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, 2018 and 2017

BKD LLP
CPAs & Advisors

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

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

Overview
Missouri Western State University 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 undergraduate and graduate students. The University has on-campus student housing that can accommodate approximately 23 percent 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 gave 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 82 percent 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. A new plan, Pathways to Excellence, was adopted July 2, 2018. This plan is focused upon student success and employs five themes to guide our initiatives: student experience, people, partnerships, programs and stewardship. The plan also introduced new University mission and vision statements.

Missouri Western State University
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Management's Introduction
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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 continues to increase and was at an all-time high for the 2018-2019 academic year, with the number of freshman applications and admits both up 35 percent over a year ago. The number of prospective students who visited the campus also increased dramatically.

First day of the semester enrollment data indicated there were 1,086 incoming freshmen, an increase of more than 7 percent over last year's number, which showed a 16.2 percent increase over 2016. Considering the past three years, Missouri Western has seen unprecedented growth in new student enrollment.

Locally, the number of students from Buchanan County remained stable while there was a 42 percent increase from Andrew County. Other areas with significant increases included Jackson County, Missouri at 32 percent and St. Louis County at 40 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 2022 held steady at around 21 and 3.38, respectively. We also experienced an increase of 16 percent in the diversity of the freshman class.

Academic Programs

Missouri Western offers a variety of degree programs through the Steven L. Craig School of Business & Technology, School of Fine Arts, School of Nursing and Health Professions, College of Liberal Arts and Sciences, College of Professional Studies and Graduate School. 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 offers a total of 84 degree programs, including 62 Bachelor's, 16 Master's, four Associates and two Undergraduate certificates. We also offer 62 minors. Our largest degree programs are:

- Business (335 declared majors; 265 intended or pre-majors)
- Nursing (202 declared majors; 398 intended or pre-majors)
- Criminal Justice (244 declared majors; 90 intended or pre-majors)
- Elementary & Early Childhood Education (143 declared majors; 153 intended or pre-majors)
- Biology (220 declared majors; 104 intended or pre-majors)
- Physical Education (203 declared majors; 106 intended or pre-majors)

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.

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, practice, 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 Fiscal Year 2016 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. Fiscal Year 2018 saw the completion of the HB19 capital projects. 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.

In Fiscal Year 2018 saw several renovations for the Athletic Department. The major project for the year was replacing all the existing bleachers in the Looney Gym, refreshing of the gym floor, painting of the arena, and remodeling of the Athletic offices in the Looney Complex for a total of approximately $594,000. This project was completely funded through a generous donation from a loyal fan and donor of the University.

Other Athletic projects completed in Fiscal Year 2018 includes an addition to the Griffon Indoor Sports Complex of an indoor sand jump pit for the Track and Field teams, as well as the construction of a discus cage, javelin area and a high jump pit for a construction cost of $74,000.

Other projects completed in Fiscal Year 2018 included the addition of a patio to the Baker Fitness Center, remodeling of a student lounge in Blum Union and various replacements of HVAC chillers, boilers and compressors.

Spratt Football Stadium was completed in Fiscal Year 2017 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 Year 2017 also saw a complete and extensive renovation to the Thomas Eagleton Pool located at 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.

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 2018 marked the ninth 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, Fiscal Year 2018 was the first year of the contract extension. 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 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.

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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 years ended June 30, 2018 and 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 audits. We did not audit the financial statements of Missouri Western State University Foundation, Inc., the discretely presented component unit of the University. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the discretely presented component unit, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Missouri 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 audits and the reports 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, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in *Note 6* to the financial statements, in 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Additionally, as discussed in *Note 3* to the financial statements, in 2018, the University changed its estimated useful service life for buildings.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

The other information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 30, 2018

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

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, 2018, 2017 and 2016. 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

During 2018, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Prior year financial statements were not restated for the adoption of GASB 75. Beginning net position at July 1, 2017 was adjusted by $249,560 for the adoption of GASB 75.

Comparative Analysis of Fiscal Years 2018 and 2017

A review of the University's net position at June 30, 2018 reflects a decrease of $8.1 million or 20.0 percent to $32.2 million. Operating revenues for the year ended June 30, 2018, which includes tuition and fees of $24.6 million; federal and state grants and contracts of $1.0 million; auxiliary revenues of $7.9 million; and other revenues of $1.0 million, increased by $0.5 million to $34.5 million.

Operating expenses decreased by $1.4 million to $74.6 million, resulting in an operating loss of $40.1 million. Operating expenses included depreciation of $5.5 million. This operating loss of $40.1 million and net non-operating and other capital revenues of $31.7 million resulted in a decrease in net position of $8.1 million.

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2018 and 2017, is as follows:

Net Position
As of June 30
(In millions)

	2018	2017	2016
Current Assets	**$ 15.1**	**$ 18.2**	**$ 24.8**
Non-current Assets			
Capital assets, net of depreciation	115.3	116.5	118.3
Total assets	**$ 130.4**	**$ 134.7**	**$ 143.1**
Deferred Outflows of Resources	**19.6**	**18.4**	**7.4**
Total assets and deferred outflows of resources	**$ 150.0**	**$ 153.1**	**$ 150.5**
Current Liabilities	**$ 8.4**	**$ 8.4**	**$ 9.3**
Noncurrent Liabilities	**108.2**	**103.7**	**91.0**
Total liabilities	**$ 116.6**	**$ 112.1**	**$ 100.3**
Deferred Inflows of Resources	**1.2**	**0.7**	**0.8**
Total liabilties and deferred inflows of resources	**$ 117.8**	**$ 112.8**	**$ 101.1**
Net Assets			
Net investment in capital assets	$ 64.4	$ 63.7	$ 64.6
Restricted	1.0	0.6	0.8
Unrestricted operating	6.2	8.8	13.0
Unrestricted GASB 68	(39.4)	(32.8)	(29.1)
Total net position	**$ 32.2**	**$ 40.3**	**$ 49.3**

Comparative Analysis of Fiscal Years 2018 and 2017

Current assets decreased by $3.1 million or 17.1 percent from $18.2 million to $15.1 million. This is primarily due to a decrease in cash and investments of $2.9 million. This was a combination of a $0.4 million reduction of State Appropriation, and increased operating expenditures.

Noncurrent assets decreased by $1.2 million or 1.1 percent from $116.5 million to $115.3 million. Capital assets, net of accumulated depreciation, decreased due to a change in accounting estimate on the depreciable life of the University buildings from 40 to 60 years.

Deferred outflows increased by $1.2 million or 6.5 percent from $18.4 million to $19.6 million due to the GASB 71 pronouncement requiring MOSERS contributions to be deferred outflows rather than an expense and actuarial adjustments made by MOSERS.

Non-current liabilities increased by $4.5 million or 4.3 percent from $103.7 million to $108.2 million. This is primarily due to the GASB 68 pronouncement requiring the recognition of the proportionate share of the unfunded MOSERS pension that increased by $5.4 million.

Deferred inflows increased from by $5.0 million from $0.7 million to $1.2 million due to the GASB 68 pronouncement requiring recognition of projected versus actual earnings on investments in MOSERS plan.

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 Football 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 Fiscal Year 2017.

Deferred outflows increased by $11.0 million or 249.5 percent from $7.4 million to $18.4 million due to the GASB 71 pronouncement requiring MOSERS contributions to be deferred outflows rather than an expense and actuarial adjustments made by MOSERS.

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

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

Capital Assets, Net
June 30, 2018
(In millions)

	Cost	Accumulated Depreciation	Net Capital Assets
Land	$ 0.3	$ -	$ 0.3
Land improvements	10.6	5.3	5.3
Buildings and improvements	173.2	67.6	105.6
Furniture, fixtures and equipment	19.6	16.4	3.2
Library materials	4.1	3.6	0.5
Construction in progress	0.4	-	0.4
	$ 208.2	$ 92.9	$ 115.3

Comparative Analysis of Fiscal Years 2018 and 2017

In 2018, the University completed multiple additions to capital assets, including $3.8 million in Building Improvements. The University invested $1.6 million in Building Improvements by upgrading the HVAC systems in the Hearnes Center, Potter Hall and Popplewell Hall. The Looney Complex gym received a facelift that included replacing all bleachers, new and updated painting and logos for an investment of $0.6 million dollars. This project was funded completely by an athletic donor that wishes to remain anonymous. The University dining services received a $1.1 million update including the addition of a Chick-fil-A and Zoca dining option in the food court, as well as some update to the dining area. This was part of the capital contribution from Aramark and the newly negotiated contract. The University also invested $0.3 million in HVAC chiller replacements for various buildings.

The University added $0.8 million in furniture, fixtures and equipment during the year. This was primarily equipment used for the food service for Chick-fil-A and Zoca, new 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 $0.4 million in Construction in Progress for 2018. The majority of this amount is the cost of architect fees for the future renovation to Potter Hall. The Craig School of Business is renovating faculty office space and reallocating lab and classroom space.

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 Fiscal Year 2017 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.

Analysis of Net Position
June 30
(In millions)

	2018	2017	2016
Net investment in capital assets	$ 64.4	$ 63.7	$ 64.6
Restricted	1.0	0.6	0.8
Unrestricted Operating	6.2	8.8	13.2
Unrestricted GASB 68	(39.4)	(32.8)	(29.1)
Total	$ 32.2	$ 40.3	$ 49.5

Comparative Analysis of Fiscal Years 2018 and 2017

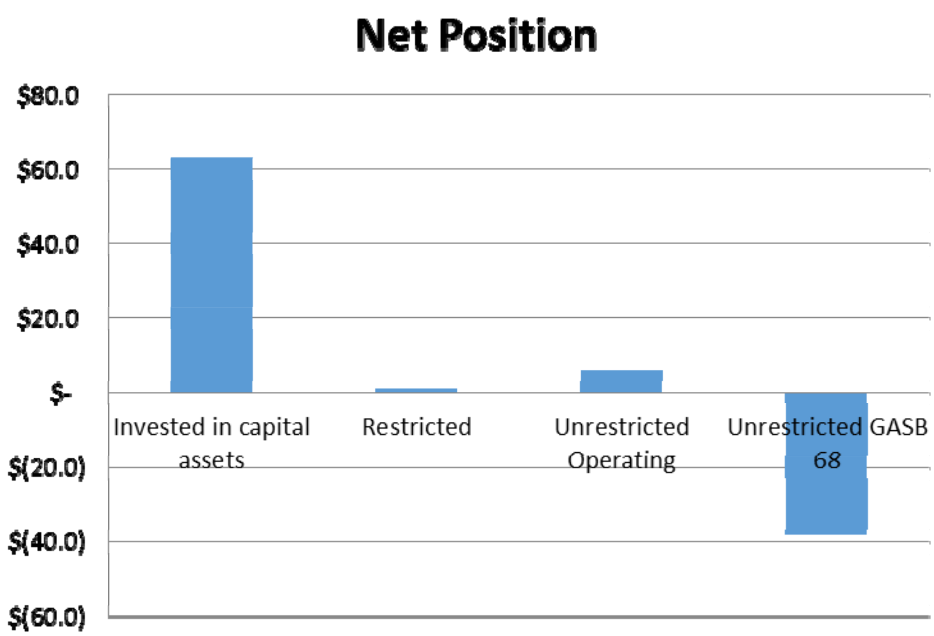
Net position decreased by 20.1 percent or $8.1 million from fiscal year 2017 to 2018. The net position are comprised of unrestricted operating $5.1 million and the cumulative effect of a change in accounting principle from unrestricted GASB 68 of ($38.2) million; restricted for loans and other of $0.2 million; and restricted for debt service agreement for repairs and maintenance of $0.8 million; net investment in capital assets $64.4million. The increase in the investment in capital assets is primarily due to principal payments on bonds and addition of capital assets.

<u>Comparative Analysis of Fiscal Years 2017 and 2016</u>

Net position decreased by 23.8 percent or $9.6 million from fiscal year 2016 to 2017. The net position are comprised of unrestricted operating $8.8 million and the cumulative effect of a change in accounting principle from unrestricted GASB 68 of ($32.8) million; restricted for loans and other $0.2 million; and restricted for debt service agreement for repairs and maintenance of $0.4 million; net investment in capital assets $63.7 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, 2018.



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

	2018	2017	2016
Operating Fund			
Unrestricted Funds Operating	$ 3.5	$ 3.7	$ 5.2
Unrestricted Funds GASB 68	(39.4)	(32.8)	(29.1)
Designated Funds	0.1	2.9	5.4
	(35.8)	(26.2)	(18.5)
Auxiliary Fund			
Unrestricted Funds	2.6	2.2	2.6
Total	$ (33.2)	$ (24.0)	$ (15.9)

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, 2018, 2017 and 2016 are as follows:

Operating Results
Year Ended June 30
(In millions)

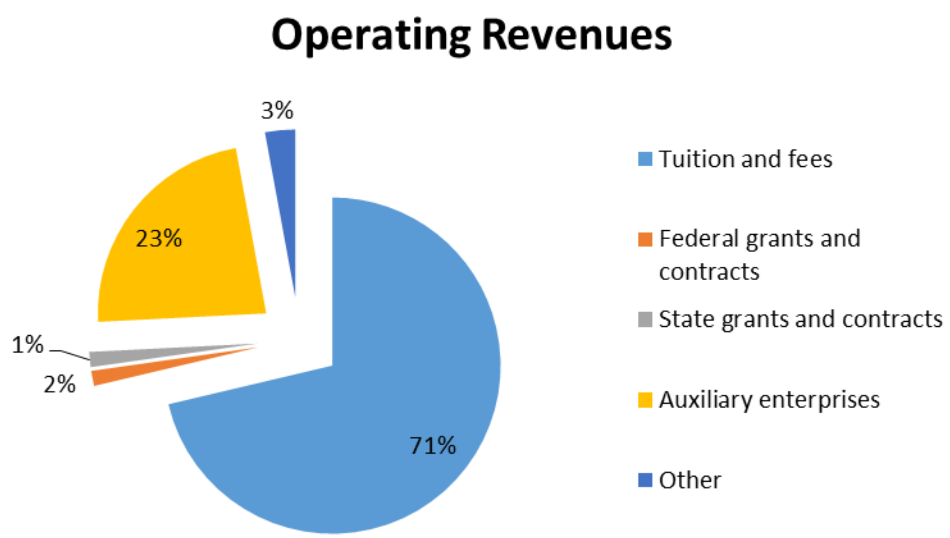
	2018	2017*	2016*
Operating Revenues			
Tuition and fees	$ 24.6	$ 23.8	$ 24.2
Federal grants and contracts	0.5	0.5	0.5
State grants and contracts	0.5	0.7	0.5
Auxiliary enterprises	7.9	7.9	7.7
Other	1.0	1.0	2.4
Total operating revenues	34.5	33.9	35.3
Operating Expenses	74.6	75.9	70.1
Operating Loss	(40.1)	(42.0)	(34.8)
Nonoperating Revenues (Expenses)			
State appropriations	20.6	21.0	21.9
Federal grants	9.2	8.4	9.6
Contributions	1.8	1.7	1.2
Interest income	0.2	0.2	0.1
Loss on disposal of capital assets	(0.3)	(0.0)	(0.4)
Interest on capital asset – related debt	(2.1)	(2.2)	(2.5)
Net nonoperating revenues	29.4	29.1	29.9
Capital Appropriations	1.1	1.3	2.6
Capital Revenues	1.2	2.5	1.9
Increase/Decrease in Net Position	(8.4)	(9.1)	(0.4)
Net Position, Beginning of Year	40.3	49.4	49.8
Change in Accounting Principle	0.3	-	-
Net Position, Beginning of Year, as Restated	40.6	49.4	49.8
Net Position, End of Year	$ 32.2	$ 40.3	$ 49.4

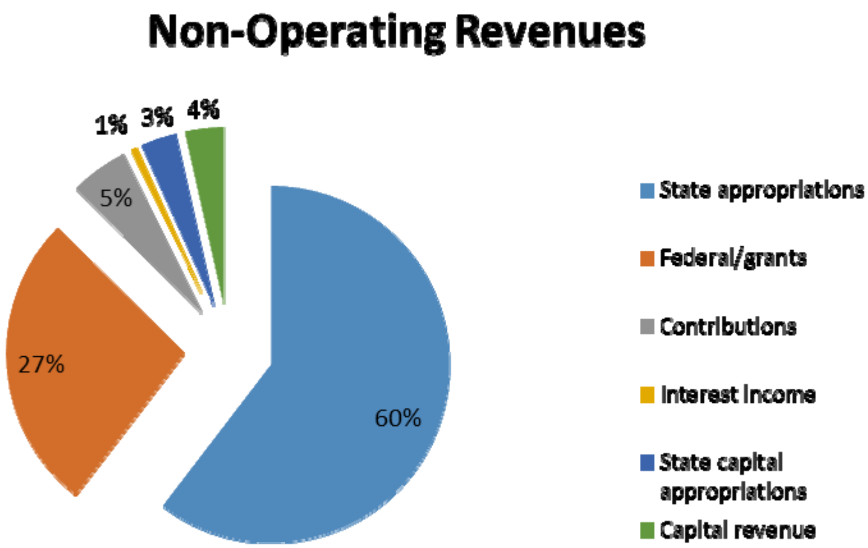
*Fiscal years 2017 and 2016 were not restated for the adoption of Governmental Accounting Standard Board Statement No. 75 as it was not practical to do so.

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 2018, total operating revenues had an increase of 1.8 percent from $33.9 million to $34.5 million. The increase was due to an increase in enrollment which showed a $0.8 million increase in tuition and fees in Fiscal Year 2018.

The following are graphic illustrations of revenues by source for the year ended June 30, 2018.





In Fiscal Year 2018, non-operating and capital revenues decreased by $1.0 million or 2.8 percent from $35.1 million to $34.1 million due primarily from the following increases (decreases) in millions:

Non-Operating Revenue and Capital Gifts

State of Mo Capital Appropriation	$ (0.4)
Captial Gifts	(1.5)
Federal Grants	0.8
Contributions	0.1
Total Non-Operating Revenue and Capital Gifts	**$ (1.0)**

In Fiscal Year 2017, non-operating and capital revenues decreased by $1.5 million or 4.4 percent from $34.4 million 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**

Operating Expenses
Year Ended June 30
(In millions)

	2018	2017	2016
Compensation	$ 48.6	$ 47.7	$ 42.1
Scholarships	4.0	3.9	4.4
Supplies and other services	14.2	15.4	15.4
Depreciation	5.5	6.6	5.9
Utilities	2.3	2.3	2.3
Total	$ 74.6	$ 75.9	$ 70.1

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.

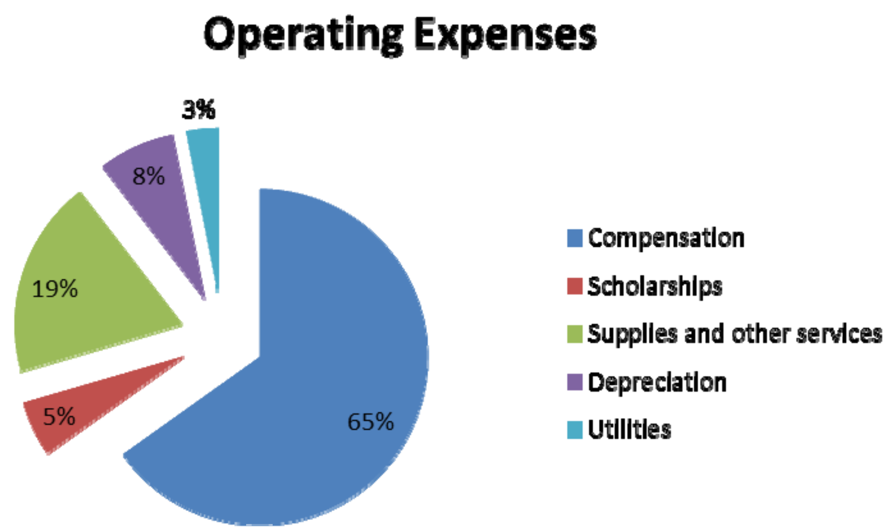
During 2018, 2017 and 2016, tuition fee waivers are reported as a reduction in revenue rather than scholarships and amounted to approximately $7.2, $4.6 and $4.2 million, respectively. The increase of fee waivers in Fiscal Year 2018 is due to a change in financial aid posting. The Griffon Fee Waiver was implemented as opposed to giving the students in-state tuition. This had no effect on the net position on the financial statements. 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 $8.6, $7.8 and $7.6 million, respectively.

Comparative Analysis of Fiscal Years 2018 and 2017

In 2018, the University's operating expenses decreased by $1.3 million, or 1.7 percent. The decrease is primarily due to the change in depreciation allocation which changed the allocation of depreciation for buildings from 40 years to 60 years to better represent the life of the buildings that are on campus.

Comparative Analysis of Fiscal Years 2017 and 2016

In 2017, the University's operating expenses increased by $5.8 million, or 8.2 percent, an 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 million increase in Fringe Benefits is due to the GASB 68 MOSERS 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.

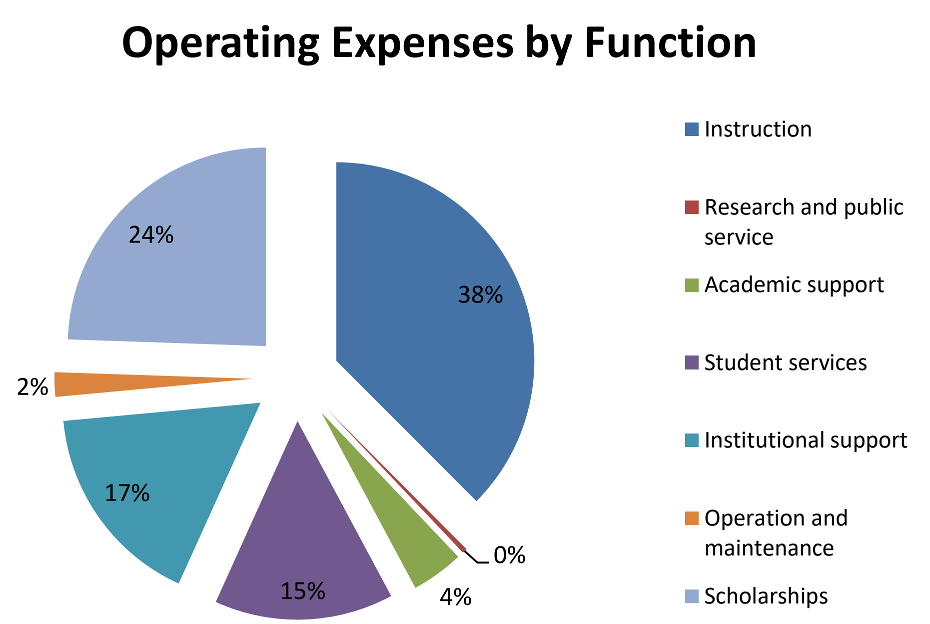


Missouri Western State University
A Component Unit of the State of Missouri
Management's Discussion and Analysis
June 30, 2018 and 2017

Analysis of Educational and General Operating Expenses
By Functional Classification
June 30, 2018
(In millions)

The following is a graphic illustration of educational and general operating expenses at June 30, 2018.

Operating Expenses by Function



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, 15 percent, and Operation and Maintenance, 2 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, 2018, 2017 and 2016 are as follows:

Cash Flows
Year Ended June 30
(In millions)

	2018	2017	2016
Cash Provided by (Used in)			
Operating activities	$ (28.5)	$ (32.6)	$ (28.6)
Noncapital financing activities	31.6	31.2	32.7
Capital and related financing activities	(6.2)	(5.1)	(6.7)
Investing activities	3.2	1.9	(1.2)
Change in Cash and Cash Equivalents	0.1	(4.6)	(3.8)
Cash and Cash Equivalents, Beginning of Year	11.1	15.7	19.5
Cash and Cash Equivalents, End of Year	$ 11.2	$ 11.1	$ 15.7

Comparative Analysis of Fiscal Years 2018 and 2017

Cash and cash equivalents at June 30, 2018 were $11.2 million, which was an increase of $0.1 million from 2017. The increase in cash and cash equivalents is primarily attributable to investments maturing to cash and not being reinvested.

During 2018, cash used in operating activities was $28.5 million which was a decrease of $4.1 million. This was a result of 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 $29.8 million and $1.8 million in private contributions. Cash used for capital and related financing activities was increased by $1.1 million, which consisted of the purchases of capital assets of $4.5 million, capital gifts received of $1.2 million and $1.1 million of state capital appropriations. The issuance and payment of debt service for 2018 was $1.9 million. Investing activities amounted to a increase of $1.3 million, which primarily were the result of matured investments.

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 is primarily due to the Spratt Football Stadium and the Spratt Stadium Scoreboard project completed in Fiscal Year 2017 and $0.08 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 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.

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, Missouri 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 Net Position
June 30, 2018 and 2017

Assets and Deferred Outflows of Resources

	2018	2017
Current Assets		
Cash and cash equivalents	$ 10,453,484	$ 11,065,290
Short-term investments	-	2,240,000
Accounts receivable, net of allowance of $1,233,441 in 2018 and $1,167,345 in 2017	3,274,506	3,487,703
Prepaid expenses	670,267	655,760
Restricted current assets		
Cash and cash equivalents	760,000	-
Investments	-	760,000
Total current assets	15,158,257	18,208,753
Noncurrent Assets		
Capital assets, net	115,266,554	116,527,778
Total noncurrent assets	115,266,554	116,527,778
Total assets	130,424,811	134,736,531
Deferred Outflows of Resources		
Deferred losses on debt refundings	1,066,779	1,141,641
Contributions to MOSERS subsequent to the measurement date	3,957,427	3,560,832
Proportionate share of MOSERS pension related items	14,595,776	13,705,033
Deferred outflows of resources	19,619,982	18,407,506
Total assets and deferred outflows of resources	$ 150,044,793	$ 153,144,037

Liabilities and Deferred Inflows of Resources

	2018	2017
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,941,847	$ 4,178,655
Accrued compensated absences	692,955	816,319
Unearned revenue	1,231,276	975,935
Interest payable	480,069	492,005
Long-term debt - current portion	2,014,465	1,971,833
Total current liabilities	8,360,612	8,434,747
Noncurrent Liabilities		
Accrued compensated absences	835,861	801,305
Unearned revenue	1,288,290	743,960
Net other postemployment benefit liability/obligation	1,090,495	1,348,880
Net pension liability	55,559,507	49,332,702
Long-term debt, net	49,479,698	51,479,830
Total noncurrent liabilities	108,253,851	103,706,677
Total liabilities	116,614,463	112,141,424
Deferred Inflows of Resources		
Proportionate share of MOSERS pension related	1,154,883	677,194
Other postemployment benefits related	32,040	-
Total liabilities and deferred inflows of resources	117,801,386	112,818,618
Net Position		
Net investment in capital assets	64,359,101	63,707,144
Restricted, expendable for		
Scholarships, fellowships and other	64,943	151,720
Loans	82,483	82,362
Debt service	811,879	358,132
Unrestricted	(33,074,999)	(23,973,939)
Total net position	$ 32,243,407	$ 40,325,419

Missouri Western State University
A Component Unit of the State of Missouri
Missouri Western State University Foundation, Inc.
Statements of Financial Position
June 30, 2018 and 2017

Assets

	2018	2017 *(As Restated)*
Current Assets		
Cash	$ 557,352	$ 792,073
Pledges receivable – current portion	1,829,279	2,023,276
Pledges receivable – gifts-in-kind	664,750	78,000
Notes receivable, net - current portion	12,200	9,394
Interest, dividends and other receivables	108,893	101,494
Prepaid expense	38,466	19,256
Total current assets	3,210,940	3,023,493
Investments		
Investments	41,664,928	38,552,785
Mineral rights	101,015	116,988
Cash surrender value of life insurance	572,023	523,345
Total investments	42,337,966	39,193,118
Equipment		
Equipment, at cost	37,531	35,976
Less accumulated depreciation	33,285	29,460
Total equipment	4,246	6,516
Other Assets		
Pledges receivable, net	837,258	1,486,395
Notes receivable - net	60,769	67,516
Beneficial interest in perpetual trusts	5,487,410	5,516,962
Other equity interests	1,000,000	1,000,000
Total other assets	7,385,437	8,070,873
Total assets	$ 52,938,589	$ 50,294,000

Liabilities and Net Assets

	2018	2017
		(As Restated)
Current Liabilities		
Accounts payable	$ 617,642	$ 412,574
Agency funds, net	2,033	688
Deferred revenue	265,972	177,455
Lease payable – current portion	2,183	2,787
Total current liabilities	887,830	593,504
Long-term Liabilities		
Lease payable – long-term portion	-	2,183
Total liabilities	887,830	595,687
Net Assets		
Unrestricted		
General operating	2,834,908	2,829,960
Board designated	3,436,655	3,016,624
Total unrestricted	6,271,563	5,846,584
Temporarily restricted	17,723,414	16,649,198
Permanently restricted	28,055,782	27,202,531
Total net assets	52,050,759	49,698,313
Total liabilities and net assets	$ 52,938,589	$ 50,294,000

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, 2018 and 2017

	2018	2017
Operating Revenues		
Tuition and fees, net	$ 24,641,238	$ 23,764,111
Federal grants and contracts	504,743	522,719
State grants and contracts	473,333	702,677
Interest on student loans receivable	78,251	158,499
Sales and services of educational activities	442,913	389,877
Auxiliary enterprises, net	7,855,278	7,878,413
Other operating revenues	518,163	550,004
Total operating revenues	34,513,919	33,966,300
Operating Expenses		
Salaries and wages	32,548,984	33,304,293
Fringe benefits	16,058,752	14,411,044
Supplies and other services	14,171,304	15,400,614
Scholarships and fellowships	4,023,423	3,870,462
Depreciation	5,463,445	6,615,947
Utilities	2,315,426	2,344,593
Total operating expenses	74,581,334	75,946,953
Operating Loss	(40,067,415)	(41,980,653)
Nonoperating Revenues (Expenses)		
State appropriations	20,609,352	21,020,534
Federal grants	8,918,275	8,133,592
Federal interest rebate	261,798	267,565
Contributions	1,832,368	1,698,916
Interest income	252,406	150,571
Loss on disposal of capital assets	(341,033)	(13,555)
Interest on capital asset-related debt	(2,115,067)	(2,169,270)
Net nonoperating revenues	29,418,099	29,088,353
Loss before Capital Revenues	(10,649,316)	(12,892,300)
Capital Appropriations	1,080,444	1,256,954
Capital Revenues	1,237,300	2,506,929
Capital Revenues	2,317,744	3,763,883
Decrease in Net Position	(8,331,572)	(9,128,417)
Net Position, Beginning of Year	40,325,419	49,453,836
Change in Accounting Principle-Cumulative Effect	249,560	-
Net Position, Beginning of Year, as Restated	40,574,979	49,453,836
Net Position, End of Year	$ 32,243,407	$ 40,325,419

Missouri Western State University
A Component Unit of the State of Missouri
Missouri Western State University Foundation, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Contributions	$ 302,665	$ 1,053,573	$ 314,671	$ 1,670,909
Legacies and bequests	-	37,155	521,534	558,689
In-kind contributions	13,823	836,599	-	850,422
Investment income	300,325	2,618,841	11,334	2,930,500
Mineral rights royalities	7,917	-	-	7,917
Other income	365	830,154	-	830,519
Change in value of beneficial interest in perpetual trust	-	-	(29,552)	(29,552)
Net assets released from donor restrictions	4,131,517	(4,166,781)	35,264	-
Total revenues, gains and other support	4,756,612	1,209,541	853,251	6,819,404
Expenses				
Scholarships	885,948	-	-	885,948
Allocations	2,714,114	-	-	2,714,114
General and administrative	298,878	-	-	298,878
Fundraising	188,137	-	-	188,137
Agent fees	133,064	-	-	133,064
Uncollectible pledges	45,436	-	-	45,436
Total expenses	4,265,577	-	-	4,265,577
Other Revenues (Expenses)				
Unrealized losses on investments	(50,083)	(135,325)	-	(185,408)
Unrealized losses on mineral rights	(15,973)	-	-	(15,973)
Total other expenses	(66,056)	(135,325)	-	(201,381)
Change in Net Assets	424,979	1,074,216	853,251	2,352,446
Net Assets, Beginning of Year	5,846,584	16,649,198	27,202,531	49,698,313
Net Assets, End of Year	$ 6,271,563	$ 17,723,414	$ 28,055,782	$ 52,050,759

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

	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	557,979	1,076,504	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	6,567,201	(1,551,450)	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 other revenues (expenses)	(55,766)	1,827,436	-	1,771,670
Change in Net Assets	820,259	275,986	471,555	1,567,800
Net Assets, Beginning of Year, before Restatement	3,777,701	17,621,836	26,730,976	48,130,513
Impact of Restatement	1,248,624	(1,248,624)	-	-
Net Assets, Beginning of Year, as Restated	5,026,325	16,373,212	26,730,976	48,130,513
Net Assets, End of Year	$ 5,846,584	$ 16,649,198	$ 27,202,531	$ 49,698,313

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

	2018	2017
Operating Activities		
Tuition and fees	$ 24,158,815	$ 23,248,059
Grants and contracts	517,863	1,239,150
Interest received	472,321	-
Payments to suppliers	(15,203,404)	(17,000,795)
Payments to employees	(43,118,565)	(44,612,857)
Sales and services of auxiliary enterprises	7,987,902	7,945,713
Other payments	(3,322,220)	(3,361,772)
Net cash used in operating activities	(28,507,288)	(32,542,502)
Noncapital Financing Activities		
State appropriations	20,609,352	21,020,534
Federal grants	9,180,073	8,468,237
Direct lending receipts	16,196,492	16,842,408
Direct lending payments	(16,196,492)	(16,842,408)
Contributions	1,832,368	1,698,916
Net cash provided by noncapital financing activities	31,621,793	31,187,687
Capital and Related Financing Activities		
State capital appropriations	1,080,444	1,256,954
Capital gifts received	1,237,300	2,506,929
Purchase of capital assets	(4,544,155)	(4,828,158)
Principal paid on long-term debt	(1,882,640)	(1,942,161)
Interest paid on long-term debt	(2,127,003)	(2,180,123)
Net cash used in capital and related financing activities	(6,236,054)	(5,186,559)
Investing Activities		
Purchase of investments	-	(3,000,000)
Proceeds from sale of investments	3,000,000	4,799,063
Investment income	269,743	152,234
Net cash provided by investing activities	3,269,743	1,951,297
Increase (Decrease) in Cash and Cash Equivalents	148,194	(4,590,077)
Cash and Cash Equivalents, Beginning of Year	11,065,290	15,655,367
Cash and Cash Equivalents, End of Year	$ 11,213,484	$ 11,065,290

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

	2018	2017
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (40,067,415)	$ (41,980,653)
Depreciation expense	5,463,445	6,615,948
Bad debt expense	456,118	551,294
Loss on disposal of capital assets	341,033	13,554
Changes in operating assets and liabilities		
Receivables, net	(601,292)	(479,389)
Loans to students	-	21,257
Prepaid expenses	(14,507)	57,406
Deferred outflows of resources - pension related	(1,287,338)	(11,029,564)
Accounts payable and accrued liabilities	(235,907)	(824,327)
Net other post employment benefits liability	(8,825)	16,907
Net pension liability	6,226,807	14,960,683
Deferred outflows of resources - OPEB related	32,040	-
Deferred inflows of resources - pension related	477,689	(102,257)
Unearned revenue	799,671	(422,481)
Accrued compensated absences	(88,807)	59,120
Net Cash Used in Operating Activities	$ (28,507,288)	$ (32,542,502)
Noncash Investing, Capital and Financing Activities		
Accounts payable incurred from purchase of capital assets	$ 570,101	$ -

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 5,300 undergraduate students and approximately 241 graduate students. The University has on-campus student housing that can accommodate approximately 25 percent of the undergraduate 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 as required by the Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity* (as amended) and Statement No. 39 *Determining Whether Certain Organizations are Component Units*.

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 the 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 the consumption of net position that relates to future reporting periods as deferred outflows of resources in a separate section of its statements of net position. The University's deferred outflows include deferred losses on defeasance of bonds, and certain pension items requiring deferral under GASB 68.

Deferred Inflows of Resources

The University's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects the acquisition of net position that relates to a future reporting period. Deferred inflows of resources include certain pension items requiring deferral under GASB 68.

Loans to Students

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

Land improvements	15 years
Buildings and improvements	15 – 60 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 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, 2018, consists of unearned student fees of $674,296, Aramark unearned revenue of $1,777,077 and other unearned revenue of $68,193. 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.

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 $1,066,779 and $1,141,641 at June 30, 2018 and 2017, respectfully, and is included as a deferred outflow of resources in the statements 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 statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, are recorded as 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 years ended June 30, 2018 and 2017 was $11,772,106 and $9,044,397, respectively. The scholarship allowances on auxiliary enterprises for the years ended June 30, 2018 and 2017 was $3,232,372 and $2,540,695, 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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on net earnings.

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, 2018 or 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, 2018 or 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, 2018 or 2017. The University's investment policy currently addresses custodial credit risk by requiring 110 percent 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:

	2018	2017
Carrying value		
Deposits	$ 11,213,484	$ 14,065,290
Total	$ 11,213,484	$ 14,065,290
Included in the following statements of net position		
Cash	$ 10,453,484	$ 11,065,290
Restricted cash	760,000	-
Short-term investments	-	2,240,000
Restricted short-term investments	-	760,000
	$ 11,213,484	$ 14,065,290

Investment Income

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

	2018	2017
Interest income	$ 252,406	$ 150,571

Note 3: Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017 were:

	2018				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Cost					
Land	$ 323,525	$ -	$ -	$ -	$ 323,525
Land improvements	10,286,288	317,090	-	-	10,603,378
Buildings and improvements	169,873,927	3,121,346	(531,442)	690,414	173,154,245
Furniture, fixtures and equipment	19,241,219	833,257	(493,266)	-	19,581,210
Construction in progress	879,934	222,932		(690,414)	412,452
Library materials	4,146,910	48,629	(139,434)	-	4,056,105
	204,751,803	4,543,254	(1,164,142)	-	208,130,915
Less Accumulated Depreciation					
Land improvements	(4,783,484)	(493,342)	-	-	(5,276,826)
Buildings and improvements	(64,104,708)	(3,658,914)	201,220	-	(67,562,402)
Furniture, fixtures and equipment	(15,658,523)	(1,209,615)	482,455	-	(16,385,683)
Library materials	(3,677,310)	(101,574)	139,434	-	(3,639,450)
	(88,224,025)	(5,463,445)	823,109	-	(92,864,361)
Net capital assets	$ 116,527,778	$ (920,191)	$ (341,033)	$ -	$ 115,266,554

	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

Change in Accounting Estimate

Effective July 1, 2017, the estimated useful service life of the University's buildings was extended from 40 to 60 years, in recognition of the University's decision to continue to use the buildings beyond the period in which it would have become fully depreciated under the estimated service life in effect at June 30, 2017. The effect of this change was to reduce the decrease in net position for 2018 by approximately $1,150,000.

Note 4: Note 4: Long-term Liabilities

The following is a summary of long-term obligation transactions for the University for the year ended June 30, 2018:

	2018				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and other long-term debt					
Auxiliary system revenue bonds – Series 2008	$ 4,660,000	$ -	$ (240,000)	$ 4,420,000	$ 250,000
Auxiliary system revenue bonds – Series 2010B	12,425,000	-	(465,000)	11,960,000	480,000
Auxiliary refunding and improvement Auxiliary system revenue bonds – Series 2012	19,770,000	-	(935,000)	18,835,000	950,000
Auxiliary system revenue bonds – Series 2015	12,265,000	-	-	12,265,000	-
Other	4,388,138	20,888	(342,722)	4,066,304	334,465
Subtotal bonds and other long-term debt	53,508,138	20,888	(1,982,722)	51,546,304	2,014,465
Discount on bond issuance	(56,474)	-	4,333	(52,141)	-
Total bonds	53,451,664	20,888	(1,978,389)	51,494,163	2,014,465
Other noncurrent liabilities					
Accrued compensated absences	1,617,624	-	(88,808)	1,528,816	692,955
Unearned revenue	1,719,895	2,883,866	(2,084,195)	2,519,566	1,231,276
Other post employment benefit	1,348,880	-	(258,385)	1,090,495	-
Pension liability, net	49,332,702	10,184,232	(3,957,427)	55,559,507	-
Total noncurrent liabilities	$ 107,470,765	$ 13,088,986	$ (8,367,204)	$ 112,192,547	$ 3,938,696

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

	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and other long-term debt					
Auxiliary system revenue bonds – Series 2008	$ 4,895,000	$ -	$ (235,000)	$ 4,660,000	$ 240,000
Auxiliary system revenue bonds – Series 2010B	12,880,000	-	(455,000)	12,425,000	465,000
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	18,521,515	(3,560,832)	49,332,702	-
Total noncurrent liabilities	$ 94,794,364	$ 18,597,542	$ (5,921,142)	$ 107,470,764	$ 3,764,087

Auxiliary System 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 System Refunding and Improvement Revenue 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-B Taxable Build America Bonds

The Board of Governors authorized the University to issue the Auxiliary System Refunding and Improvement Revenue Bonds, Series 2010B. The proceeds of $15,000,000 from the Series 2010-B Bonds 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, 2018 are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
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	4,010,294	2,405,000	1,605,294
2024 – 2028	19,870,638	13,290,000	6,580,638
2029 – 2033	18,500,909	14,820,000	3,680,909
2034 – 2036	9,629,174	8,960,000	669,174
	$ 67,149,051	$ 47,480,000	$ 19,669,051

A comparison of pledged revenue for the payment of the bonds recognized for the years ended June 30, 2018 and 2017 to the principal and interest requirements of the bonds for those periods is as follows:

	2018	2017
Pledged revenue recognized	$ 5,569,848	$ 4,468,129
Principal and interest requirement	3,550,519	3,557,727

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: Two suite complexes, three apartment-style complexes, a living center, having an aggregate of 1,257 residential spaces, a student commons building and the Student Union Building. Dining options includes Western Dining Hall which features 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 residence hall 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 year ended June 30, 2018 at 168 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, 2018 and 2017, 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, 2018 are as follows:

Year Ending June 30	Total to be Paid	Principal	Interest
2019	$ 443,702	$ 334,590	$ 109,112
2020	393,610	295,970	97,640
2021	382,666	293,035	89,631
2022	382,665	301,236	81,429
2023	377,960	304,695	73,265
2024-2028	1,889,800	1,653,618	236,182
2029-2031	913,403	883,160	30,243
	$ 4,783,806	$ 4,066,304	$ 717,502

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, 2018 is $49,969. The total amount of accumulated depreciation that has been recorded since 2010 is $321,924 with depreciation expense of $37,876 being charged in 2018.

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

The University has entered into a capital lease energy saving project with Schneider Electric, a global specialist in energy management. The beginning total of principal and interest for this project is $5,448,920 that is financed by US Bancorp. 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, 2018 is $4,693,000. The total amount of accumulated depreciation that has been recorded since 2016 is $786,356 with depreciation expense of $337,010 being charged in 2018.

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, 2018 is $21,888. The total amount of accumulated depreciation since the purchase in July 2016 is $21,685 and the total depreciation recorded in 2018 is $7,228.

The University entered into a capital lease for a John Deere 1550 Terrain Cut Mower and Deck on July 1, 2017 for a total cost of $20,888. The Mower and Deck will be used for mowing the campus grounds. The total principal and interest outstanding at June 30, 2018 is $18,821. The total amount of accumulated depreciation since the purchase in July 2017 is $2,984 and the total depreciation recorded in 2018 is $2,984.

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. This promissory note was paid in full at June 30, 2018.

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 18.82 percent and 17.30 percent of eligible salaries for the years ended June 30, 2018 and 2017, respectively. Employees hired after January 1, 2011 are required to contribute 4 percent of their salary. Contributions, which equaled the contribution requirements for the years ended June 30, 2018 and 2017 were $3,957,427 and $3,560,832, respectively.

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, 2018, was 18.82 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 $3,957,427 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $55,559,507 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017. At the June 30, 2017 measurement date, the University's proportion was 1.0670 percent, an increase from its proportion measured using 1.0627 percent, a decrease as of June 30, 2016.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

For the year ended June 30, 2018, the University recognized pension expense of $9,377,730. At June 30, 2018, 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	$ 875,038	$ 307,805
Changes of assumptions	139,443	4,875,274
Net difference between projected and actual investment earnings and actual pension plan investments	-	9,307,064
Changes in proportion and differences between University contributions and proportionate share of contributions	140,402	105,633
University contributions subsequent to the measurement date of June 30, 2017	-	3,957,427
Total	$ 1,154,883	$ 18,553,203

For the year ended June 30, 2017, the University recognized pension expense of $7,349,574. 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

At June 30, 2018, there was $3,957,427 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, 2019 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:

2018	$ 4,373,339
2019	6,025,069
2020	2,335,323
2021	707,167

Actuarial assumptions. The total pension liability in the June 30, 2017 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:

Price Inflation	2.5 percent
Salary Increases	3.25 percent
Wage Inflation	3.0 percent
Investment Rate of Return	7.5 percent, compounded annually, net after investment expenses and including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. In addition, the Board re-affirmed its previous decision to reduce the investment return assumption from 7.65 percent to 7.5 percent for June 30, 2017. There were no other changes in assumptions.

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.

Long-term investment rate of return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Policy Allocation	Long-term Expected Real Rate of Return*	Weighted Average Long-Term Expected Real Rate of Return
Opportunistic global equity	38.0%	5.5%	2.1%
Nominal bonds	44.0%	1.0%	50.0%
Commodities	20.0%	4.5%	0.9%
Inflation-linked bonds	39.0%	0.8%	0.3%
Alternative beta	31.0%	4.5%	1.4%
	172.0%		54.7%

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

Discount rate. The discount rate used to measure the total pension liability was 7.5 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 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
University's proportionate share of net pension liability	$71,534,157	$55,559,507	$42,122,902

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MOSERS comprehensive annual financial report, available at www.mosers.org.

Pension expense. For the year ended June 30, 2018, the University recognized pension expense of $9,377,730.

Payables to pension plan. As of June 30, 2018, the University had payables of $38,270 to MOSERS due to the timing of the bi-weekly payroll period that started on June 17, 2018 and ended on June 30, 2018. The $38,270 was the portion of MOSERS allocated to June 30, 2018 but not paid until July 7, 2018.

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 6.19 percent, 5.67 percent and 5.89 percent of annual covered payroll for 2018, 2017 and 2016, respectively. The University's contributions to the plan for the years ended June 30, 2018, 2017 and 2016 were $545,145, $510,615 and $481,492, respectively, which equaled the required contributions for each year.

Note 6: Postemployment Healthcare Plan

Change in Accounting Principle

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

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

As a result of the implementation, unrestricted net position (deficit) as of July 1, 2017 was restated as follows:

Unrestricted net position (deficit), as previously reported	$ (23,973,939)
Cumulative effect of change in accounting principle:	
OPEB liability (measurement date of June 30, 2017) - GASB 75	(1,099,320)
OPEB obligation - GASB 45	1,348,880
	249,560
Unrestricted net position (deficit), as restated	$ (23,724,379)

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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan is considered a single-employer plan.

Benefits Policy

The OPEB Plan provides medical and prescription drug benefits to eligible retirees and their dependents. Benefits are provided through a third-party insurer, and retirees contribute premiums ranging between $575 to $758 monthly for a single person or $1,383 to $1,833 for retiree and family. Employees who retire before reaching the age 65 their insurance will be continued until the earlier of the date the plan is canceled or until their 65th birthday.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	2018
Inactive employees or beneficiaries currently receiving benefit payments	11
Inactive employees entitled to but not yet receiving benefit payments	103
Active employees	505
	619

GASB 75 Disclosures (2018)

Total OPEB Liability

The University's total OPEB liability of $ 1,090,495 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018.

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.30%
Discount rate	3.87% (3.58% in prior year)
Salary increases	2.00%
Health care cost trend rates	6.0 % for 2017, gradually decreasing to an ultimate rate of 4/1% for 2074 and beyond

The discount rate used for the plan was the 20-year, tax-exempt general obligation municipal bonds with a rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 trended back eight years using scale MP-2017 and projected generationally.

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:

Changes in Total OPEB Liability

	Total OPEB Liability
Balance, July 1, 2017	$ 1,099,320
Service cost	44,832
Interest	39,956
Changes in assumptions or other inputs	(37,023)
Benefit payments	(56,590)
Net Changes	(8,825)
Balance, June 30, 2018	$ 1,090,495

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

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

	1% Decrease 2.87%	Discount Rate 3.87%	1% Increase 4.87%
University's total OPEB liability	$ 1,228,757	$ 1,090,495	$ 978,575

The total OPEB liability of the University has been calculated using health care cost trend rates of 6.00 percent gradually decreasing to an ultimate rate of 4.1 percent. The following presents the total OPEB liability using health care cost trend rates 1 percent higher and 1 percent lower than the current health care cost trend rates.

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's total OPEB liability	$ 999,876	$ 1,090,495	$ 1,199,968

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

For the year ended June 30, 2018, the University recognized OPEB expense of $79,814. At June 30, 2018, the University reported deferred inflows of resources related to OPEB from the following source:

Changes of assumptions	$ (32,040)

Amounts reported as deferred inflows of resources at June 30, 2018, related to OPEB, will be recognized in OPEB expense as follows:

2019	$ (4,983)
2020	(4,983)
2021	(4,983)
2022	(4,983)
2023	(4,983)
Thereafter	(7,125)
	$ (32,040)

GASB 45 Disclosures (2017)

Funding Policy

The University pays for its portion of the medical insurance premiums on a pay-as-you-go basis. No assets are accumulated in a trust 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 No. 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 year, the amount actually contributed to the plan and changes in the University's net OPEB obligation to the plan:

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

The University's annual OPEB cost, employer contributions, the percentage of expected annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 were 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 health care 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 multiyear 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 4.40 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's 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 2018 saw the completion of $4.8 million State of Missouri House Bill 19 Capital Appropriation projects for the University. The capital appropriation from the State of Missouri allowed the University to replace Network Infrastructure, upgrade HVAC systems and repair and renovate multiple buildings across campus. In Fiscal Year 2018, renovation to the flooring, painting, remodeling of bathrooms and entryways, replacing HVAC systems, installation of new network wiring and a partial roof replacement rounded out the HB19 projects.

Fiscal Year 2018 also saw several renovations for the Athletic Department. The major project for the year saw the replacement of all the existing bleachers in the Looney Complex Gym, refreshing the gym floor, painting of the arena and remodeling of the Athletic Offices in Looney Complex for a total of $594,000. This project was completely funded through a generous donation from a loyal fan and donor of the University.

Other Athletic projects completed in Fiscal Year 2018 includes an addition to the Griffon Indoor Sports Complex of an indoor sand jump pit for the Track and Field teams, as well as the construction of a discus cage, javelin area and a high jump pit at a total construction cost of $74,000.

Other projects completed in Fiscal Year 2018 included the addition of a patio to the Baker Fitness Center, remodeling of a student lounge in Blum Union and various replacements of HVAC chillers, boilers and compressors.

Fiscal Year 2017 saw the completion of Spratt Football Stadium that will be used by the Football and Soccer teams, as well as for the spring commencement, at a total cost of $8.0 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 Football Stadium project, the Spratt Stadium Video Scoreboard was constructed at a total cost of $3.1 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 Fiscal Year 2017. 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 City of St. Joseph is contributing to cover part of the operating expenses for the renovation of the pool.

Construction in Progress

The University began renovations to the Craig School of Business in Popplewell Hall. The project encompasses new flooring, paint and furniture in the faculty offices and suites and the remodeling of one of the labs into an additional administrative office and meeting room for the department. A total of $34,510 for this project is in CIP and is being funded by the Steven Craig Endowment.

CIP also includes a total of $341,870 for the Potter Hall renovation architect fees. A total of $300,000 was funded equally by the State of Missouri and the MWSU Foundation.

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 years 2018 and 2017 are presented below.

Auxiliary System Condensed Statements of Net Position
As of June 30, 2018 and 2017

	2018	2017
Assets		
Current assets	$ 2,597,372	$ 2,601,508
Noncurrent assets	3,799,120	5,030,834
Capital assets, net	58,939,521	59,660,244
Deferred outflows of resources	1,066,779	1,141,641
Total assets	66,402,792	68,434,227
Liabilities		
Current liabilities	4,253,699	3,369,422
Long-term liabilities	45,747,858	47,423,526
Total liabilities	50,001,557	50,792,948
Net Position		
Invested in capital assets	11,763,908	11,250,970
Unrestricted	3,877,327	6,090,309
Restricted	760,000	300,000
Total net position	$ 16,401,235	$ 17,641,279

Auxiliary System Condensed Statements of Revenues, Expenses and Changes in Net Position Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenues	$ 9,377,193	$ 9,392,563
Depreciation Expense	(2,072,099)	(2,775,832)
Other Operating Expenses	(9,202,479)	(9,487,511)
Operating Loss	(1,897,385)	(2,870,780)
Nonoperating Revenues (Expenses)		
Interest expense	(1,997,925)	(2,040,688)
Other nonoperating revenues	1,950,569	2,357,591
Income (Loss) before Capital Revenues	(47,356)	316,903
Capital Revenues	704,697	2,427,695
Decrease in Net Position	(1,240,044)	(126,182)
Net Position, Beginning of Year	17,641,279	17,767,461
Net Position, End of Year	$ 16,401,235	$ 17,641,279

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

Investments and Investment Return

Investments include marketable equity securities, debt securities, hedge funds, money market funds and CDs. Investment specific money market funds and CDs are reported at cost, which approximates fair value. Investments in marketable equity securities, debt securities and hedge funds 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:

	2018	2017
Money market funds	$ 1,152,260	$ 1,155,851
Common stock and equity mutual funds	21,920,358	19,765,125
U.S. Government obligations	17,786,422	16,773,522
Hedge funds	805,888	858,287
Total	$ 41,664,928	$ 38,552,785

Investment returns for the years ended June 30, 2018 and 2017 consist of the following:

	2018	2017
Investment income	$ 959,874	$ 917,685
Net realized gains	1,970,626	733,215
Net unrealized gains (losses)	(185,408)	1,795,178
Total investment return	$ 2,745,092	$ 3,446,078
Total investment fees	$ 133,064	$ 115,645

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.

Investments

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 as Level 1 or 2 of the valuation hierarchy, dependent upon the liquidity of their respective markets.

Beneficial Interest in Perpetual Trusts

The fair value for beneficial interest 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.

Assets Measured on a Recurring Basis

The fair values of other assets and liabilities measured on a recurring basis, as of June 30, 2018 and 2017, are as follows:

		2018 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				
Foreign	$ 4,827,478	$ 4,827,478	$ -	$ -
Energy minerals	1,183,756	1,183,756	-	-
Technology services	1,092,385	1,092,385	-	-
Finance	1,815,410	1,815,410	-	-
Electronic technology	2,148,566	2,148,566	-	-
Consumer	2,433,407	2,433,407	-	-
Health technology	668,168	668,168	-	-
Health care	834,942	834,942	-	-
Domestic equity	675,585	675,585	-	-
Utilities	202,009	202,009	-	-
Telecommunications	173,519	173,519	-	-
Industrials	495,470	495,470	-	-
Materials	300,859	300,859	-	-
All other common stocks	1,286,566	1,286,566	-	-
Equity mutual funds	3,782,238	3,782,238	-	-
U.S. Government obligations and mutual funds:				
U.S. Government issues	152,401	-	152,401	-
Corporate issues	8,084,489	2,203,637	5,880,852	-
Foreign issues	-	-	-	-
Taxable municipal issues	1,883,233	-	1,883,233	-
Fixed income mutual funds	7,666,299	7,666,299	-	-
Hedge funds	805,888	805,888	-	-
Beneficial interest in perpetual trusts	5,487,410	-	-	5,487,410
	$ 46,000,078	$ 32,596,182	$ 7,916,486	$ 5,487,410

	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				
Foreign	$ 3,882,375	$ 3,882,375	$ -	$ -
Energy minerals	731,226	731,226	-	-
Technology services	967,055	967,055	-	-
Finance	2,338,349	2,338,349	-	-
Electronic technology	1,614,934	1,614,934	-	-
Consumer	1,821,070	1,821,070	-	-
Health technology	568,171	568,171	-	-
Health care	1,349,692	1,349,692	-	-
Domestic equity	1,204,165	1,204,165	-	-
Utilities	153,516	153,516	-	-
Telecommunications	326,647	326,647	-	-
Industrials	696,041	696,041	-	-
Materials	599,858	599,858	-	-
All other common stocks	1,548,528	1,548,528	-	-
Equity mutual funds	1,963,498	1,963,498	-	-
U.S. Government obligations and mutual funds:				
U.S. Government issues	305,842	-	305,842	-
Corporate issues	7,544,382	2,194,789	5,349,593	-
Foreign issues	22,919	22,919	-	-
High Yield Bond Funds	59,214	59,214	-	-
Taxable municipal issues	1,928,649	-	1,928,649	-
Fixed income mutual funds	6,912,516	6,912,516	-	-
Hedge funds	858,287	858,287	-	-
Beneficial interest in perpetual trusts	5,516,962	-	-	5,516,962
	$ 42,913,896	$ 29,812,850	$ 7,584,084	$ 5,516,962

The following is a reconciliation of the beginning and ending balance of assets, measured at fair value on a recurring basis using significant unobservable (Level 3) input during the years ended June 30, 2018 and 2017.

	Beneficial Interest in Perpetual Trusts
Balance, June 30, 2016	$ 5,238,353
Change in fair market value	278,609
Balance, June 30, 2017	5,516,962
Change in fair market value	(29,552)
Balance, June 30, 2018	$ 5,487,410

Cash Surrender Value of Life Insurance

Various contributions are received specifically 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 donor intent. Any proceeds from these policies are restricted for use on physical plant maintenance and major capital improvements.

Pledges Receivable

Pledges receivable are generally due within one to ten years and are stated at the pledged amount. The carrying amount of pledges receivable is reduced by the amount of a discount related to those pledges that are to be collected over a period longer than one year. Management has also established a valuation allowance that reflects management's best estimate of amounts that will not be collected, based on management's assessment of the collectability of specific donors' pledges and the aging of pledges receivable. All such 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:

	2018	2017
Total pledges receivable	$ 2,869,290	$ 3,779,015
Less allowance for uncollectible pledges	13,191	64,592
Less unamortized discount	189,562	204,752
Net pledges receivable	2,666,537	3,509,671
Less pledges receivable, current portion	1,829,279	2,023,276
Net pledges receivable, long-term	$ 837,258	$ 1,486,395
Amount due in		
Less than one year	$ 1,842,470	$ 2,087,868
One to five years	660,078	1,276,760
Six to ten years	66,984	414,387
Thereafter	299,758	-
	$ 2,869,290	$ 3,779,015

Imputed discount rates of 2.73 percent and 2.98 percent were used in discounting long-term pledges receivable for 2018. Imputed discount rates of 1.89 percent and 2.84 percent 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 Income

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.

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.

During 2012, the Foundation purchased 45 Class A Units in a partnership that is carried at cost, defined as the lower of cost or fair market value. The carrying value of this equity interest totals $450,000.

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.

These equity investments are reviewed for impairment on an annual basis. Management does not believe there is any impairment at June 30, 2018.

Net Assets

Financial statement presentation follows the recommendations of Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Associations*. Under ASC 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: Unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

<u>Unrestricted</u>

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

<u>Temporarily Restricted</u>

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.

<u>Permanently Restricted</u>

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:

	2018	2017
Scholarships	$ 8,304,917	$ 7,846,515
Programmatic and departmental support	8,514,667	7,890,175
Special programs	903,830	912,508
Total	$ 17,723,414	$ 16,649,198

Permanently restricted net assets are available for the following purposes:

	2018	2017
Scholarships	$ 18,606,674	$ 17,770,346
Academic departments	8,110,620	8,105,041
Other	1,338,488	1,327,144
Total	$ 28,055,782	$ 27,202,531

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 179 funds established to support a variety of scholarships, programs and departments at the 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 Missouri's enactment of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. 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 5 percent of the endowment fund's average balance using a five-year rolling average for program purposes. The Foundation policy also appropriates a 1.5 percent administrative fee based on the fiscal 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, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 8,212,851	$ 21,837,170	$ 30,050,021
Quasi-Endowment Funds	-	2,213,992	-	2,213,992
Unrestricted Endowment Funds	1,991,391	-	-	1,991,391
Total endowment funds	$ 1,991,391	$ 10,426,843	$ 21,837,170	$ 34,255,404

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,749,647	$ 9,883,031	$ 20,799,244	$ 32,431,922
Investment return:				
Investment income	104,771	658,188	-	762,959
Net appreciation	-	1,774,545	11,334	1,785,879
Contributions	136,973	4,365	817,182	958,520
Transfers to investments	-	(89,087)	209,410	120,323
Appropriation of endowment assets for expenditure	-	(1,804,199)	-	(1,804,199)
Endowment net assets, end of year	$ 1,991,391	$ 10,426,843	$ 21,837,170	$ 34,255,404

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ -	$ 7,532,166	$ 20,799,244	$ 28,331,410
Quasi-Endowment Funds	-	2,350,865	-	2,350,865
Unrestricted Endowment Funds	1,749,647	-	-	1,749,647
Total endowment funds	$ 1,749,647	$ 9,883,031	$ 20,799,244	$ 32,431,922

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 1,404,519	$ 8,462,417	$ 20,273,206	$ 30,140,142
Investment return:				
Investment income	214,329	543,815	-	758,144
Net appreciation	-	2,438,896	16,417	2,455,313
Contributions	130,799	15,410	151,715	297,924
Transfers to investments	-	59,192	357,906	417,098
Appropriation of endowment assets for expenditure	-	(1,636,699)	-	(1,636,699)
Endowment net assets, end of year	$ 1,749,647	$ 9,883,031	$ 20,799,244	$ 32,431,922

Note 11: Related Party

In 2018, 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, 2018 and 2017, the Foundation paid the University $366,770 and $292,400, 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, 2018 and 2017, respectively, was $613,545 and $407,546.

Note 12: Subsequent Events

On August 23, 2018, the University Board of Governors voted to refund $3,765,000 of the outstanding 2008 Auxiliary Revenue bonds. The Auxiliary System Refunding Revenue Bonds Series 2018 mature on October 1, 2029, with an interest rate of 3.53 percent.

Required Supplementary Information

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

Required Supplementary Information
June 30 2018

Schedule of Changes in Total OPEB Liability and Related Ratios (in 1,000s)

		2018
Total OPEB Liability		
Service cost	$	45
Interest on total OPEB liability		40
Changes in assumptions or other inputs		(37)
Benefit payments		(57)
Net Change in Total OPEB Liability		(9)
Total OPEB Liability - Beginning		1,099
Total OPEB Liability - Ending	$	1,090
Covered-Employee Payroll	$	29,861
Total OPEB Liability as a Percentage of Covered Employee Payroll		3.65%

Notes to Schedule:

Benefit Changes: In 2018 all retirees that reached age 65 were no longer allowed to participate in the University's health insurance coverage.

Changes of Assumptions: There were not any changes in assumptions for 2018.

This schedule is ultimately required to show information for ten years. Only the data for years currently available is displayed. The information presented is as of the measurement date.

Missouri Western State University
A Component Unit of the State of Missouri
Required Supplementary Information
June 30 2018

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

	June 30, 2016*	June 30, 2017*	June 30, 2018*
University's proportion of the net pension liability	1.0705%	1.0627%	1.0670%
University's proportionate share of the net pension liability	$ 34,372,019	$ 49,332,703	$ 55,559,507
University's covered payroll	20,721,169	20,582,090	21,025,496
University's proportionate share of the net pension liability as a percentage of its covered payroll	165.88%	239.69%	265.25%
Plan fiduciary net position as a percentage of the total pension liability	72.62%	63.60%	60.41%

*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.

Schedule of University Contributions
Missouri State Employees' Retirement System

	June 30, 2016*	June 30, 2017*	June 30, 2018*
Required contribution	$ 3,458,038	$ 3,560,832	$ 3,957,427
Contributions in relation to the required contribution	3,458,038	3,560,832	3,957,427
Contribution deficiency (excess)	-	-	-
University's covered payroll	20,582,090	20,582,090	21,025,496
Contributions as percentage of covered payroll	16.80%	17.30%	18.82%

*Figures are based on the University's fiscal year end. 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, 2018

Federal Grantor/Program Title	Federal Agency/ Pass-Through Entity	CFDA Number	Federal Expenditures
Student Financial Aid Cluster:			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grant	U.S. Department of Education	84.007	$ 137,707
Federal Work-Study Program	U.S. Department of Education	84.033	373,617
Federal Pell Grant	U.S. Department of Education	84.063	8,588,056
Federal Direct Loans	U.S. Department of Education	84.268	16,068,483
Total student financial aid cluster			25,167,863
Non-Student Financial Aid Cluster:			
U.S Department of Education			
Carl Perkins	U.S. Department of Education	84.048	8,340
Supporting Effective Educator Development Grant Program		84.367D	7,781
Total U.S. Department of Education			16,121
National Science Foundation			
Collaborative Research: RUI: Broadening the Application of Programmed Evolution for Metabolic Engineering	National Science Foundation	47.074	136,074
CAREER: Validating and applying a new class of drift diffusion models for investigating individual differences in executive control	National Science Foundation	47.075	103,388
Collaborative: RUI: IRES: Birds, Beans, and Bugs-Modeling a Warming Climate's Effect on the Natural Enemies Hypotheses	National Science Foundation		10,508
Total National Science Foundation			249,970
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	73,668
Total U.S. Department of Housing and Urban Development			73,668
U.S. Department of Labor			
WIA/WIOA Adult Program	U.S. Department of Labor	17.258	35,652
Total WIOA cluster			35,652
Trade Adjustment Assistance	U.S. Department of Labor	17.245	15,770
Total U.S. Department of Labor			51,422
Total Non-Student Financial Aid Cluster			391,181
Total Schedule of Expenditures of Federal Awards			$ 25,559,044

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, 2018

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, 2018. 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.

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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*

Independent Auditor's Report

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, 2018, 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 30, 2018, which contained emphasis of matter paragraphs for a change in accounting principle and a change in accounting estimate. 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

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 30, 2018

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Report on Compliance for the 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 the 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, 2018. The University's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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, 2018.

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 30, 2018

Missouri Western State University
A Component Unit of the State of Missouri
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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 the major federal award was:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

7. The University's major program was:

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 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, 2018

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, 2018

Reference Number	Summary of Finding	Status
	No matters are reportable.	

Information Required for Bonds

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

Revenue and Expenditures Schedule
Year Ended June 30, 2018

	2018
Revenue	
Bookstore commissions	$ 224,477
Student fees	1,609,212
Residence halls	6,239,095
Campus dining services	4,048,010
Federal interest rebate	325,951
Athletic football ticket sales	32,619
Total revenue	12,479,364
Expenditures	
Residence halls	2,748,694
Campus dining services	3,505,373
Recreational facilities	220,843
Spratt Football Stadium	869
Student Union	433,737
Total expenditures	6,909,516
Excess of Revenues over Expenditures before Debt Service	5,569,848
Add capital improvements	461,518
Net Available for Debt Service	$ 6,031,366
Debt Service for Fiscal Year	3,575,433
Coverage	1.69

Missouri Western State University
A Component Unit of the State of Missouri
Changes in Reserve Fund Balances
Auxiliary System Bonds
Years Ended June 30, 2018 and 2017

	Debt Reserve	Repair and Replacement Reserve
Balance, June 30, 2017	$ 460,000	$ 300,000
Transfer to auxiliary fund	-	-
Balance, June 30, 2018	$ 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, 2018

	Amount of Coverage	
	Building	Contents
Blanket building coverage – no coinsurance	$ 264,184	$ -
Blanket contents coverage – no coinsurance	-	90,308,905
Residential complex (included in blanket figures)		
Nelle Blum Student Union	15,259,160	1,460,520
Beshears Hall	7,323,969	509,145
Juda Hall	7,338,668	504,104
Logan Hall	7,338,668	504,104
Leaverton Hall	9,011,950	707,223
Vaselakos Hall	9,030,037	700,221
Fitness Center	12,597,575	290,739
Scanlon Hall	15,265,233	541,802
Commons Building	1,835,381	273,644
Griffon Hall	12,847,739	638,111
Spratt Football Stadium	11,964,000	126,000
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, 2018 and 2017

Student information is as follows:

	Head Count		Full Time Equivalent Students	
	FY18	FY17	FY18	FY17
Summer	1266	1239	839	786
Fall	5562	5388	4,077	3,992
Spring	4497	4418	3,421	3,376

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

	Rooms Available		Rooms Occupied		Occupancy Rate	
	FY18	FY17	FY18	FY17	FY18	FY17
Summer	1,257	1,336	134	101	10.66%	7.56%
Fall	1,257	1,336	1,151	1,131	91.57%	84.66%
Spring	1,257	1,336	1,006	946	80.03%	70.81%

Room charges for the fiscal years ended June 30, 2018 and 2017 are as follows:

2018	Summer	Spring	Fall
Scanlon Hall		$ 2,322	$ 2,322
Apartment complex room charges		2,609	2,609
Suite complex room charges	850	2,322	2,322
Griffon Hall		3,421	3,421
Board charges	-	(*)	(*)

2017	Summer	Spring	Fall
Scanlon Hall		$ 2,254	$ 2,254
Apartment complex room charges		2,533	2,533
Suite complex room charges	850	2,254	2,254
Griffon Hall		3,338	3,338
Board charges	-	(**)	(**)

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

	FY18	FY17
Summer	$ 15	$ 15
Spring and fall	41	41

* 2018 Room and board charges are per semester, $1,729 for the full week meal plan, $1,657 for the 15-meal plan and $1,644 for the 10-meal plan.

** 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.