended June 30
(In millions)

	2017	2016	2015
Cash Provided by (Used in)			
Operating activities	$ (32.6)	$ (28.6)	$ (28.8)
Noncapital financing activities	31.2	32.7	33.6
Capital and related financing activities	(5.1)	(6.7)	(5.4)
Investing activities	1.9	(1.2)	4.1
Change in Cash and Cash Equivalents	(4.6)	(3.8)	3.5
Cash and Cash Equivalents, Beginning of Year	15.7	19.5	16.0
Cash and Cash Equivalents, End of Year	$ 11.1	$ 15.7	$ 19.5

Comparative Analysis of Fiscal Years 2017 and 2016

Cash and cash equivalents at June 30, 2017 were $11.1 million, which was a decrease of $4.6 million from 2016. The decrease in cash and cash equivalents of $2.8 million due to the Spratt Stadium and the Spratt Stadium Scoreboard project completed in FY17 and $.08 million decrease in State Appropriations.

During 2017, cash used in operating activities was $32.6 million, which resulted from receipts from tuition and fees, grants and contracts and auxiliary enterprise charges less payments to employees and suppliers. Cash provided by non-capital financing activities, primarily state appropriations and federal grants, was $29.5 million and $1.7 million in private contributions. Cash used for capital and related financing activities was $5.1 million, which consisted of the purchases of capital assets of ($4.8) million, capital gifts received of $2.5 million private and $1.3 million of state capital appropriations. The issuance and payment of debt service for 2017 was ($4.1) million. Investing activities amounted to a cash inflow of $1.9 million, which primarily were the result of investments.

Comparative Analysis of Fiscal Years 2016 and 2015

Cash and cash equivalents at June 30, 2016 were $15.7 million, which was a decrease of $3.8 million from 2015. The decrease in cash and cash equivalents is primarily attributable to the cash reserves being used for additional capital projects started or completed in 2016.

During 2016, cash used in operating activities was $27.5 million, which resulted from receipts from tuition and fees, grants and contracts and auxiliary enterprise charges less payments to employees and suppliers. Cash provided by non-capital financing activities, primarily state appropriations and federal grants, was $31.5 million and $1.2 million in private contributions. Cash used for capital and related financing activities was $7.8 million, which consisted of the purchases of capital assets of $13.6 million, capital gifts received of $1.5 million private and $2.6 million of state capital appropriations. The issuance and payment of debt service for 2016 was $1.7 million. Investing activities amounted to a cash inflow of $1.2 million, which primarily were the result of investments.

Missouri Western State University Foundation, Inc.

Missouri Western State University Foundation, Inc. is a not-for-profit organization incorporated in the State of Missouri on December 19, 1968. The Foundation's principal activity is to obtain contributions, which include cash and other assets, for the support and assistance of Missouri Western State University and its faculty and students. A copy of the Foundation's annual financial report can be obtained by sending a written request to the Missouri Western State University Foundation, 4525 Downs Drive, St. Joseph, Mo. 64507.

The University has included financial information of the Missouri Western State University Foundation, Inc. in this report as required by the Governmental Accounting Standards Board Statement No. 39, *determining whether Certain Organizations are Component Units.* GASB No. 39 requires reporting, as discretely presented component units, organizations that raise and hold economic resources for the direct benefit of the University.

Acknowledgements

The University's financial statements are the responsibility of the University's management. The timely preparation of the University's financial statements was made possible by the dedicated service of the Accounting Office personnel and others who have our sincere appreciation.

Missouri Western State University
A Component Unit of the State of Missouri
Statements of Financial Position
June 30, 2017 and 2016

Assets and Deferred Outflows of Resources

	2017	2016
Current Assets		
Cash and cash equivalents	$ 11,065,290	$ 15,195,367
Short-term investments	2,240,000	4,499,606
Accounts receivable, net of allowance of $1,167,345 in 2017 and $1,188,393 in 2016	3,487,703	3,637,032
Loans to students, net		
Prepaid expenses	655,760	713,166
Restricted current assets		
Cash and cash equivalents	-	460,000
Investments	760,000	300,000
Total current assets	18,208,753	24,805,171
Noncurrent Assets		
Loans to students, net	-	21,257
Capital assets, net	116,527,778	118,329,122
Total noncurrent assets	116,527,778	118,350,379
Total assets	134,736,531	143,155,550
Deferred Outflows of Resources		
Deferred losses on debt refundings	1,141,641	1,216,503
Current year contributions to MOSERS	3,560,832	3,458,038
Proportionate share of MOSERS deferred outflows	13,705,033	2,703,401
Deferred outflows of resources	18,407,506	7,377,942
Total assets and deferred outflows of resources	$ 153,144,037	$ 150,533,492

Liabilities and Deferred Inflows of Resources

	2017	2016
Current Liabilities		
Accounts payable and accrued liabilities	$ 4,178,655	$ 5,002,982
Accrued compensated absences	816,319	780,947
Unearned revenue	975,935	1,057,584
Interest payable	492,005	502,859
Long-term debt - current portion	1,971,833	1,931,269
Total current liabilities	8,434,747	9,275,641
Non-current Liabilities		
Accrued compensated absences	801,305	777,557
Unearned revenue	743,960	1,084,792
Other postemployment benefit	1,348,880	1,331,973
Pension Liability, net	49,332,702	34,372,019
Long-term debt, net	51,479,830	53,458,223
Total noncurrent liabilities	103,706,677	91,024,564
Total liabilities	112,141,424	100,300,205
Deferred Inflows of Resources		
Proportionate share of MOSERS deferred inflows	677,194	779,451
Total liabilities and deferred inflows of resources	112,818,618	101,079,656
Net Position		
Net investment in capital assets	62,565,503	64,594,388
Restricted, expendable for		
Scholarships, fellowships and other	151,720	119,157
Loans	82,362	314,880
Debt service	358,132	362,464
Unrestricted	(22,832,298)	(15,937,053)
Total net position	$ 40,325,419	$ 49,453,836

Missouri Western State University
A Component Unit of the State of Missouri
Missouri Western State University Foundation, Inc.
Statements of Financial Position
June 30, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash	$ 792,073	$ 801,666
Pledges receivable – current portion	2,023,276	2,003,959
Pledges receivable – gifts-in-kind	78,000	1,205,805
Notes Receivable, net - current portion	9,394	1,669
Interest, dividends and other receivables	101,494	97,729
Prepaid expense	19,256	24,996
Total current assets	3,023,493	4,135,824
Investments		
Investments	38,552,785	36,134,843
Mineral rights	116,988	140,496
Cash surrender value of life insurance	523,345	509,708
Total investments	39,193,118	36,785,047
Equipment		
Equipment, at cost	35,976	61,432
Less accumulated depreciation	29,460	52,067
Total equipment	6,516	9,365
Other Assets		
Pledges receivable, net	1,486,395	1,744,723
Notes receivable - net	67,516	90,099
Beneficial interest in perpetual trusts	5,516,962	5,238,353
Other equity interests	1,000,000	1,000,000
Total other assets	8,070,873	8,073,175
Total assets	$ 50,294,000	$ 49,003,411

Liabilities and Net Assets

	2017	2016
Current Liabilities		
Accounts payable	$ 412,574	$ 629,818
Agency funds, net	688	81,626
Deferred revenue	177,455	153,833
Lease payable – current portion	2787	2,651
Total current liabilities	593,504	867,928
Long-term Liabilities		
Lease payable – long-term portion	2,183	4,970
Total liabilities	595,687	872,898
Net Assets		
Unrestricted		
General operating	2,829,959	2,310,276
Board designated	1,437,044	1,467,425
Total unrestricted	4,267,003	3,777,701
Temporarily restricted	18,228,779	17,621,836
Permanently restricted	27,202,531	26,730,976
Total net assets	49,698,313	48,130,513
Total liabilities and net assets	$ 50,294,000	$ 49,003,411

Missouri Western State University
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues		
Tuition and fees, net	$ 23,764,111	$ 24,164,893
Federal grants and contracts	522,719	498,279
State grants and contracts	702,677	502,765
Interest on student loans receivable	158,499	145,242
Sales and services of educational activities	389,877	449,361
Auxiliary enterprises, net	7,878,413	7,748,320
Other operating revenues	550,004	1,750,616
Total operating revenues	33,966,300	35,259,476
Operating Expenses		
Salaries and wages	33,304,293	32,546,430
Fringe benefits	14,411,044	9,544,642
Supplies and other services	15,400,614	15,398,696
Scholarships and fellowships	3,870,462	4,367,880
Depreciation	6,615,947	5,934,891
Utilities	2,344,593	2,290,318
Total operating expenses	75,946,953	70,082,857
Operating Loss	(41,980,653)	(34,823,381)
Nonoperating Revenues (Expenses)		
State appropriations	21,020,534	21,847,757
Federal grants	8,133,592	9,367,916
Federal interest rebate	267,565	272,994
Contributions	1,698,916	1,231,925
Interest income	150,571	120,744
Loss on disposal of capital assets	(13,555)	(396,277)
Interest on capital asset-related debt	(2,169,270)	(2,530,357)
Net Nonoperating Revenues	29,088,353	29,914,702
Loss before Capital Revenues	(12,892,300)	(4,908,679)
Capital Appropriations	1,256,954	2,623,542
Capital Revenues	2,506,929	1,901,973
Capital Revenues	3,763,883	4,525,515
Decrease in Net Position	(9,128,417)	(383,164)
Net Position, Beginning of Year	49,453,836	49,837,000
Net Position, End of Year	$ 40,325,419	$ 49,453,836

Missouri Western State University
A Component Unit of the State of Missouri
Missouri Western State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 553,343	$ 1,262,732	$ 129,879	$ 1,945,954
Legacies and bequests	31,748	-	25,650	57,398
In-kind contributions	33,407	667,786	-	701,193
Investment income	227,022	1,407,461	16,417	1,650,900
Mineral rights royalities	10,319	-	-	10,319
Other income	100	842,833	-	842,933
Change in value of beneficial interest in perpetual trust	-	-	278,609	278,609
Net Assets released from donor restrictions	5,380,305	(5,401,305)	21,000	-
Total revenues, gains and other support	6,236,244	(1,220,493)	471,555	5,487,306
Expenses				
Scholarships	850,439	-	-	850,439
Allocations	4,284,606	-	-	4,284,606
General and administrative	229,311	-	-	229,311
Fundraising	143,429	-	-	143,429
Agent fees	115,645	-	-	115,645
Uncollectible pledges	67,746	-	-	67,746
Total expenses	5,691,176	-	-	5,691,176
Other Revenues (Expenses)				
Unrealized gains (losses) on investments	(32,258)	1,827,436	-	1,795,178
Unrealized losses on mineral rights	(23,508)	-	-	(23,508)
Total expenses	(55,766)	1,827,436	-	1,771,670
Change in Net Assets	489,302	606,943	471,555	1,567,800
Net Assets, Beginning of Year	3,777,701	17,621,836	26,730,976	48,130,513
Net Assets, End of Year	$ 4,267,003	$ 18,228,779	$ 27,202,531	$ 49,698,313

Missouri Western State University
A Component Unit of the State of Missouri
Missouri Western State University Foundation, Inc.
Statement of Activities
Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 312,190	$ 1,311,365	$ 270,232	$ 1,893,787
Legacies and bequests	-		-	-
In-kind contributions	-	1,448,632	-	1,448,632
Investment income	157,916	1,678,050	(345)	1,835,621
Mineral rights royalities	47,218	-	-	47,218
Other income	499	937,264	-	937,763
Change in value of beneficial interest in perpetual trust	-	-	(208,383)	(208,383)
Net assets released from donor restrictions	4,440,238	(4,445,792)	5,554	-
Total revenues, gains and other support	4,958,061	929,519	67,058	5,954,638
Expenses				
Scholarships	772,106	-	-	772,106
Allocations	3,428,836	-	-	3,428,836
General and administrative	246,588	-	-	246,588
Fundraising	168,392	-	-	168,392
Agent fees	112,384	-	-	112,384
Uncollectible pledges	57,103	-	-	57,103
Total expenses	4,785,409	-	-	4,785,409
Other Revenues (Expenses)				
Unrealized gains (losses) on investments	44,234	(1,262,934)	-	(1,218,700)
Unrealized losses on mineral rights	(34,467)	-	-	(34,467)
Total expenses	9,767	(1,262,934)	-	(1,253,167)
Change in Net Assets	182,419	(333,415)	67,058	(83,938)
Net Assets, Beginning of Year	3,595,282	17,955,251	26,663,918	48,214,451
Net Assets, End of Year	$ 3,777,701	$ 17,621,836	$ 26,730,976	$ 48,130,513

Missouri Western State University
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Activities		
Tuition and fees	$ 23,248,059	$ 23,555,721
Grants and contracts	1,239,150	923,120
Interest received	-	145,242
Payments to suppliers	(17,000,795)	(16,451,097)
Payments to employees	(44,612,857)	(41,965,295)
Collection of loans issued to students	-	252,176
Sales and services of auxiliary enterprises	7,945,713	8,249,582
Other payments	(3,361,772)	(3,327,586)
Net cash used in operating activities	(32,542,502)	(28,618,137)
Noncapital Financing Activities		
State appropriations	21,020,534	21,847,757
Federal grants	8,468,237	9,367,916
Direct lending receipts	16,842,408	18,127,352
Direct lending payments	(16,842,408)	(18,127,352)
Contributions	1,698,916	1,504,919
Net cash provided by noncapital financing activities	31,187,687	32,720,592
Capital and Related Financing Activities		
State capital appropriations	1,256,954	2,623,542
Capital gifts received	2,506,929	1,467,955
Purchase of capital assets	(4,828,158)	(12,600,503)
Proceeds from long-term debt	-	13,692,713
Principal paid on long-term debt	(1,942,161)	(9,443,336)
Interest paid on long-term debt	(2,180,123)	(2,488,629)
Net cash used in capital and related financing activities	(5,186,559)	(6,748,258)
Investing Activities		
Purchase of investments	(3,000,000)	(8,762,639)
Proceeds from sale of investments	4,799,063	7,463,033
Investment income	152,234	119,088
Net cash provided by (used in) investing activities	1,951,297	(1,180,518)
Decrease in Cash and Cash Equivalents	(4,590,077)	(3,826,321)
Cash and Cash Equivalents, Beginning of Year	15,655,367	19,481,688
Cash and Cash Equivalents, End of Year	$ 11,065,290	$ 15,655,367

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

	2017	2016
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (41,980,653)	$ (34,823,381)
Depreciation expense	6,615,948	5,934,891
Bad debt expense	551,294	604,324
Loss on disposal of capital assets	13,554	-
Assignment of student loans	-	1,161,810
Changes in operating assets and liabilities		
Receivables, net	(479,389)	(896,678)
Loans to students	21,257	252,176
Prepaid expenses	57,406	39,069
Deferred outflows of resources	(11,029,564)	(2,576,576)
Accounts payable and accrued liabilities	(824,327)	(760,090)
Other Post Employment Benefits	16,907	16,907
Net Pension Liability	14,960,683	9,028,645
Deferred inflows of resources	(102,257)	(6,610,050)
Unearned revenue	(422,481)	(17,531)
Accrued compensated absences	59,120	28,347
Net Cash Used in Operating Activities	$ (32,542,502)	$ (28,618,137)

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

Nature of Operations and Reporting Entity

Missouri Western State University (the University) is a public, state-supported institution providing a blend of traditional liberal arts and sciences and career-oriented degree programs. The University is a component unit of the State of Missouri. The University is authorized under Missouri statute to offer associate, baccalaureate and graduate degrees as well as certificate programs. Professional programs, programs for transfer students, continuing education opportunities and self-enrichment courses are also offered. Missouri Western State University has an enrollment of approximately 5,200 students. The University has on-campus student housing that can accommodate approximately 26% of the student body.

The predecessor to Missouri Western State University, St. Joseph Junior College, was organized in 1915 as an integral part of the city public school system. An independent junior college district involving eleven school districts was organized in 1965. Also in 1965, the Missouri State Legislature enacted legislation creating Missouri Western State University, which, when combined with St. Joseph Junior College, constituted a four-year State University. In 1969, the College moved to the present campus, which now comprises 723 acres. The College became a fully funded state institution on July 1, 1977. Effective August 28, 2005, the College changed its name to Missouri Western State University.

The University participates in the Federal Student Financial Aid Program and the University extends unsecured credit to students.

Missouri Western 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.

Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 4525 Downs Drive, Spratt Hall 111, St. Joseph, Missouri 64507.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including ASC Topic 958, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from revenue recognition criteria and presentation features required under pronouncements of the Governmental Accounting Standards Board (GASB). No modifications have been made to Foundation's statements in the University's financial reporting for these differences. See *Note 10* for discussions regarding the Foundation's accounting policies and other disclosures.

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 non-exchange 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 unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in non-operating 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 positions are available.

Use of Estimates

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

Cash and Cash Equivalents

The cash and cash equivalents represent balances at Citizens Bank & Trust (trustee). Cash and cash equivalents include amounts in demand deposits, savings accounts, cash management pools, repurchase agreements, and money market funds.

Investments

Investments in equity and debt securities are carried at fair value. Fair value is determined using quoted market prices. Investments in non-negotiable certificates of deposit are carried at cost.

Restricted Cash and Investments

Restricted cash and investments include restricted funds to be used for future capital projects in accordance with the Series 2008 Bond indenture, along with other required debt service funds. Restricted cash and investments include cash, U.S. Agency bonds and certificates of deposit.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students, charges for auxiliary enterprise services provided to students and other receivables. Accounts receivable is recorded net of estimated uncollectible amounts.

Deferred Outflows of Resources

The University reports decreases in net position or fund equity that relate to future periods as deferred outflows of resources in a separate section of its statements of net position. The University's deferred outflow includes primarily deferred losses on defeasance of bonds, and current year payments of contributions to the Missouri State Employee's Retirement System ("MOSERS") that will be recognized next year.

Deferred Inflows of Resources

The University's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. No deferred inflows of resources reported in these financial statements in the current year represent differences between the projected and actual earnings on investments in the MOSERS pension plan.

Loans to Students

The University made loans to students under the Federal Perkins Loan Program. Such loans receivable do not record an estimate of uncollectible amounts in accordance with Federal Perkins Loan Program guidelines. The Perkins Loan Program was liquidated as of June 30, 2017.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the University:

Land improvements	15 years
Buildings and improvements	15 – 40 years
Furniture, fixtures and equipment	3 – 10 years
Library materials	10 years

Compensated Absences

University policies permit most employees to accumulate vacation benefits that may be realized as paid time off or as a cash payment upon termination. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits that employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net assets date.

Unearned Revenue

Unearned revenue at June 30, 2017, consists of unearned student fees of $606,687, deferred capital gifts of $1,088,514 and other unearned revenue of $24,694. Unearned revenue at June 30, 2016 consists of unearned student fees of $626,000, deferred capital gifts of $1,495,000 and other unearned revenue of $21,376.

Deferred Loss on Bond Refunding

During fiscal year 2013, the University issued Auxiliary System Refunding Revenue Bonds, Series 2012, which resulted in a partial refunding of the University's 2003 Series Bonds of $19,475,000. The partial refunding resulted in a deferred accounting loss, which is being amortized over the remaining life of the deferred 2003 bonds. The University's unamortized deferred loss was $$1,141,641 and $1,216,503 at June 30, 2017 and 2016, respectfully, and is included as a deferred outflow of resources in the statement of net position.

Net Position

Net position of the University is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets; or restricted.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) interest on student loans.

Non-operating revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, such as state appropriations and interest income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as non-operating revenues and other governmental grants are recorded as operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the year ended June 30, 2017 and 2016 was $9,044,397 and $9,271,055, respectively. The scholarship allowances on auxiliary enterprises for the year ended June 30, 2017 and 2016 was $2,540,695 and $2,494,978, respectively.

Income Taxes

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

Note 2: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that, in the event of a bank failure, an entity'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, 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.

The University had no bank balances exposed to custodial credit risk at June 30, 2017.

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities. The University had no investments meeting these criteria at June 30, 2017.

Custodial Credit Risk

Custodial credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University had no investments exposed to custodial credit risk at June 30, 2017. The University's investment policy currently addresses custodial credit risk by requiring 110% collateralization on all investments.

Summary of Carrying Values

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

	2017	2016
Carrying value		
Deposits	$ 14,065,290	$ 20,454,973
Total	$ 14,065,290	$ 20,454,973
Included in the following statements of net position		
Cash	$ 11,065,290	$ 15,195,367
Restricted cash	-	460,000
Short-term investments	2,240,000	4,499,606
Restricted short-term investments	760,000	300,000
	$ 14,065,290	$ 20,454,973

Investment Income

Investment income for the years ended June 30, 2017 and 2016 consisted of:

	2017	2016
Interest income	$ 150,571	$ 120,743

Note 3: Capital Assets

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

	2017				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Cost					
Land	$ 323,525				$ 323,525
Land improvements	10,119,679	$ 142,137		$ 24,472	10,286,288
Buildings and improvements	156,495,316	3,275,602		10,103,009	169,873,927
Furniture, fixtures and equipment	19,450,603	458,454	$ (667,838)		19,241,219
Construction in progress	10,127,483	879,932		(10,127,481)	879,934
Library materials	4,192,838	71,991	(117,919)		4,146,910
	200,709,444	4,828,116	(785,757)	-	204,751,803
Less Accumulated Depreciation					
Land improvements	(4,295,846)	(487,638)			(4,783,484)
Buildings and improvements	(59,417,124)	(4,687,584)			(64,104,708)
Furniture, fixtures and equipment	(14,981,240)	(1,331,609)	654,326		(15,658,523)
Library materials	(3,686,112)	(109,117)	117,919		(3,677,310)
	(82,380,322)	(6,615,948)	772,245	-	(88,224,025)
Net capital assets	$ 118,329,122	$ (1,787,832)	$ (13,512)	$ -	$ 116,527,778

	2016				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Cost					
Land	$ 323,525				$ 323,525
Land improvements	9,973,325	$ 38,492		$ 107,862	10,119,679
Buildings and improvements	152,353,514	2,684,569	$ (2,173,890)	3,631,123	156,495,316
Furniture, fixtures and equipment	18,499,017	2,118,873	(1,174,787)	7,500	19,450,603
Construction in progress	5,120,785	8,753,183		(3,746,485)	10,127,483
Library materials	4,279,167	67,128	(153,457)		4,192,838
	190,549,333	13,662,245	(3,502,134)	-	200,709,444
Less Accumulated Depreciation					
Land improvements	(3,802,927)	(492,919)			(4,295,846)
Buildings and improvements	(57,162,362)	(4,078,362)	1,823,600		(59,417,124)
Furniture, fixtures and equipment	(14,860,765)	(1,249,275)	1,128,800		(14,981,240)
Library materials	(3,725,234)	(114,335)	153,457		(3,686,112)
	(79,551,288)	(5,934,891)	3,105,857	-	(82,380,322)
Net capital assets	$ 110,998,045	$ 7,727,354	$ (396,277)	$ -	$ 118,329,122

Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2017:

	2017				
	Beginning Balance	**Additions**	**Deductions**	**Ending Balance**	**Current Portion**
Bonds and other long-term debt					
Auxiliary system revenue bonds – Series 2010B	$ 12,880,000	$ -	$ (455,000)	$ 12,425,000	$ 465,000
Auxiliary system revenue bonds – Series 2008	4,895,000	-	(235,000)	4,660,000	240,000
Auxiliary refunding and improvement Auxiliary system revenue bonds – Series 2012	20,040,000	-	(270,000)	19,770,000	935,000
Auxiliary system revenue bonds – Series 2015	12,915,000		(650,000)	12,265,000	-
Other	4,720,298		(332,161)	4,388,137	331,833
Subtotal bonds and other long-term debt	55,450,298	-	(1,942,161)	53,508,137	1,971,833
Discount on bond issuance	(60,806)		4,332	(56,474)	-
Total bonds	55,389,492	-	(1,937,829)	53,451,663	1,971,833
Other noncurrent liabilities					
Accrued compensated absences	1,558,504	59,120	-	1,617,624	816,319
Unearned revenue	2,142,376		(422,481)	1,719,895	975,935
Other post employment benefit	1,331,973	16,907	-	1,348,880	-
Pension liability, net	34,372,019	14,960,683	-	49,332,702	-
Total noncurrent liabilities	$ 94,794,364	$ 15,036,710	$ (2,360,310)	$ 107,470,764	$ 3,764,087

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2016:

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and other long-term debt					
Auxiliary system revenue bonds – Series 2010A & 2010B	$ 20,985,000	$ -	$ (8,105,000)	$ 12,880,000	$ 455,000
Auxiliary system revenue bonds – Series 2008	5,120,000	-	(225,000)	4,895,000	235,000
Auxiliary refunding and improvement Auxiliary system revenue bonds – Series 2012	20,310,000	-	(270,000)	20,040,000	270,000
Auxiliary system revenue bonds – Series 2015	-	13,665,000	(750,000)	12,915,000	650,000
Other	4,763,035	50,599	(93,336)	4,720,298	321,269
Subtotal bonds and other long-term debt	51,178,035	13,715,599	(9,443,336)	55,450,298	1,931,269
Discount on bond issuance	(42,251)	(22,886)	4,331	(60,806)	-
Total bonds	51,135,784	13,692,713	(9,439,005)	55,389,492	1,931,269
Other noncurrent liabilities					
Accrued compensated absences	1,530,157	28,347	-	1,558,504	780,947
Unearned revenue	2,593,925	-	(451,549)	2,142,376	1,057,584
Other post employment benefit	1,315,066	16,907	-	1,331,973	-
Pension liability, net	25,343,374	9,028,645	-	34,372,019	-
Total noncurrent liabilities	$ 81,918,306	$ 22,766,612	$ (9,890,554)	$ 94,794,364	$ 3,769,800

Auxiliary System Refunding and Improvement Revenue Bonds, Series 2015

The Board of Governors authorized the University to issue the Auxiliary System Revenue Bonds; Series 2015 dated July 9, 2015 in the amount of $13,665,000. The proceeds were used to fully redeem the remaining portion of the Auxiliary Refunding and Improvement Bonds, Series 2010A as a current refunding. The Series 2015 Bonds mature on October 1 of each year through 2035, in amounts varying from $490,000 to $2,495,000, at interest rates ranging from 2.0 percent to 3.875 percent. Interest payments are payable semiannually. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

Auxiliary Refunding and Improvement Bonds, Series 2012

The Board of Governors authorized the University to issue the Auxiliary System Refunding and Improvement Revenue Bonds, Series 2012 dated November 8, 2012 in the amount of $20,840,000. The proceeds were used to defease a portion of the Auxiliary Refunding and Improvement Bonds, Series 2003. The Series 2012 Bonds mature on October 1 of each year through 2033, in amounts varying from $265,000 to $1,485,000, at interest rates ranging from 0.7 percent to 3.55 percent. Interest payments are payable semiannually. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

Auxiliary System Refunding and Improvement Revenue Bonds, Series 2010-A Tax-Exempt and 2010-B Taxable Build America Bonds

The Board of Governors authorized the University to issue the Auxiliary System Refunding Bonds Series, Series 2010-A and 2010-B dated September 9, 2010 in the amount of $24,840,000. The proceeds of $9,840,000 from the Series 2010-A Bonds were used to defease the Auxiliary Refunding and Improvement Bonds, Series 1998. The Series 2010-A bonds were fully refunded by the issuance of the Series 2015 bonds on July 9, 2015. The proceeds of $15,000,000 from the Series 2010-B Bonds we will be used for the construction of a new residential hall and other improvements. The Bonds mature on October 1 of each year through 2036, in amounts varying from $375,000 to $900,000, at interest rates ranging from 1.75 percent to 6.75 percent. Interest payments are payable semiannually. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

Auxiliary System Revenue Bonds, Series 2008

The Board of Governors authorized the University to issue the Auxiliary System Revenue Bonds; Series 2008 (the Series 2008 Bonds) dated October 7, 2008 in the amount of $6,315,000. The proceeds from the Series 2008 Bonds will be used for the construction and renovation of certain athletic facilities. The Series 2008 Bonds mature on October 1 of each year through 2029, in amounts varying from $185,000 to $890,000, at interest rates ranging from 3.0 percent to 5.0 percent. Interest payments are payable semiannually. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

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

Year Ending June 30	Total to be Paid	Principal	Interest
2018	$ 3,557,727	$ 1,640,000	$ 1,917,727
2019	3,550,519	1,680,000	1,870,519
2020	3,542,462	1,725,000	1,817,462
2021	4,022,868	2,265,000	1,757,868
2022	4,022,187	2,335,000	1,687,187
2023 – 2027	19,929,081	12,845,000	7,084,081
2028 – 2032	18,929,395	14,645,000	4,284,395
2033 – 2036	13,152,539	11,985,000	1,167,539
	$ 70,706,778	$ 49,120,000	$ 21,586,778

The University owns and operates the Auxiliary System (the "System") serving the University and its students. The System presently includes the following facilities:

Housing and Dining Facilities: Three suite complexes, three apartment-style complexes, a living center, having an aggregate of 1,336 residential spaces, a student commons building and the Student Union Building. Dining options includes Western Dining Hall which feature an all-you-can-eat buffet and the Student Union food court that features Chick-fil-a, Subway and Zoca Mexican Cantina. Other options on campus include the POD, Einstein Bros Bagels, Max's Mart C-Store and two Roasterie Coffee Shoppes.

Recreational Facilities: A 12,000 square foot recreational and fitness building, tennis courts, basketball courts, softball fields, swimming pool, Frisbee golf course, jogging trail and other recreational and fitness facilities.

Sources of income included in the revenues of the System are room and board charges, commissions for operation of the University Bookstore, income from laundry vending operations, commissions from food service catering, revenue from nonresidential rentals of dormitory space for meetings and conferences, and investment income earned on unexpended proceeds from operations.

Management believes that the University complied with all the restrictive covenants of bond agreements. The Auxiliary System produced net operating revenues in the fiscal years ended June 30, 2017 at 133 percent of the year's bond service requirements, exceeding the 110 percent as required by the Bond debt covenants.

Additionally, the University is to establish and maintain a repair and replacement reserve fund by making annual deposits until the fund accumulates a balance of $300,000. At June 30, 2017 and 2016, the repair and replacement reserve fund had a balance of $300,000. This fund is to be used to pay the cost of unusual and extraordinary repairs and replacements to housing system facilities.

Capital Leases

The debt service requirements for the capital leases as of June 30, 2017 are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2018	$ 438,872	$ 320,013	$ 118,859
2019	438,872	330,696	108,176
2020	388,904	291,829	97,075
2021	377,960	288,632	89,328
2022-2026	1,889,800	1,566,442	323,358
2027-2031	1,669,320	1,571,583	97,737
	$ 5,203,728	$ 4,369,195	$ 834,533

The University entered into a capital lease purchase agreement for 32 Steinway Piano's at a total cost of $378,730 in January 2010. The total amount of principal and interest outstanding at June 30, 2017 is $99,937. The total amount of accumulated depreciation that has been recorded since 2010 is $284,050 with depreciation expense of $37,873 being charged in 2017.

The pianos are used for multiple classroom instruction, applied learning, concerts, master class instruction and key board labs from beginning to advanced.

The University has entered into a capital lease energy saving project with Schneider Electric, a global specialist in energy management. The total amount of principal and interest outstanding for this project is $5,448,920 that is financed by US Bankcorp. Schneider Electric has guaranteed energy savings of $7,335,635 which would show a positive net financial impact for the University of $1,666,238 over the 15 year period. This project was completed in FY16. The first payment for this project was paid in December 2016.

This project spans 27 facilities, and it incorporates a variety of energy efficiency upgrades to enhance classroom and building comfort, while reducing energy consumption through lighting retrofits, building automation systems, building sub-metering, water fixture retrofits, various building envelope improvements and mechanical upgrades. The total amount of principal and interest outstanding at June 30, 2017 is $5,070,960. The total amount of accumulated depreciation that has been recorded since 2016 is $449,346 with depreciation expense of $337,010 being charged in 2017.

The University entered into a capital lease for two John Deere tractors in July of 2015 at a total cost of $50,599. A John Deere tractor and a mower are used to maintain the practice fields for use of the football team, soccer team and the marching band. The total amount of principal and interest outstanding at June 30, 2017 is $32,831. The total amount of accumulated depreciation since the purchase in July 2016 is $14,457 and the total depreciation recorded in 2017 is $7,228.

The University entered into a promissory note with the Missouri Department of Economic Development division of Energy to finance costs of implementation of energy conservation. The total amount of principal and interest outstanding at June 30, 2017 is $19,271.

The debt service requirements for the promissory note as of June 30, 2017 are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2018	$ 19,271	$ 18,942	$ 329

Note 5: General Information about the Pension Plans

The University participates in the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined-benefit, public employee retirement system. MOSERS is administered by an 11-member Board of Trustees. A publicly available financial report that includes the financial statements and required supplementary information is issued. This report may be obtained by writing to Post Office Box 209, Jefferson City, Missouri 65102, or calling 573.751.2342.

MOSERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are established by state statute which may be changed by the Missouri legislature with concurrence of the Governor.

The University was required by statute to contribute at an actuarially determined rate; the rate was 16.97 percent, 16.97 percent and 16.97 percent of eligible salaries for the year ended June 30, 2017, 2016 and 2015, respectively. Employees hired after January 1, 2011 are required to contribute 4 percent of their salary. Contributions, which equaled the contribution requirements for the year ended June 30, 2017, 2016 and 2015 were $3,560,832, $3,492,782 and $3,486,111, respectively.

Beginning July 1, 2002, all full-time faculty 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 that uses TIAA-CREF as its third-party administrator. CURP provides a retirement program that 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 MOSERS.

The University is required to contribute at an actuarially determined rate; the rate was 5.67 percent, 5.89 percent and 6.16 percent of annual covered payroll for 2017, 2016 and 2015, respectively. The University's contributions to the plan for the years ended June 30, 2017, 2016 and 2015 were $510,615, $481,492 and $459,119, respectively, which equaled the required contributions for each year.

Plan description. Benefit eligible employees of the University are provided with pensions through Missouri Employees' Plan (MSEP) – a cost sharing multiple-employer defined benefit pension plan(s) administered by MOSERS. The plans are referred to as MOSERS in the notes. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined benefit plan for eligible state and other related agency employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

Benefits provided. MOSERS provides retirement, disability, and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000, and MSEP2011 retirement plans) and how eligibility and the benefit amount is determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 28.

Contributions. Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP2011 Plan are required to contribute 4.0 percent of their annual pay. The University's required contribution rate for the year ended June 30, 2017, was 16.97 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.

Contributions to the pension plan from the University were $3,560,832 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the University reported a liability of $49,332,702 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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, 2016. At June 30, 2016, measurement date, the University's proportion was 1.0627 percent, a decrease from it proportion measured using 1.0705 percent, an increase as of June 30, 2015.

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

For the year ended June 30, 2017, the University recognized pension expense of $3,560,832. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 144,136	$ 508,077
Changes of assumptions	296,524	5,136,492
Net difference between projected and actual investment earnings and actual pension plan investments	-	8,060,464
Changes in proportion and differences between University contributions and proportionate share of contributions	236,534	-
University contributions subsequent to the measurement date of June 30, 2016	-	3,560,832
Total	$ 677,194	$ 17,265,865

For the year ended June 30, 2016, the University recognized pension expense of $3,330,330. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 222,366	$ 64,210
Changes of assumptions	457,462	-
Net difference between projected and actual earnings on pension plan on pension plan investments	-	2,639,190
Changes in proportion and differences between University contributions and proportionate share of contributions	99,623	-
University contributions subsequent to the measurement date of June 30, 2015	-	3,458,038
Total	$ 779,451	$ 6,161,438

At June 30, 2017, there was $3,560,832 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018 of the University's financial statements. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the University's fiscal year following MOSERS' fiscal year as follows:

Plan Year ending June 30:

2018	$ 3,322,875
2019	3,325,009
2020	4,970,280
2021	1,409,675
	$ 13,027,839

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 percent to 8.75 percent including inflation
Investment rate of return	7.65 percent compounded annually, net after investment expenses and including inflation

Mortality. Rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120 percent. The pre-retirement 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, 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 the 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 tab les. 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, 2016 are summarized in the following table:

Asset Class	Policy Allocation	Long-term Expected Real Rate of Return*	Weighted Average Long-Term Expected Real Rate of Return
Beta Balanced	80.0%	5.7%	4.6%
Illiquids**	20.0%	7.3%	1.5%
	100.0%		6.1%

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease -6.65%	Current Discount Rate -7.65%	1% Increase -8.65%
University's proportionate share of net pension liability	$ 64,959,394	$ 49,332,703	$ 36,231,065

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

Payables to the Pension plan. As of June 30, 2017, the University had payables of $37,690 to MOSERS because the bi-weekly payroll pay period started on June 18, 2017 and ended on July 1, 2017. The $37,690 was the portion of MOSERS allocated to June 30, 2017 but was not paid until July 7, 2017.

Note 6: Postemployment Healthcare Plan

Plan Description

The University provides a one-time opportunity for retirees to continue medical insurance coverage. Retirees who elect to continue medical insurance are required to pay monthly premiums. Monthly premiums for participating retirees under 65 years of age are provided at the same rate as regular employees. Employees and retirees over age 65 are provided a supplemental program with Medicare being the primary provider and the University retiree being the secondary provider. The premium is adjusted for the subsidized program and is the same for employees and retirees in this age group. Financial statements for the plan are not available.

Funding Policy

The University pays for its portion of the medical insurance premiums on a pay-as-you-go basis. No trust fund has been created for the payment of the University's obligation.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the University's annual OPEB cost for the years ended June 30, 2017 and 2016, the amount actually contributed to the plan and changes in the University's net OPEB obligation to the plan:

	2017	2016
Annual OPEB cost (expense)	$ 117,361	$ 117,361
Contributions made	(100,454)	(100,454)
Increase in net OPEB obligation	16,907	16,907
Net OPEB obligation – beginning of year	1,331,973	1,315,066
NET OPEB obligation – end of year	$ 1,348,880	$ 1,331,973

The University's annual OPEB cost, employer contributions, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for June 30 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 134,400	$ 62,300	46.35%	$ 1,315,066
6/30/2016	117,361	100,454	85.59%	1,331,973
6/30/2017	117,361	100,454	85.59%	1,348,880

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan had no assets since the University does not fund the plan. The unfunded actuarial accrued liability (UAAL) for benefits was $1.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $29.5 million, and the ratio of the UAAL to the covered payroll was 4.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial method was used. The actuarial assumptions included a 3.75 percent discount rate, an annual healthcare cost trend rate of 5.10 percent initially, reduced by decrements to an ultimate rate of 4.4 percent after seven years and a 2.0 percent annual increase in salaries. It is also assumed that all retirees will continue coverage for their lifetime. The UAAL is being amortized as a level dollar amount over 30 years.

Note 7: Commitments and Contingencies

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

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.

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 and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to general liability and workers' compensation.

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.

Note 8: Capital Projects

Building Improvements

Fiscal year 2017 saw the completion of Spratt Stadium that will be used by the Football and Soccer teams, as well as for the spring commencement, at a total cost of $11.1 million. The scope of the project included the demolition and construction of the concourse, concessions area, restrooms, club level (including suites) and the press box. In addition, repairs and improvements to the home grandstand seating area, removal of the track and relocation of the field to be closer to the home stands and new turf will replace the current surface.

In addition to the Spratt Stadium project, the Spratt Stadium Video Scoreboard was constructed at a total cost of $1.1 million. The brick structure that holds the video board stands 72 foot tall and it houses a 65 foot tall, 38 foot wide video board. This is the largest video scoreboard in the NCAA Division II, MIAA and it is larger than the video board at the University of Mo and University of Kansas football fields. The University received $1.1 million of the cost from a private donor.

Fiscal year 2017 also saw the completion of renovations to Hearnes Center, Popplewell Hall and Wilson Hall. These renovations included new HVAC systems, network wiring, flooring, bathrooms and entryways at a cost of $1.1 million. The total cost of these renovations was covered by the State of Missouri House Bill 19 state capital appropriations.

The University saw the completion of extensive renovations to Thomas Eagleton Pool located in the Looney Complex in FY17. The pool underwent a $745,000 renovation to the pool shell interior, pool deck and the addition of a new storefront and ticket office. The project also included the renovation of the locker room and the addition of a family restroom. The University, in conjunction with the City of St Joseph are collaborating to cover the operating expenses.

Fiscal year 2016 saw the completion of numerous projects. The University entered into an energy savings and performance contract with Schneider Electric in November 2014 that was completed in the April 2016 for a total of $5,055,144. The scope of this project includes lighting retrofits and controls, building automation system and sub-metering, water conservation, and mechanical and building improvements. Annual energy savings over the next 15 years of the contract are guaranteed to be more than the annual payment on the capital lease for the project.

In 2016 also saw the completion of $264,000 of renovations to Eder Hall. This renovation ranged from replacement of all flooring, painting, remodeling of bathrooms and entryways and replacing the glass in the front entryway. The University also completed major renovation in the Looney Complex including partial roof replacement, elevators renovations, replacing the HVAC system and replacing of the flooring throughout the building, renovated the restrooms, and the addition of a new double glass entryway on the building for a total of $635,000.

Construction in Progress

The University has begun additional renovations to Popplewell Hall, Potter Hall and Hearnes Center. Renovations in progress for these buildings include new flooring in the hallways and corridors, new paint, and light fixtures and HVAC replacement. The total amount of the project included in CIP at June 30, 2017 is $643,264. The total cost of these renovations was covered by the State of Missouri House Bill 19 state capital appropriations.

The University received capital appropriations of $4.8 million from the State of Missouri House Bill 19. This is has been earmarked for the updating of HVAC units across campus, network infrastructure replacement and academic building deferred maintenance repair and renovation. This project is expected to be completed in fiscal year 2018. The current amount of the renovations that are included in the CIP at June 30, 2017 is $643,264.

Kansas City Chiefs Summer Training Camp

The University entered into a contract with the Kansas City Chiefs Professional Football Franchise to hold their summer training camp on the campus of the University beginning in July 2010. As part of the agreement, the University built an indoor practice facility, multi-purpose facility, two outdoor practice fields and other enhancements in preparation for the camp. The project was funded by the Kansas City Chiefs, City of St. Joseph, Buchanan County, the University and private donations. Construction of the facilities was completed in July 2010 at a cost of $11,338,408.

In 2015 a new contract was entered into for a three year period with the option to renew for an additional two years. As part of the contract negotiations, a new irrigation system was installed and the existing grass was replaced by Bermuda sod. In addition, a new driveway, parking lot and sidewalk were paved to the practice field. The project cost was approximately $675,000 which was financed with a tax credit agreement with the Missouri Development Finance Board and the Missouri Western State University Foundation.

Note 9: Auxiliary System Condensed Financials

A segment is an identifiable activity for which one or more revenue bonds or other revenue backed debt instruments are outstanding. A segment has a specific identifiable revenue stream pledged in support of the revenue bonds or other revenue backed debt and has related expenses, gains and losses, assets and liabilities that can be identified.

The University has issued revenue bonds with the net revenues from the Auxiliary System pledged to pay the bond interest and principal. The Auxiliary System is comprised of University owned housing units, student centers, recreation and athletic facilities, bookstore, and similar auxiliary enterprise units. Condensed financial statements for the Auxiliary System for fiscal year 2017 and 2016 are presented below.

Auxiliary System Condensed Statement of Net Position
As of June 30, 2017 and 2016

	2017	2016
Assets		
Current assets	$ 2,601,508	$ 2,159,477
Noncurrent assets	5,030,834	7,381,137
Capital assets, net	59,660,244	60,093,640
Deferred outflows of resources	1,141,641	1,216,503
Total assets	68,434,227	70,850,757
Liabilities		
Current liabilities	3,369,422	4,024,102
Long-term liabilities	47,423,526	49,059,194
Total liabilities	50,792,948	53,083,296
Net Position		
Invested in capital assets	11,250,970	10,142,893
Unrestricted	6,090,309	6,864,568
Restricted	300,000	760,000
Total net position	$ 17,641,279	$ 17,767,461

Auxiliary System Condensed Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Operating Revenues	$ 9,392,563	$ 9,313,144
Depreciation Expense	(2,775,832)	(2,407,582)
Other Operating Expenses	(9,487,511)	(9,855,175)
Operating Income	(2,870,780)	(2,949,613)
Nonoperating Revenues (Expenses)		
Interest expense	(2,040,688)	(2,392,319)
Other nonoperating revenues	2,357,591	1,954,166
Income (Loss) before Capital Revenues	316,903	(438,153)
Capital Revenues	2,427,695	8,228,792
Increase (Decrease) in Net Position	(126,182)	4,841,026
Net Position, Beginning of Year	17,767,461	12,926,435
Net Position, End of Year	$ 17,641,279	$ 17,767,461

Note 10: Missouri Western State University Foundation, Inc. - Accounting Policies and Disclosures

Investments and Investment Return

Investments include marketable equity securities, debt securities, mineral rights, money market funds and hedge funds. Investments include investment specific money market funds that are reported at cost, which approximates fair value. Investments in marketable equity securities, debt securities, oil royalties and gas royalties are carried at fair value with unrealized and realized gains and losses on investments reported as an increase or decrease in unrestricted, temporarily restricted or permanently restricted net assets based upon donor imposed restrictions.

Investment income is reported in the statements of activities as unrestricted, temporarily restricted or permanently restricted revenue based upon donor imposed restrictions.

The following is a summary of investment securities:

	2017	2016
Money market funds	$ 1,155,851	$ 1,201,688
Common stock and equity mutual funds	19,765,125	17,496,563
U.S. Government obligations	16,773,522	16,204,811
Hedge funds	858,287	1,231,781
Total	$ 38,552,785	$ 36,134,843

Fair Value Measurements

In determining fair value, the Foundation uses various valuation approaches within the ASC Topic 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ASC Topic 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. ASC Topic 820 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1: Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

Level 2: Valuations based on quoted prices for similar assets or liabilities, or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3: Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

<u>Investments</u>

Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 or Level 2 of the valuation hierarchy and are reported as current assets in the accompanying statements of financial position.

Beneficial Interest in Perpetual Trust

The fair value for beneficial interests in perpetual trusts was determined by calculating the Foundation's proportional share of the assets held in trust as determined by the trustee of the trust and is classified as Level 3 within the valuation hierarchy.

Mineral Rights

The fair value measurements for mineral rights are calculated using an industry standard formula based upon the average of historical royalty income times a factor of 11 (9 for 2011). The factor was obtained from an applicable regional oil and mineral association. The fair value of the mineral rights is classified as Level 3 within the valuation hierarchy.

Other Equity Interest

During 2013, the Foundation purchased a 7.69 percent ownership interest in a community based limited liability company. This investment is carried on the Foundation's books at cost, defined as the lower of cost or fair market value. The carrying value of this equity interest totals $500,000.

During 2014, the Foundation purchased an ownership interest in a limited liability company that is carried at cost, defined as the lower of cost or fair market value. The carrying value of this equity interest totals $50,000.

Investment returns for the years ended June 30, 2017 and 2016 consist of the following:

	2017	2016
Investment income	$ 917,685	$ 880,642
Net realized gains	733,215	954,979
Net unrealized gains (losses)	1,795,178	(1,218,700)
Total investment return	$ 3,446,078	$ 616,921
Total investment fees	$ 115,645	$ 112,384

The fair values of other assets and liabilities measured on a recurring basis, as of June 30, 2017 and 2016, are as follows:

		2017 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock and equity mutual funds	$ -	$ 19,765,125	$ -	$ -
Foreign	3,882,375	-	-	-
Energy minerals	731,226	-	-	-
Technology services	967,055	-	-	-
Finance	2,338,349	-	-	-
Electronic technology	1,614,934	-	-	-
Consumer	1,821,070	-	-	-
Health technology	568,171	-	-	-
Health care	1,349,692	-	-	-
Domestic equity	1,204,165	-	-	-
Utilities	153,516	-	-	-
Telecommunications	326,647	-	-	-
Industrials	696,041	-	-	-
Materials	599,858	-	-	-
All other common stocks	1,548,528	-	-	-
Equity mutual funds	1,963,498	-	-	-
U.S. Government obligations and mutual funds:	-	9,098,017	7,675,505	-
U.S. Government issues	675,623	-	-	-
Corporate issues	7,174,600	-	-	-
Foreign issues	22,919	-	-	-
High Yield Bond Funds	59,214	-	-	-
Taxable municipal issues	1,928,649	-	-	-
Fixed income mutual funds	6,912,517	-	-	-
Hedge funds	858,287	858,287	-	-
Beneficial interest in perpetual trusts	5,516,962	-	-	5,516,962
	$ 42,913,896	$ 29,721,429	$ 7,675,505	$ 5,516,962

Missouri Western State University
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2017 and 2016

		2016		
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common stock and equity mutual funds	$ -	$ 19,765,125	$ -	$ -
Foreign	3,574,479	-	-	-
Energy minerals	810,101	-	-	-
Technology services	784,587	-	-	-
Finance	1,663,660	-	-	-
Electronic technology	910,054	-	-	-
Consumer	2,168,819	-	-	-
Health technology	566,291	-	-	-
Health care	1,093,041	-	-	-
Domestic equity	1,200,246	-	-	-
Utilities	89,251	-	-	-
Telecommunications	284,197	-	-	-
Industrials	698,787	-	-	-
Materials	306,480	-	-	-
All other common stocks	1,594,866	-	-	-
Equity mutual funds	1,751,704	-	-	-
U.S. Government obligations and mutual funds:	-	8,690,942	7,513,869	-
U.S. Government issues	1,229,799	-	-	-
Corporate issues	7,772,214	-	-	-
Taxable municipal issues	1,064,076	-	-	-
Fixed income mutual funds	6,138,722	-	-	-
Hedge funds	1,231,781	1,231,781	-	-
Beneficial interest in perpetual trusts	5,238,353	-	-	5,238,353
	$ 40,171,508	$ 29,687,848	$ 7,513,869	$ 5,238,353

The following is a reconciliation of the beginning and ending balance of assets and liabilities measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2017 and 2016:

	Beneficial Interest in Perpetual Trusts
Balance, June 30, 2015	$ 5,446,736
Change in fair market value	(208,383)
Balance, June 30, 2016	5,238,353
Change in fair market value	278,609
Balance, June 30, 2017	$ 5,516,962

Cash Surrender Value of Life Insurance

Various contributions are designated by donors and the Foundation board to be invested in life insurance policies covering selected students and patrons of Missouri Western State University. The Foundation is the owner and beneficiary of these policies. The annual increase in the cash surrender value of the policies is recorded as either temporarily or permanently restricted income, depending upon the donor intent. Any proceeds from these policies are restricted for use on physical plant maintenance and major capital improvements.

Pledges Receivable

Pledges receivable are for pledged receivables that are generally due within one to ten years. Pledges receivable are stated at the pledged amount. The carrying amount of pledges receivable is reduced by the amount of the unamortized discount related to promises to give that are to be collected over a period longer than one year. Management has established a valuation allowance that reflects management's best estimate of amounts that will not be collected. An allowance for uncollectible pledges is maintained based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All pledges, or portions thereof deemed to be uncollectible, are written off to the allowance for uncollectible pledges.

Included in pledges receivable are the following unconditional promises to give:

	2017	2016
Total pledges receivable	$ 3,779,015	$ 3,825,671
Less allowance for uncollectible pledges	64,592	34,542
Less unamortized discount	204,752	42,447
Net pledges receivable	3,509,671	3,748,682
Less pledges receivable, current portion	2,023,276	2,003,959
Net pledges receivable, long-term	$ 1,486,395	$ 1,744,723
Amount due in		
Less than one year	$ 2,087,868	$ 2,038,501
One to five years	1,276,760	1,724,570
Six to ten years	414,387	62,600
	$ 3,779,015	$ 3,825,671

Imputed discount rates of 1.89% and 2.84% were used in discounting long-term pledges for 2017.

The Foundation has been notified that it is designated as a beneficiary of numerous trusts. These gifts are revocable and are not recognized within the accompanying financial statements due to their conditional nature.

Deferred Revenue

Revenues from memberships are recognized in the fiscal year in which the memberships are used. Memberships for the upcoming fiscal year are reported as deferred revenue at June 30 of the current year.

Beneficial Interest in Perpetual Trusts

The Foundation has a beneficial interest in various perpetual trusts. These consist of trusts created by independent donors for whom the assets are not in the possession or control of the Foundation. The Foundation, along with other specified not-for-profit organizations, is a beneficiary of these trusts.

The Foundation's beneficial interest in perpetual trusts held by third parties was valued at $5,516,962 and $5,238,353 at June 30, 2017 and 2016, respectively. No new trust agreements were received in 2017 or 2016. A change in value of the beneficial interest in perpetual trusts of $278,609 and $(208,383) was recorded for the years ended June 30, 2017 and 2016, respectively. Interest income received from these trusts was $249,973 and $203,473, respectively, for the years ended June 30, 2017 and 2016.

Other Equity Interest

Other equity interest relates to percentage interests in a privately held limited liability company and certain units of partnerships. These interests are carried as the fair market value of the equity interest at the date of the gift. That fair market value was determined by obtaining an independent valuation of the minority interest received by the Foundation. The units were purchased at their fair market value and are carried at cost.

Net Assets

Net assets are classified into one of three classes based on the existence or absence of donor imposed restrictions. The following is a description of each class:

Unrestricted

Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted. This category includes board designated net assets.

Temporarily Restricted

Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted

Permanently restricted net assets include contributed net assets, which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Nature and Amount of Temporarily Restricted and Permanently Restricted Net Assets

Temporarily restricted net assets at June 30 are available for the following purposes:

	2017	2016
Scholarships	$ 9,426,095	$ 8,222,834
Programmatic and departmental support	7,890,175	8,863,089
Special programs	912,509	535,913
Total	$ 18,228,779	$ 17,621,836

Permanently restricted net assets are available for the following purposes:

	2017	2016
Scholarships	$ 17,770,346	$ 15,784,881
Academic departments	8,105,041	9,625,677
Other	1,327,144	1,320,418
Total	$ 27,202,531	$ 26,730,976

Income Taxes

The Foundation is a not-for-profit organization exempt from income taxes under section 501(c)(3) of the U.S. Internal Revenue Code. It is not considered to be a private foundation. The Foundation's Form 990 information returns for years ended prior to June 30, 2007 are no longer subject to examination by the Internal Revenue Service.

Endowments

The Foundation's endowments consist of 1829 funds established to support a variety of scholarships, programs and departments at Missouri Western State University. Its endowments consist of both donor-restricted endowment funds and funds designated by the Board of Directors (the Board) to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the historical cost of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Consequently, the Foundation classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation's Board.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 Index while assuming a moderate level of investment risk.

Spending Policy

The Foundation has a policy of appropriating for distribution each year four percent of the endowment fund's average balance using a three year rolling average for program purpose. The Foundation policy also appropriates a one percent administrative fee based on the year end endowment balance.

In establishing this policy, the Foundation considered the long-term expected returns on its endowment investments. Accordingly, over the long-term, the Foundation expects the current spending policy will allow its endowment to retain the original corpus of the gift.

Strategies Employed for Achieving Objectives

The Foundation relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Foundation targets a diversified asset allocation that emphasizes fixed income securities to achieve its long-term objectives within prudent risk constraints.

Endowment

Endowment Net Asset Composition by Type of Fund as of June 30, 2017:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 8,310,896	$ 20,799,244	$ 29,110,140
Board-designated endowment funds	126,424	3,151,714	-	3,278,138
Unrestricted endowment funds	43,644	-	-	43,644
Total endowment funds	$ 170,068	$ 11,462,610	$ 20,799,244	$ 32,431,922

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 155,897	$ 9,711,039	$ 20,273,206	$ 30,140,142
Investment return:				-
Investment income	14,171	743,973	-	758,144
Net appreciation	-	2,438,896	16,417	2,455,313
Contributions	-	15,410	151,715	167,125
Transfers to investments	-	59,192	357,906	417,098
Appropriation of endowment assets for expenditure	-	(1,505,900)	-	(1,505,900)
Endowment net assets, end of year	$ 170,068	$ 11,462,610	$ 20,799,244	$ 32,431,922

Endowment Net Asset Composition by Type of Fund as of June 30, 2016:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 6,559,625	$ 20,273,206	$ 26,832,831
Board-designated endowment funds	126,424	3,151,414	-	3,277,838
Unrestricted endowment funds	29,473	-	-	29,473
Total endowment funds	$ 155,897	$ 9,711,039	$ 20,273,206	$ 30,140,142

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 114,058	$ 10,515,537	$ 19,732,932	$ 30,362,527
Investment return:				-
Investment income	523	690,799	-	691,322
Net depreciation	-	(332,317)	(345)	(332,662)
Contributions	41,316	77,214	233,663	352,193
Transfers to investments	-	57,381	306,956	364,337
Appropriation of endowment assets for expenditure	-	(1,297,575)	-	(1,297,575)
Endowment net assets, end of year	$ 155,897	$ 9,711,039	$ 20,273,206	$ 30,140,142

Note 11: Related Party

In 2017, the Missouri Western State University Foundation paid the University $32,028 for office space, equipment and services of the University employees. Other additional expenses were paid by the University and are reimbursed by the Foundation. During the years ended June 30, 2017 and 2016, the Foundation paid the University $292,400 and $255,392, respectively, for the use of telephones, postage, printing, publications, and a portion of the salaries of staff and students employed by the University. Included in Accounts Receivable at June 30, 2017 and 2016, respectively, was $407,546 and $632,755.

Note 12: Subsequent Event

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

Required Supplementary Information

Missouri Western State University
A Component Unit of the State of Missouri

Required Supplementary Information
June 30, 2017 and 2016

Schedule of Funding Progress for Postemployment Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2011	$ -	$ 2,228,289	$ 2,228,289	0%	$ 22,163,874	10.05%
7/1/2013	$ -	$ 1,260,500	$ 1,260,500	0%	$ 27,912,338	4.52%
7/1/2015	$ -	$ 1,403,327	$ 1,403,327	0%	$ 29,544,130	4.75%

Schedule of the University's Proportionate Share of the Net Pension Liability
Missouri State Employees' Retirement System

	June 30, 2015*	June 30, 2016*	June 30, 2017*
University's proportion of the net pension liability	1.0749%	1.0705%	1.0627%
University's proportionate share of the net pension liability	$ 25,343,374	$ 34,372,019	$ 49,332,703
University's covered-employee payroll	20,200,108	20,721,169	20,582,090
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	125.46%	165.88%	239.69%
Plan fiduciary net position as a percentage of the total pension liability	79.49%	72.62%	63.60%

*Figures are based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. This schedule is ultimately required to show information for ten years. Only the data for years currently available is displayed.

Missouri Western State University
A Component Unit of the State of Missouri

Required Supplementary Information
June 30, 2017 and 2016

Schedule of University Contributions
Missouri State Employees' Retirement System

	June 30, 2015	June 30, 2016*	June 30, 2017*
Required contribution	$ 3,508,084	$ 3,486,111	$ 3,492,782
Contributions in relation to the required contribution	$ 3,508,084	$ 3,486,111	$ 3,492,782
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll	$ 20,200,108	$ 20,582,090	$ 20,582,090
Contributions as percentage of covered-employee payroll	17.37%	16.94%	16.97%

*

Figures are based on a measurement date and actuarial valuation as of the end of the preceding fiscal year. This schedule is ultimately required to show information for ten years. Only the data for years currently available is displayed.

Supplementary Information

Missouri Western State University
A Component Unit of the State of Missouri
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Pass-Thorough Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures
Federal Student Aid Cluster:			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grant	84.007		$ 149,105
Federal Work-Study Program	84.033		373,614
Federal Direct Loans	84.268		16,667,870
Federal Teach Grant	84.379		-
Federal Pell Grant	84.063		7,816,235
Total federal student aid cluster			25,006,824
Non-Student Financial Aid Cluster:			
U.S Department of Education			
Carl Perkins	84.048		9,209
Supporting Effective Educator Development Grant Program	84.367D		20,000
Total U.S. Department of Education			29,209
Research and Development Cluster:			
National Science Foundation			
RUI: MPS_BIO: Collaborative Research: Modular programmed evolution of bacteria from Optimization of Metabolic Pathways	47.074		65,888
Collaborative Research: RUI: Broadening the Application of Programmed Evolution for Metabolic Engineering	47.074		112,893
CAREER: Validating and applying a new class of drift diffusion models for investigating individual differences in executive control	47.074		10,656
Total research and development cluster			189,437
U.S. Department of Housing and Urban Development			
Passed Through - St. Joseph Metro Chamber of Commerce as part of Buchanan County Degree Attainment Initiative	14.228	Unkown	92,920
Total U.S. Department of Housing and Urban Development			92,920
WIA/WIOA Cluster:			
U.S. Department of Labor			
WIA Program Adult	17.258		41,584
Total WIA/WIOA cluster			41,584
Non-WIA/WIOA Cluster:			
U.S. Department of Labor			
Trade Adjustment Assistance	17.245		16,766
Total U.S. Department of Labor			16,766
Total Non Student Financial Assistance Programs Cluster			328,332
Total Schedule of Expenditures of Federal Awards			$ 25,376,740

Missouri Western State University
A Component Unit of the State of Missouri
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Missouri Western State University under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Missouri Western State University, it is not intended to and does not present the financial position, changes in net position or cash flows of Missouri Western State University.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Missouri Western State University has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

BKD LLP
CPAs & Advisors
1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816.221.6300 // fax 816.221.6380 // bkd.com

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

Board of Governors
Missouri Western State University
St. Joseph, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the discretely presented component unit of Missouri Western State University (the University), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 27, 2017. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Missouri Western State University Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Kansas City, Missouri
October 27, 2017

BKD LLP
CPAs & Advisors

1201 Walnut Street, Suite 1700 // Kansas City, MO 64106-2246
816.221.6300 // fax 816.221.6380 // bkd.com

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

Independent Auditor's Report

Board of Governors
Missouri Western State University
St. Joseph, Missouri

Report on Compliance for Each Major Federal Program

We have audited Missouri Western State University (the University)'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the major federal program for the year ended June 30, 2017. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

BKD, LLP

Kansas City, Missouri
October 27, 2017

Missouri Western State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

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

Federal Awards

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

   Significant deficiency(ies)? ☐ Yes ☒ None reported

   Material weakness(es)? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
   Student Financial Assistance Cluster

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

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

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Aid Cluster:	
U.S. Department of Education	
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study Program	84.033
Federal Direct Loans	84.268
Federal Teach Grant	84.379
Federal Pell Grant	84.063

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The University qualified as a low-risk auditee? ☐ Yes ☒ No

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

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

Missouri Western State University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

Reference Number	Summary of Finding	Status
2016-001	**Material Weakness over Financial Reporting**	Resolved

Criteria: Generally Accepted Accounting Principles require the recognition of revenue after the earnings process is complete.

Condition: The University has restated the financial statements for the year ended June 30, 2015 to correct an error in accounting in which certain revenue was recognized prior to the completion of the earnings process.

Context: Certain contributions of cash and capital improvements included a provision that requires a return of the unamortized amount of the contribution in the event of specific actions taken by either party prior to dates specified in the contribution agreements.

Effect: The University has evaluated the underlying amortization requirements and has determined that the unamortized portions of the contributions should be presented as unearned revenue. The impact of the correction of the error was to restate 2015 beginning of the year net position by ($438,676), to increase unearned revenue at the end of 2015 by $1,929,658, to decrease capital revenues by ($490,982), to recognize contribution expense of $1,000,000 and reduce total net position, end of year by ($1,929,658).

Cause: Missouri Western State University did not have proper processes and related controls in place to properly evaluate and record contributions of cash and capital improvements that include a provision that requires a return of the unamortized amount of the contribution in the event of specific actions taken by either party prior to dates specified in the contribution agreements.

2016-002	**Student Financial Aid Cluster – Enrollment Reporting**	Resolved

Criteria: According to the Federal Student Aid Handbook, Volume 2, Chapter 6, a University must confirm that the student has completed face-to-face or online counseling, or that the student has been mailed exit loan counseling material within 30 days of learning that the student has withdrawn or failed to participate in an exit counseling session.

Missouri Western State University
A Component Unit of the State of Missouri
Summary Schedule of Prior Audit Findings (Continued)
Year Ended June 30, 2017

Reference Number	Summary of Finding	Status
2016-002	**Student Financial Aid Cluster – Enrollment Reporting**	Resolved

Condition: The University did not conduct exit interviews or provide loan counseling materials within the 30 day timeframe for 4 withdrawn students from a non-statistical sample of 40 withdrawing or graduating students tested.

Effect: Students may not be informed in a timely manner of their responsibilities for the repayment of loans.

Questioned Costs: None

Reference Number	Summary of Finding	Status
2016-003	**Student Financial Aid Cluster – Enrollment Reporting**	Resolved

Criteria: According to the Federal Student Aid Handbook, Volume 2, Chapter 3, a University must report enrollment changes within 60 days of graduation or learning that the student has withdrawn if the University is on the roster method.

Condition: The University did not update NSLDS within the 60 day timeframe for 4 withdrawn students from a non-statistical sample of 40 withdrawing or graduating students tested.

Effect: Students may not be moved into repayment status in accordance with federal regulations.

Questioned Costs: None

Information Required for Bonds

Missouri Western State University
A Component Unit of the State of Missouri
Revenue and Expenditures Schedule
Year Ended June 30, 2017

	2017
Revenue	
Bookstore commissions	$ 221,042
Student fees	1,595,221
Residence Halls	5,740,892
Campus dining services	3,802,608
Federal interest rebate	267,565
Athletic Football Ticket Sales	41,158
Interest Income	39,058
Total revenue	11,707,544
Expenditures	
Residence Halls	2,747,488
Campus dining services	3,723,290
Recreational facilities	228,086
Spratt Stadium	121,768
Student Union	418,783
Total expenditures	7,239,415
Excess of Revenue over Expenditures before Debt Service	4,468,129
Add capital improvements	282,874
Net Available for Debt Service	$ 4,751,003
Debt Service for Fiscal Year	3,585,520
Coverage	1.33

Missouri Western State University
A Component Unit of the State of Missouri
Changes in Reserve Fund Balances
Auxiliary System Bonds
Years Ended June 30, 2017 and 2016

	Debt Reserve	Repair and Replacement Reserve
Balance, June 30, 2016	$ 460,000	$ 300,000
Transfer to auxiliary fund	-	-
Balance, June 30, 2017	$ 460,000	$ 300,000

Missouri Western State University
A Component Unit of the State of Missouri
Insurance Coverage
Auxiliary System Bonds
Year Ended June 30, 2017

	Amount of Coverage	
	Building	**Contents**
Blanket building coverage – no coinsurance	$ 262,226,754	$ -
Blanket contents coverage – no coinsurance	-	89,414,757
Residential complex (included in blanket figures)		
Nelle Blum Student Union	15,289,785	1,446,059
Beshears Hall	7,338,668	504,104
Juda Hall	7,338,668	504,104
Logan Hall	7,338,668	504,104
Leaverton Hall	9,030,037	700,221
Vaselakos Hall	9,030,037	700,221
Fitness Center	12,622,859	287,860
Scanlon Hall	15,295,871	536,438
Commons Building	1,839,065	270,935
Griffon Hall	12,813,525	631,793
Spratt Stadium	12,000,000	125,000
Liability insurance		
Covered under the state legal expense fund		
(Statutory limit)		
Per person		100,000
Per occurrence		1,000,000
Blanket crime		100,000

Missouri Western State University
A Component Unit of the State of Missouri
Occupancy Statistics
Auxiliary System Revenue Bonds
June 30, 2017 and 2016

June 30, 2017 was as follows:

Student information is as follows:

	Head Count		Full Time Equivalent Students	
	16-17	15-16	16-17	15-16
Summer	1,239	1,263	786	799
Fall	5,388	5,571	3,992	4,157
Spring	4,418	4,608	3,376	3,524

Statistics on the occupancy of the housing facilities are as follows:

	Rooms Available		Rooms Occupied		Occupancy Rate	
	16-17	15-16	16-17	15-16	16-17	15-16
Summer	1,336	1,336	102	101	7.63%	7.56%
Fall	1,336	1,336	1,085	1,131	81.21%	84.66%
Spring	1,336	1,336	969	946	72.53%	70.81%

Room charges for the fiscal years ended June 30, 2017 and 2016 are as follows:

2017	Summer	Spring	Fall
Scanlon Hall		$ 2,254	$ 2,254
Apartment complex room charges		2,533	2,533
Suite complex room charges	800	3,195	3,195
Griffon Hall		3,338	3,257
Board charges	-	(*)	(*)

2016	Summer	Spring	Fall
Scanlon Hall		$ 2,188	$ 2,188
Apartment complex room charges		2,459	2,459
Suite complex room charges	800	3,102	3,102
Griffon Hall		3,257	3,257
Board charges	-	(**)	(**)

Missouri Western State University
A Component Unit of the State of Missouri
Occupancy Statistics
Auxiliary System Revenue Bonds (Continued)
June 30, 2017 and 2016

A student union fee is charged each student, each semester as follows:

	16-17	15-16
Summer	$ 15	$ 15
Spring and fall	41	41

* 2017 Room and board charges are per semester, $1,663 for the 21 meal plan, $1,616 for the 15-meal plan and $1,603 for the 10-meal plan.

** 2016 Room and board charges are per semester, $1,607 for the 21 meal plan, $1,585 for the 15-meal plan and $1,572 for the 10-meal plan.