

NOTICE OF MEETING
Board of Governors, Truman State University
Friday, October 12, 2018

The Board of Governors for Truman State University will hold a meeting on Friday, October 12, 2018, beginning at 1:00 p.m. The meeting will be held in the Conference Room (3000) of the Student Union Building located on the University campus in Kirksville, Missouri. The public is invited to attend.

The tentative agenda for the meeting is attached to this notice. Items L through O on the attached agenda are eligible for consideration in closed session under the provisions of Section 610.010 through 610.030 of the Revised Statutes of Missouri, commonly known as the Open Meetings Law. During the open session of the meeting, the Board of Governors will select the items of business to be conducted in closed session and will state its reasons for considering such items in closed session.

Persons with disabilities who may need assistance for the meeting should contact the President's Office at Truman State University (200 McClain Hall or by telephone 660-785-4100).

Dated this 5th day of October, 2018.

A handwritten signature in black ink, reading "Susan L. Thomas". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Susan L. Thomas, Ph.D.
President of the University

TENTATIVE AGENDA
Board of Governors, Truman State University
Friday, October 12, 2018

Tuesday, October 2, 2018

12:00 noon Board of Governors Presidential Evaluation Committee Conference Call Meeting,
President's Office, McClain Hall 200
(Governors Crandall, Burkemper, LaBeth, McClaskey, Cozette and Susan Plassmeyer)

Monday, October 8, 2018

12:30 p.m. Board of Governors Academic and Student Affairs Committee Conference Call Meeting,
President's Office, McClain Hall 200
(Governors Crandall, Bonner, Middlemas and Cozette)

4:00 p.m. Board of Governors Finance and Auditing Committee Conference Call Meeting,
President's Office, McClain Hall 200
(Governors Burkemper, Dameron, McClaskey and Cozette)

Wednesday, October 10, 2018

11:00 a.m. Board of Governors Budget and Capital Projects Committee Conference Call Meeting,
President's Office, McClain Hall 200
(Governors LaBeth, Miller, O'Donnell and Cozette)

Friday, October 12, 2018

7:30 a.m. Joint Board Breakfast for Foundation Board of Directors, Alumni Board and Volunteers,
Hub, Student Union Building
(Governors Cozette, Crandall, LaBeth and McClaskey)

8:15 a.m. Foundation Board of Directors Meeting, Conference Room, Student Union Building
(Governors Cozette, Crandall, LaBeth and McClaskey)

12:00 noon Joint Boards Luncheon for Board of Governors, Foundation Board of Directors, Alumni
Board and Volunteers, Activities Room, Student Union Building

1:00 p.m. Open Session of Board of Governors Meeting, Conference Room, Student Union
Building

ITEM A Call to Order and Chair Report
ITEM A.1 Comments Report
ITEM B Minutes for Open Session of Meeting on August 4, 2018
ITEM C Resolution of Appreciation - Carter Brooks Templeton
ITEM D President's Report
ITEM E Advancement/Foundation Board Report
ITEM F Finance and Auditing Committee Report
ITEM F.1 Audit Report
ITEM F.2 Enrollment Management Update
ITEM F.3 Financial Report
ITEM G Academic and Student Affairs Committee Report
ITEM H Budget and Capital Projects Committee Report
ITEM H.1 Construction Projects Report

- ITEM H.2 Contracts for Construction Projects and Equipment Purchases Report
- ITEM H.3 Architectural Services – Greenwood Center Windows/Recreation Center Improvements Project
- ITEM I Agenda Items for Future Meetings
- ITEM J Dates for Future Meetings
- ITEM K Agenda Items for Closed Session
- Closed Session of Board of Governors Meeting
- ITEM L Minutes for Closed Session of Meeting on August 4, 2018
- ITEM M Personnel Actions Report
- ITEM M.1 Conclusion of Annual Presidential Review
- ITEM N General Counsel Report
- ITEM O Real Estate
- ITEM O.1 Motion to Adjourn

5:00 p.m. Banquet Reception, Hub, Student Union Building

6:00 p.m. Bulldog Forever Celebration Banquet featuring Homecoming Honorees and Golden Alumni Diploma Ceremony, Georgian Room, Student Union Building

Saturday, October 13, 2018

8:00 a.m. 5K Run/Walk (registration at 7:00 a.m.), Barnett Hall

8:00 a.m. Boards and Special Guests Breakfast, President's Office, McClain Hall 200

8:45 a.m. Board of Governors and Homecoming Honorees transported to Homecoming Parade from President's Office, McClain Hall 200

9:00 a.m. Homecoming Parade

10:30 a.m. Roger J. Johnson Patio Ribbon Cutting, University Mall

11:00 a.m. Bulldog Forever Homecoming Tailgate, Parking Lots at SW Corner of Franklin and Patterson Streets

11:30 a.m. Golden Alumni Class Reunion/Class of 1968 and Prior Classes, Georgian Rooms, Student Union Building

1:00 p.m. Pep Rally/Crowning of Royalty, Parking Lots at SW Corner of Franklin and Patterson Streets

1:30 p.m. Pre-Game Activities, Stokes Stadium

2:00 p.m. Bulldog Football vs. Lincoln University, Stokes Stadium

ITEM A

Call to Order and Chair Report

DESCRIPTION AND BACKGROUND

Governor Cheryl J. Cozette, Chair of the Board, will call the meeting to order, recognize Board members participating by phone or absent, and provide a Chair Report as needed.

RECOMMENDED ACTION

This is a discussion item only.

ITEM A.1
Comments Report

DESCRIPTION AND BACKGROUND

The President of the University, Susan L. Thomas, has received a request from David E. Schutter, Head Wrestling Coach and Instructor in Exercise Science, and representatives of the Wrestling Program to make brief comments at the meeting. Comments will be limited to five minutes.

RECOMMENDED ACTION

This is a discussion item only.

ITEM B

Minutes for Open Session of Meeting on August 4, 2018

RECOMMENDED ACTION

BE IT RESOLVED that the minutes for the open session of the meeting on August 4, 2018, be approved.

Moved by _____
Seconded by _____
Vote: Aye _____
Nay _____

ATTACHMENTS

Minutes for Open Session of Meeting on August 4, 2018

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OPEN SESSION
OF MEETING ON
AUGUST 4, 2018

The Board of Governors for Truman State University met on Saturday, August 4, 2018, on the University campus in Kirksville, Missouri. The meeting was held in the Conference Room of the Student Union Building. The open session of the meeting was called to order shortly after 1:00 p.m. by the Vice Chair of the Board of Governors, Laura A. Crandall.

Participating in the meeting were five of the seven voting members: Sarah Burkemper, Laura A. Crandall, Jennifer Kopp Dameron, K. Brooks Miller and Jim O'Donnell. Cheryl J. Cozette and Mike LaBeth were unable to participate due to previous commitments. Their absences were recorded as excused.

Also participating in the meeting were two of the three non-voting members: Mike McClaskey, one of two out-of-state members, and Tiffany Middlemas, student representative. David Lee Bonner, the other out-of-state member was unable to participate due to a previous commitment. His absence was recorded as excused.

On July 23, 2018, Governor Michael L. Parson appointed Tiffany Middlemas to replace Carter Brooks Templeton as the student representative of the Truman State University Board of Governors for a term ending January 1, 2020. The appointment of Ms. Middlemas was confirmed by the Missouri Senate on September 14, 2018.

Call to Order and Vice Chair Report

Laura A. Crandall, Vice Chair of the Board, called the meeting to order shortly after 1:00 p.m. and welcomed all in attendance.

Welcome to New Board Member – Tiffany Middlemas

Laura A. Crandall welcomed Tiffany Middlemas, the newly appointed Student Representative to the Truman State University Board of Governors.

Minutes for Open Sessions of Meetings on June 16, 2018 and July 9, 2018

Sarah Burkemper moved the adoption of the following resolution:

BE IT RESOLVED that the minutes for the open sessions of the meetings on June 16, 2018, and July 9, 2018, be approved.

The motion was seconded by Jennifer Kopp Dameron and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted.

President's Report

Dr. Susan L. Thomas, University President, provided a report on several items of current interest. Dr. Thomas shared a selected engagements report detailing her activities since her last report. She provided a budget and legislative report and highlighted her participation in a Coordinating Board for Higher Education (CBHE) Talent for Tomorrow podcast on the topic of liberal arts. President Thomas noted that Dr. Ernie Hughes will assume the position of Vice President for University Advancement on August 13, and she provided an update on the search for a director of marketing. Dr. Thomas concluded her report by highlighting three community events which had a connection to Truman. First, the Missouri Mission of Mercy (MOMOM) free dental clinic took place in Pershing Arena on August 3-4. Each year, the Missouri Dental Association Foundation holds a free dental clinic in a different city throughout the state. The dental clinic provides free oral health care to

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patients ages five and older who cannot otherwise obtain care. Second, the Kirksville Police Department recently recognized three Truman students (Gabriel Gowen, Jordan Lambay and Tyler Preston) as good Samaritans. On June 29, the three students intervened in a domestic dispute where a woman was being assaulted with an ax. And, finally, the Kirksville Police Department also recently recognized Rocky Merritt, a Truman Police Officer, for his actions that saved three students and a dog from a house fire.

Annual Athletics Report

Jerry Wollmering, Director of Athletics, provided the annual report on athletics.

Enrollment Management Update

Regina Morin, Vice President for Enrollment Management, provided an Enrollment Management update.

Advancement Report

Charles Hunsaker, Interim Director for University Advancement, provided an Advancement Report including a report on the successful conclusion of the Pursue the Future Campaign.

Finance and Auditing Committee Report

Sarah Burkemper, Chair of the Finance and Auditing Committee, provided a report on the committee meeting held on the morning of August 4.

Financial Report

Sarah Burkemper provided a review as of June 30, 2018, of education and general revenues and expenditures and auxiliary systems revenues and expenditures and a review as of June 30, 2018, of the Truman State University Foundation revenues and expenditures.

Academic and Student Affairs Committee Report

Laura A. Crandall, Chair of the Academic and Student Affairs Committee, provided a report on the committee meeting held on the morning of August 4.

Resolution amending Chapter 8, Section 8.110.5, of the Code of Policies of the Board of Governors pertaining to Alcohol and other Drug Amnesty

Jennifer Kopp Dameron moved the adoption of the following resolution:

BE IT RESOLVED that Section 8.110.5 of the Code of Policies of the Board of Governors of Truman State University titled **Responsible Action Policy** be amended by the addition of a new Section **8.110.5.1** titled ***Alcohol and Other Drug Amnesty***, the text of which is shown below in ***bold italics***. In all other respects, Section 8.110.5 remains unchanged and in effect.

8.110.5. Responsible Action Policy. The welfare of our students is of the highest importance to Truman State University. There will be times when individual students, both on and off campus, may have knowledge of a situation that may present a significant threat to the health and welfare of themselves or others. Truman wants to eliminate any hesitation that students or student organizations might have in

obtaining help due to concern that their own behavior might be a violation of University policy.

The University will take into consideration the positive impact of reporting an incident on the welfare of students when determining the appropriate response for policy violations by the reporter of the incident. Any possible negative consequence for the reporter of the problem will be evaluated against the positive consequences of the intervention for the student in need. Responsible citizens recognize and accept the duty to make ethical and moral decisions about the health and safety of themselves or others even when to do so might result in personal inconvenience. At a minimum, Truman hopes that a student or student organization would make an anonymous report that would put the student in need in touch with professional helpers. If charged and found responsible for a violation of the Code, sanctions imposed, if any, will be less severe when students or student organizations appropriately report dangerous circumstances than if students or student organizations fail to report.

8.110.5.1 Alcohol and other Drug Amnesty

If a person needs emergency medical attention, particularly resulting from the use of alcohol or other drugs, it is critical that students take responsible action by calling an ambulance or other appropriate emergency response personnel (ambulance, police, fire, etc.) to gain that assistance. Responsible action includes:

- a. CALL for help. In medical emergencies, immediate action should be taken by calling 9-1-1 either off campus or on campus.***
- b. STAY with the person until help arrives and you have been told your assistance is no longer needed.***
- c. COOPERATE with responding staff or emergency personnel, including all requests for information and assistance.***

Students/student organizations who take such responsible action by seeking emergency medical attention, or for whom such action is taken, will not be subject to the Student Conduct process for charges related to alcohol or drug use, nor will the incident become part of the student's conduct record. However, all students [including the student(s) needing assistance and reporter(s)] may be required to complete educational measures and pay nominal, if any, costs associated with those measures. Students and student organizations who do not take responsible action will be subject to the full extent of the Conduct Code.

Students requiring medical assistance, and student organizations hosting events where medical attention is sought will be limited to one application of medical amnesty. Individuals who engage in responsible action (call, stay, cooperate) will not be limited in the number of applications of medical amnesty where they serve as the person calling for help.

The application of medical amnesty does not preclude the university from pursuing charges against a student or student organization for allegations of code violations other than drug or alcohol policies. Possession with intent to deliver is not covered under medical amnesty.

Additional information and illustrative examples are available on the OCCS website.

8.110.5.2 Amnesty for Victims of Violent Crimes

The University provides amnesty to students who have experienced violent crimes and who may be hesitant to file a complaint because they fear that they themselves may be accused of minor policy violations, such as underage drinking, at the time of the incident. Educational options may be explored, but no conduct proceedings against the complainant or conduct record will result.

The motion was seconded by Sarah Burkemper and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted.

Budget and Capital Projects Committee Report

Jim O'Donnell, a member of the Budget and Capital Projects Committee, provided a report on the committee meeting held on the morning of August 4.

Construction Projects Report

Jim O'Donnell provided an update on construction projects which have been approved by the Board at previous meetings.

Contracts for Construction Projects and Equipment Purchases Report

Jim O'Donnell noted that no construction projects or equipment purchases totaling \$25,000 to \$100,000 had been approved since the last meeting of the Board.

Construction Project – Student Union Building Food Service Project

Sarah Burkemper moved the adoption of the following resolution:

BE IT RESOLVED that the President of the University, or her designee, be authorized to enter into a contract with Sodexo Operations, LLC for a renovation

project in the Student Union Building to create an Einstein Bros Bagels at a cost not to exceed \$337,000; and

BE IT FURTHER RESOLVED that a copy of the description of the project, as reviewed at the meeting, be attached to the minutes as an exhibit.

The motion was seconded by Jennifer Kopp Dameron and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted and the Secretary designated a copy of the document as Exhibit A.

Engineering Services – Chiller Replacement Project

Sarah Burkemper moved the adoption of the following resolution:

BE IT RESOLVED that the proposal from Ross & Baruzzini to provide engineering services for the Chiller Replacement Project, with the fees and work for such services to be within the guidelines of the proposal, be approved; and

BE IT FURTHER RESOLVED that the President of the University, or her designee, be authorized to execute a contract with the firm for the project; and

BE IT FURTHER RESOLVED that a copy of the proposal be attached to and made a part of the minutes for this meeting.

The motion was seconded by Laura A. Crandall and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted and the Secretary designated a copy of the document as Exhibit B.

Architectural Services – Roofing and Masonry Project

Laura A. Crandall moved the adoption of the following resolution:

BE IT RESOLVED that the proposal from Wm. B. Ittner to provide architectural services for the Roofing and Masonry Project, with the fees and work for such services to be within the guidelines of the proposal, be approved; and

BE IT FURTHER RESOLVED that the President of the University, or her designee, be authorized to execute a contract with the firm for the project; and

BE IT FURTHER RESOLVED that a copy of the proposal be attached to and made a part of the minutes for this meeting.

The motion was seconded by Jennifer Kopp Dameron and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted and the Secretary designated a copy of the document as Exhibit C.

Architectural Services – Sesquicentennial Plaza/Fountain Project

Sarah Burkemper moved the adoption of the following resolution:

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BE IT RESOLVED that the proposal from Hitchcock and Associates to provide architectural services for the Sesquicentennial Plaza/Fountain Project, with the fees and work for such services to be within the guidelines of the proposal, be approved; and

BE IT FURTHER RESOLVED that the President of the University, or her designee, be authorized to execute a contract with the firm for the project; and

BE IT FURTHER RESOLVED that a copy of the proposal be attached to and made a part of the minutes for this meeting.

The motion was seconded by Laura A. Crandall and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted and the Secretary designated a copy of the document as Exhibit D.

Local Capital Budgets for Fiscal Year 2019

Sarah Burkemper moved the adoption of the following resolution:

BE IT RESOLVED that the "Local State Funds Capital Budget – FY 2019" of \$1,360,000 and the proposed "Auxiliary Funds Capital Budget – FY 2019" of \$5,035,255 be approved and that copies of the budgets be attached to the minutes as exhibits.

The motion was seconded by Jennifer Kopp Dameron and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted and the Secretary designated a copy of the document as Exhibit E.

State Appropriation Request for Fiscal Year 2020

Sarah Burkemper moved the adoption of the following resolution:

BE IT RESOLVED that the State Appropriation Request for Fiscal Year 2020 totaling \$45,485,543 be approved and ratified; and

BE IT FURTHER RESOLVED that a copy of the State Appropriation Request for Fiscal Year 2020, be attached to the minutes as an exhibit and that the President of the University be authorized to modify this request based upon input from the staff of the Coordinating Board for Higher Education, Office of Administration, and the Legislature as appropriate.

The motion was seconded by Jennifer Kopp Dameron and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted and the Secretary designated a copy of the document as Exhibit F.

Agenda Items for Future Meetings

The Board reviewed a list of proposed agenda items for the regular meetings during the next year.

Dates for Future Meetings

Jennifer Kopp Dameron moved the adoption of the following resolution:

BE IT RESOLVED that the next regular meeting of the Board of Governors be scheduled for Friday, October 12, 2018, on the University campus in Kirksville, Missouri, beginning at 1:00 p.m., with the understanding that the Chair may alter the starting time and/or place for the meeting by giving due notice of such change; and

BE IT FURTHER RESOLVED that other regular meetings of the Board during the next year be tentatively scheduled for the following dates:

Saturday, December 1, 2018;
Saturday, February 9, 2019;
Saturday, April 13, 2019;
Saturday, June 15, 2019; and
Saturday, August 3, 2019.

The motion was seconded by Sarah Burkemper and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted.

Agenda Items for Closed Session

Jennifer Kopp Dameron moved the adoption of the following resolution:

BE IT RESOLVED that this meeting be continued in closed session, with closed records and closed votes as permitted by law, for consideration of the following items as authorized by Section 610.021, Revised Statutes of Missouri:

1. Approval of minutes for the closed session of the last meeting under Subsection 14 of the statute for "Records which are protected from disclosure by law";
2. Individual personnel actions under Subsection 3 of the statute for "Hiring, firing, disciplining or promoting of particular employees by a public governmental body when personal information about the employee is discussed or recorded"; and
3. Confidential communications with the General Counsel; and

BE IT FURTHER RESOLVED that if any business not covered by the stated reasons for the closed session is raised during the closed session, then this meeting shall be reopened to the public and an announcement about a resumption of the open session shall be made in the hallway outside of the meeting room.

The motion was seconded by Sarah Burkemper and carried by a unanimous vote of 5 to 0. Laura A. Crandall then declared the motion to be duly adopted.

The closed session of the meeting began shortly after 3:00 p.m.

Jennifer Kopp Dameron
Secretary of the Board of Governors

I hereby certify that the foregoing minutes
were approved by the Board of Governors
on the 12th day of October, 2018.

Cheryl J. Cozette
Chair of the Board of Governors

ITEM C

Resolution of Appreciation – Carter Brooks Templeton

RECOMMENDED ACTION

WHEREAS, the Honorable Carter Brooks Templeton served as Student Representative to the Board of Governors of Truman State University from April 2016 to July 2018, displaying an effective and persuasive voice for the student perspective and providing sound and intelligent advice to the members of the Board and the administration; and

WHEREAS, during his tenure on the Board, Governor Templeton earned the respect and admiration of the Board, administration, faculty, staff and student body for his leadership, dedication, maturity, character, service to others, and engaging personality; and

WHEREAS, Governor Templeton, in participating in Truman’s Missouri Government Internship Program, further demonstrated his abilities and perpetuated the expertise exhibited by Truman students to members of the legislature; and

WHEREAS, Governor Templeton, a Kirksville native and a graduate of Kirksville High School, served as an exemplary representative of Kirksville, demonstrating his passion and dedication to the local community by giving a voice to his fellow community members and ensuring that their interests were considered; and

WHEREAS, the members of the Board have genuinely enjoyed working with such a talented and ambitious member of the student body;

NOW, THEREFORE, BE IT RESOLVED that the Board of Governors of Truman State University hereby expresses its sincere gratitude to the Honorable Carter Brooks Templeton for his distinguished service as Student Representative to the Board of Governors and offers its best wishes to Governor Templeton in all his future endeavors; and

BE IT FURTHER RESOLVED that a copy of this resolution be presented to Governor Templeton as a tangible expression of the Board’s appreciation and felicitation.

Moved by _____
Seconded by _____
Vote: Aye _____
Nay _____

ITEM D
President's Report

DESCRIPTION AND BACKGROUND

Dr. Susan L. Thomas, University President, will provide a report on several items of current interest.

RECOMMENDED ACTION

This is a discussion item only.

ITEM E

Advancement/Foundation Board Report

DESCRIPTION AND BACKGROUND

Dr. Ernie Hughes, Vice President for University Advancement, will provide an update on Advancement/ Foundation Board activities.

RECOMMENDED ACTION

This is a discussion item only.

ITEM F

Finance and Auditing Committee Report

DESCRIPTION AND BACKGROUND

Governor Sarah Burkemper, Chair of the Finance and Auditing Committee, will provide a report on the committee meeting held on October 8.

RECOMMENDED ACTION

This is a discussion item only.

ITEM F.1
Audit Report

DESCRIPTION AND BACKGROUND

Representatives of RubinBrown LLP accounting firm will be present to review a draft of the annual audit of the University.

RECOMMENDED ACTION

This is a discussion item only.

ATTACHMENTS

Auditor Communications
Financial Statements

Truman State University



Presentation of the Results of the Annual Audit



for the year ended
June 30, 2018

Board of Governors, Audit Committee and
Members of Management
Truman State University

We have audited the basic financial statements of Truman State University (the University) for the year ended June 30, 2018. Our audit was performed in accordance with auditing standards generally accepted in the United States of America and 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 and presented in accordance with accounting principles generally accepted in the United States of America. Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. We also evaluated the appropriateness of accounting policies used by the University and the reasonableness of significant accounting estimates made by the University's management, as well as evaluated the overall presentation of the financial statements.

Auditing standards require the auditor to ensure that those charged with corporate governance receive additional information regarding the scope and results of the audit that may assist the governing body in overseeing the financial reporting and disclosure process for which management is responsible. The following section describes matters which are required to be reported to you.

This information is intended solely for the use of the Board of Governors, Audit Committee and management of the University and is not intended to be and should not be used by anyone other than these specified parties.

*

Auditor Communications

AREA	COMMENTS
<p>Auditors' Responsibility Under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and the Uniform Guidance</p> <p>Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with our assistance are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and that the University complied in all material respects with the applicable compliance requirements of its major federal programs. Our audit of the financial statements and compliance does not relieve you or management of responsibility for the accuracy of the financial statements or compliance with applicable compliance requirements.</p> <p>Professional standards also require that we obtain a significant understanding of the University's internal control to plan the audit. However such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Accordingly, we express no such assurance.</p>	<p>We will issue the following:</p> <ul style="list-style-type: none"> ■ An unmodified opinion on the University's financial statements for the year ended June 30, 2018. ■ A report on compliance and on internal control over financial reporting based on an audit of the financial statements in accordance with Government Auditing Standards. <p>It is anticipated the following single audit report will be issued:</p> <ul style="list-style-type: none"> ■ An unmodified opinion on compliance and our report on internal controls over federal financial assistance in accordance with the Uniform Guidance.

Auditor Communications (Continued)

AREA	COMMENTS
<p>Other Information In Documents Containing Audited Financial Statements</p>	<ul style="list-style-type: none"> ■ The 2018 audited financial statements of the University will be included in the financial statements of the State of Missouri. ■ To our knowledge, the 2018 audited financial statements are not included within any other document. ■ Management's discussion and analysis: <ul style="list-style-type: none"> □ We applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America. □ 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 do so.
<p>Planned Scope And Timing Of The Audit</p>	<p>We performed the audit according to the planned scope and timing previously communicated to management and the Audit Committee in our engagement letter dated March 5, 2018 and on June 11, 2018, in our meeting regarding the nature, timing and extent of our audit procedures.</p>

Auditor Communications (Continue d)

AREA	COMMENTS
<p>Qualitative Aspects Of Accounting Practices</p> <p>Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about appropriateness of accounting policies and their application.</p>	<ul style="list-style-type: none"> ■ Significant accounting policies are described in Note 1 to the financial statements. ■ No new accounting policies that had a material or significant impact on the financial statements were adopted and the application of existing policies was not changed. ■ We noted no transactions entered into during the year for which there was a lack of authoritative guidance or consensus. ■ No significant transactions have been recognized in a different period than when the transactions occurred.

Auditor Communications (Continued)

AREA	COMMENTS
<p>Management Judgments And Accounting Estimates</p> <p>The preparation of the financial statements requires the use of accounting estimates. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.</p>	<p>The most notable estimates affecting the financial statements are:</p> <ul style="list-style-type: none"> ■ Depreciable lives used to calculate depreciation of buildings and equipment: Management's estimate of depreciable lives is based on the assets' estimated useful lives. ■ Allowance for uncollectible loans and student accounts receivable: Management has derived an estimated amount of loans and student accounts receivable that will not be collected in the future, utilizing a historical collection percentage. ■ Accrued post-employment benefits: Management estimates the future liability for post-employment benefits based upon a projection of future health insurance costs for eligible retirees participating in the program, discounted to present value. ■ Self-insurance accrual: Management estimates the future liability for incurred but not reported insurance claims. ■ Net pension liability: Estimated based on actuarial information provided by MO SERS <p>We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.</p>

Auditor Communications (Continue d)

AREA	COMMENTS
<p>Financial Statement Disclosures</p> <p>The disclosures are neutral, consistent and clear. Certain disclosures are particularly sensitive because of their significance to the financial statements' users.</p>	<p>The most sensitive disclosures affecting the financial statements are:</p> <ul style="list-style-type: none"> ■ Deposits and investments ■ Long-term liabilities ■ Pension plan - MOSERS
<p>Difficulties Encountered In Performing The Audit</p>	<p>There were no difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Corrected And Uncorrected Misstatements</p>	<p>We accumulated several reclassification entries, which did not have an impact on the change in net assets. Management agreed with us and recorded these entries.</p> <p>During our audit procedures, we did not accumulate any corrected or uncorrected misstatements that impacted the University's change in net position in the current or prior periods.</p>

Auditor Communications (Continued)

AREA	COMMENTS
Disagreements With Management	We are pleased to report that there were no such disagreements that were encountered during the audit.
Management Representations	We will request certain representations from management that are included in a management representation letter. See attached.
Management Consultations With Other Independent Accountants	None
Other Audit Findings Or Issues	There were no matters of significant discussion that affected our retention as the University's auditors.

Observations And Discussion Items

- Perkins Loan Program
 - No loans to new borrowers effective October 1, 2017
 - \$4.4M of contributions by the Federal Government to the University (since inception of the program) will be returned and recognized as an expense in the future, unless current guidance from the Department of Education is revised.
- Moody's 2018 Outlook on the Higher Education Sector (as a whole) downgraded from "Stable" to "Negative"
 - Revenue growth will be outpaced by expense growth, due to potentially rising labor costs and the need to sustain competitive investments in programs, facilities and technology will keep expense growth above general inflationary levels
 - Uncertainty of federal government funding
 - **Financial reserves are providing some stabilization to the outlook**
 - A stable outlook would be supported by aggregate operating revenue growth of at least 3% and above expense growth, coupled with ongoing solid student demand and strong cash and investment levels

Financial Analysis

	June 30,	
	2018	2017
Assets		
Cash	\$ 2,152	\$ 5,165
Student accounts receivable	1,096	1,080
Investments	129,266	120,425
Loans to students, net	4,841	4,785
Capital assets	207,388	214,114
Other assets	2,425	2,828
Total Assets	\$ 347,168	\$ 348,397
Deferred Outflows Of Resources	\$ 30,131	\$ 28,633

OBSERVATIONS

- Investments increased by approximately \$8.8M compared to the prior year. Investments generated a net return of \$3.5M during the current year, and new endowed gifts from donors amounted to approximately \$1.5M.
- Capital assets decreased by \$6.7M compared to the prior year. Scheduled depreciation expense on University fixed assets and the demolition of Fair Apartments exceeded the costs of additions made during FY18, which included the Missouri Hall dining room, Pickler Library fire suppression system, and miscellaneous equipment.
- Deferred outflows of resources increased by \$1.5M, as a result of a shift in actuarial assumptions and differences between the originally forecasted MOSERS pension plan “experience” and the actual results. This amount will be amortized to fringe benefit expense over the course of the next 4 fiscal years by the University.

Financial Analysis (Continued)

	June 30,	
	2018	2017
Liabilities		
Accounts payable and accrued	\$ 9,416	\$ 8,955
Other employee related obligations	1,703	2,078
Unearned revenue	2,369	2,845
Long-term debt	54,239	57,084
Net pension liability	87,257	77,726
Other liabilities	876	812
Total Liabilities	\$ 155,860	\$ 149,500
Deferred Inflows Of Resources	\$ 2,361	\$ 1,953

OBSERVATIONS

- Long-term debt decreased by \$2.8M due to scheduled payments on outstanding bonds and the energy lease project.
- The net pension liability increased by approximately \$9.5M over the prior year. This increase is a result of the MOSERS actuarial calculation of the University share of the unfunded liability of the plan. Given the complexities of this calculation, this actuarial valuation will always occur one fiscal year behind the current period (thus, plan is valued as of 6/30/17 at the end of the current year). Results are primarily due to changes in the ratio of employer contributions, the return on plan assets, and the actuarial differences. The expected return on plan assets was reduced from 7.65% to 7.5% during the current year. The component of this change in the pension liability that relates to actual cash paid by the University is described on page 11 in this document.

Financial Analysis (Continued)

	June 30,	
	2018	2017
Revenues		
Tuition and fees, net	\$ 26,127	\$ 27,001
Grants, contracts and contributions	9,767	8,678
Auxiliary enterprises	23,752	25,668
Investment income	3,543	4,885
Revenues designated for endowment and capital expenditures	3,402	14,471
State appropriation	39,441	40,226
Other revenues	3,073	3,071
Total Revenues	\$ 109,105	\$ 124,000

OBSERVATIONS

- Tuition and fees decreased by \$874K compared to the prior year. A moderate increase in graduate students for the fall semester was offset by a moderate decline in undergraduate students for the year. The discount for institutional aid remained relatively consistent between years, and no changes were noted to the pricing of tuition and related fees.
- Investment income decreased by \$1.3M over the prior year. The interest income earned by the University coupled with the net endowment returns from the Foundation were partially offset by a net unrealized loss on the University's fixed-income portfolio.
- Revenues designated for endowment and capital expenditures decreased by \$11.1M compared to the prior year. The majority of this decrease is attributable to additional funding from the State for the renovation of Baldwin Hall, as well as funding from the University's food-service contractor for renovations to the Student Union Main Street Market, that was received in FY17.

Financial Analysis (Continued)

	June 30,	
	2018	2017
Total Revenues (from previous page)	\$ 109,105	\$ 124,000
Expenses		
Salaries and Wages	44,853	46,138
Benefits	26,106	24,018
Supplies and other services	17,334	17,587
Depreciation	13,719	12,249
Other	13,590	14,977
Total Expenses	115,602	114,969
Change In Net Position	\$ (6,497)	\$ 9,031

OBSERVATIONS

- Benefits expenses increased by \$2.1M compared to the prior year. Included in the benefits expenses of \$26.1M in the current year is the total MOSERS pension expense of \$14.3M, which represents a \$3.1M increase over the prior year.

Cash contributions to the MOSERS plan during the plan measurement year amounted to \$6.0M; thus, approximately \$8.3M of this expense is “non-cash”.

Additionally, health insurance claim costs rose by approximately \$206K in the current year.

- The change in net position represents the total expenses in excess of revenues for the current year. The following nonrecurring and significant non-cash items should be considered when analyzing this amount:
 - Non-cash component of Pension expense: \$ 8.3M

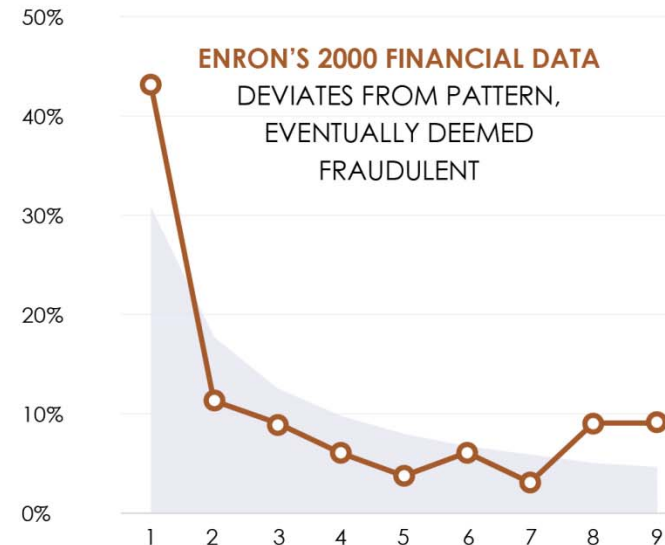
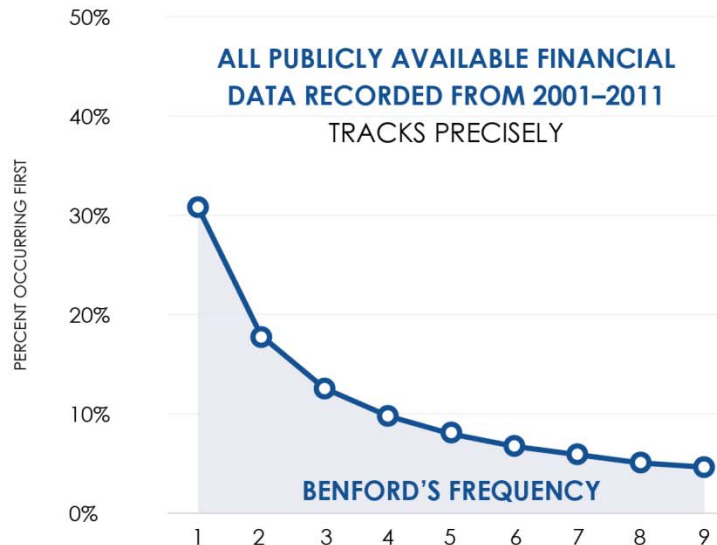
Financial Analysis (Continued)

	June 30,	
	2018	2017
Net Position		
Invested in Capital Assets	\$ 152,349	\$ 157,369
Nonexpendable	33,102	31,543
Expendable	25,670	21,514
Board Designated for Scholarships	1,593	1,518
Unrestricted	6,364	13,631
Total Net Position	\$ 219,078	\$ 225,575

OBSERVATIONS

- Net position invested in capital assets decreased by \$5M, as a result of depreciation expense for the year in excess of the renovations and additions to capital assets in the current year, coupled with the repayment of long-term debt.
- Expendable net position increased by \$4.2M, primarily due to appreciation on the Foundation's endowment assets.
- Unrestricted net position decreased by approximately \$7.3M, mostly due to the MOSERS pension expense recognized in the current year.

Benford's Law As Used In Audit Methodology



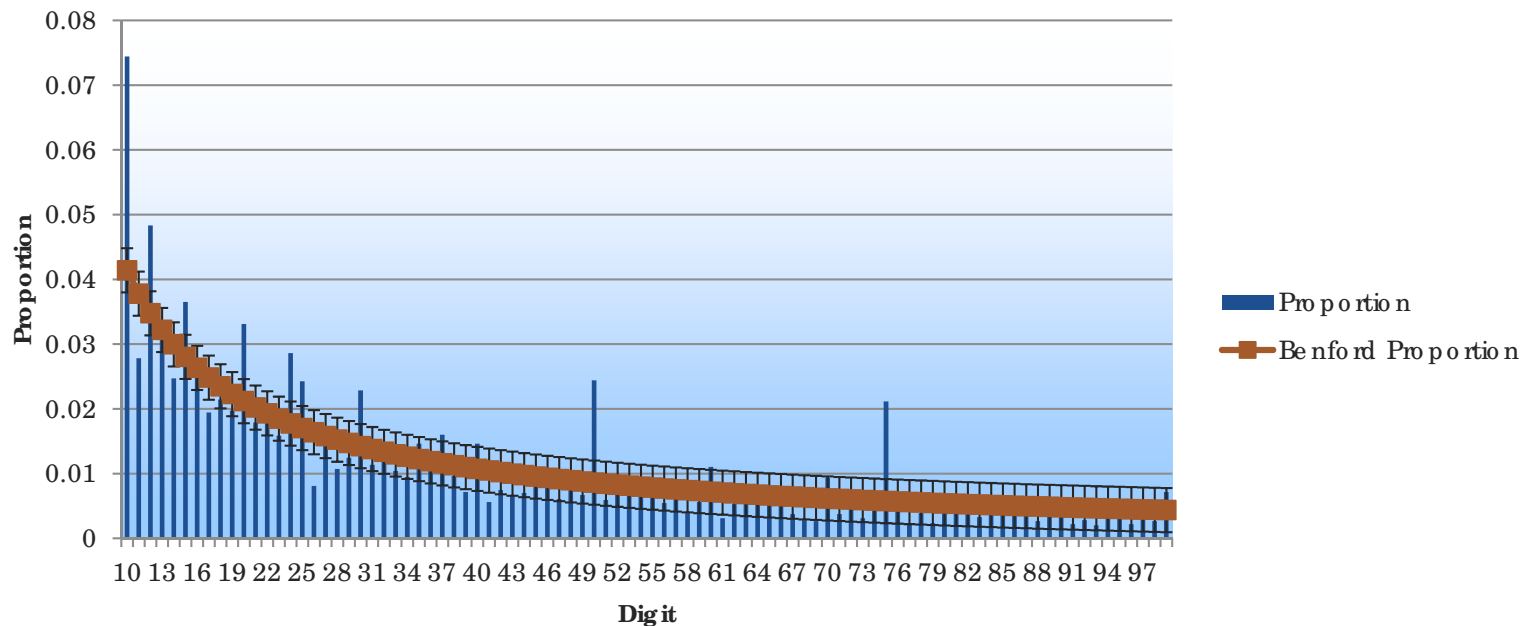
Source: Dan Ariam, Columbia University, The Wall Street Journal

Benford's Law was established by Frank Benford in the 1930s and is used by forensic accountants and auditors as an indicator of potential accounting and expense fraud. The law expects 30.1% of numbers in a list of financial transactions to begin with "1." Each successive digit should represent a progressively smaller proportion.

When digits stray from the pattern, fraud may be to blame. As volumes of data continue to grow, it has become a valuable tool in analyzing data sets for potential irregular activity. Rubin Brown utilized this method to review Tuman State University's expense categories for 2018 as a part of our planned audit approach.

Benford's Law (Continued)

6,436 Disbursements Totalling \$46,059,392 Through April 2018



- We investigated two-digit deviations for items that occurred significantly outside of the expected proportion
- Payments selected relate to Upward Bound per diem, student refunds, housing deposit returns, moving expenses, officiating fees, various memberships, license renewals, payments for bulk mailing, etc.
- The nature of disbursements are similar to those of the prior year.
- **No unusual activity was noted.**

Independent Auditors' Report On Additional Information

Truman State University

Board of Governors, Audit Committee and Management
Truman State University
Kirksville, Missouri

Our report on our audit of the basic financial statements of Truman State University (the University) for June 30, 2018 appears in the financial statements of the University. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information contained herein is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*

Management Representation Letter

TRUMAN STATE UNIVERSITY
A COMPONENT UNIT OF THE
STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2018



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Independent Auditors' Report

Board of Governors and Audit Committee
Truman State University
Kirksville, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities of Truman State University (the University), 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 purposes 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Truman State University as of June 30, 2018 and 2017, and its changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the Pension Plan Information on pages 47 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required By Government Auditing Standards

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

[REDACTED]*

TRUMAN STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Truman State University (the University) annual financial report presents management's discussion and analysis of the financial condition and performance of the University during the fiscal years ended June 30, 2018, 2017 and 2016. This discussion should be read in conjunction with the accompanying financial statements and footnotes. The financial statements, footnotes and this discussion are the responsibility of University management.

Using The Annual Financial Statement

This annual report consists of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statements No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*. The financial statements prescribed by GASB Statement No. 35 (the statement of net position, statement of revenues, expenses, and changes in net position and the statement of cash flows) are prepared under the accrual basis of accounting, whereby revenues, and assets are recognized when the service is provided and expense and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

About The University

The University was established in 1867 and is governed by a ten-member Board of Governors. The University is Missouri's only public highly selective institution. It was designated as the statewide liberal arts and sciences institution in 1986 and offers undergraduate and graduate degree programs, minors, and several additional areas of specialization within academic departments.

In the Fall of 2018, the University enrolled 5,853 students. The primary mission of the institution is undergraduate education, and the enrollment data reflects this mission.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Undergraduate	5,504	5,898	6,039
Graduate	349	374	340
	<u>5,853</u>	<u>6,272</u>	<u>6,379</u>

Most students enrolled at the University are full-time, degree-seeking undergraduates who live in residence halls or in the Kirksville community.

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

The University has a diverse student body with the majority from Missouri. The remaining students come from 41 states (including Missouri) and 48 foreign countries. Approximately 6.7% of the students are international students, and the enrollment also includes 13% from minorities including African-American, Hispanic, American Indian, and Asian American.

Key ratios include the following:

Student/Faculty Ratio	16:1
Graduate and Professional School Placement Rate	36.24%

These indicators help demonstrate that the University is focusing resources on activities which enhance student learning.

Statements Of Net Position

The statement of net position includes all assets and liabilities of Truman State University and Truman State University Foundation (the Foundation). The difference between total assets and total liabilities, or net position, is one indicator of the current financial condition of the University, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year when considered with nonfinancial facts such as enrollment levels and condition of the facilities.

Nonexpendable restricted net position is subject to externally imposed stipulations that may be maintained permanently by the University. Expendable restricted net position is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to the stipulations or that expire by the passage of time. The category of unrestricted net position is not subject to externally imposed stipulations. They may be designated by specific purposes by action of management or the Board of Governors, or may be limited by contractual agreements with outside parties.

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Condensed Statements Of Net Position As Of June 30, 2018, 2017 And 2016

	2018	2017	2016
Assets			
Current Assets	\$ 18,549,748	\$ 26,145,255	\$ 38,289,527
Noncurrent Assets	328,618,442	322,251,641	297,485,714
Total Assets	347,168,190	348,396,896	335,775,241
Deferred Outflows of Resources	30,131,063	28,632,391	11,352,074
Liabilities			
Current Liabilities	16,374,889	16,564,099	15,406,925
Noncurrent Liabilities	139,484,969	132,936,427	113,733,139
Total Liabilities	155,859,858	149,500,526	129,140,064
Deferred Inflows of Resources	2,360,811	1,953,272	1,443,444
Net Position			
Net investment in capital assets	152,348,570	157,369,407	147,627,000
Restricted, nonexpendable	33,101,832	31,542,662	29,744,749
Restricted, expendable	25,670,823	21,513,957	18,502,231
Unrestricted	7,957,359	15,149,463	20,669,827
Total Net Position	\$ 219,078,584	\$ 225,575,489	\$ 216,543,807

At June 30, 2018, 2017 and 2016, the University's current assets of \$18.5 million, \$26.1 million and \$38.3 million, respectively, were sufficient to cover current liabilities of \$16.4 million, \$16.6 million and \$15.4 million, respectively. Noncurrent assets include capital assets of \$207.4 million at June 30, 2018, \$214.1 million at June 30, 2017 and \$206.6 million at June 30, 2016. See Note 4 for a recap of the capital asset activity.

University liabilities total \$155.9 million, \$149.5 million and \$129.1 million at June 30, 2018, 2017 and 2016, respectively, with noncurrent liabilities of \$139.5 million, \$132.9 million and \$113.7 million, respectively. A significant portion of noncurrent liabilities relates to the University's respective share of the underfunded status of the MOSERS pension plan (Note 6). Revenue bonds payable is the largest other component of noncurrent liabilities. See Note 5 for a recap of the long-term debt activity.

Net position decreased by \$6.5 million from 2018 compared to 2017, mostly due to a decrease in state capital appropriations and an increase in MOSERS pension plan expense (Note 6). Net position increased by \$9.0 million from 2017 compared to 2016.

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (Continued)

Condensed Statements Of Revenues, Expenses, And Changes In Net Position For The Years Ended June 30, 2018, 2017 And 2016

The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. A public university's dependency on state aid and gifts could result in operating deficits because the financial reporting model classifies state appropriations and gifts as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

	2018	2017	2016
Total Operating Revenues	\$ 55,041,414	\$ 55,829,916	\$ 57,109,619
Total Operating Expenses	113,876,039	112,322,747	103,765,385
Operating Loss	(58,834,625)	(56,492,831)	(46,655,766)
Net Nonoperating Revenues	48,935,495	51,053,141	48,204,364
Income (loss) before other revenues, expenses, gains and losses	(9,899,130)	(5,439,690)	1,548,598
Appropriations, gifts and revenues restricted for capital improvements	1,864,362	12,689,942	1,519,951
Additions to permanent endowments	1,537,863	1,781,430	2,115,757
Total Increase (Decrease) In Net Position	\$ (6,496,905)	\$ 9,031,682	\$ 5,184,306
Operating Revenues			
Tuition and fees, net	\$ 26,127,489	\$ 27,001,481	\$ 26,681,850
Federal, state grants and private contracts and grants	2,580,031	2,577,721	2,517,772
Auxiliary enterprises, net	23,752,057	23,783,224	25,550,818
Sales and services of educational activities and other	2,581,837	2,467,490	2,359,179
	\$ 55,041,414	\$ 55,829,916	\$ 57,109,619
Nonoperating Revenues			
State appropriations	\$ 39,440,512	\$ 40,226,391	\$ 41,816,820
Investment income	3,666,329	5,005,775	1,968,314
Grants, contributions and other	7,554,598	7,526,564	6,317,404
	\$ 50,661,439	\$ 52,758,730	\$ 50,102,538
Nonoperating Expenses			
Change in value of annuity and trust obligations	\$ 69,979	\$ (2,061)	\$ 65,994
Interest on capital asset related debt	1,655,965	1,707,650	1,832,180
	\$ 1,725,944	\$ 1,705,589	\$ 1,898,174

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

	2018	2017	2016
Operating Expenses			
Salaries and wages	\$ 44,853,254	\$ 46,137,662	\$ 45,303,736
Fringe benefits	26,105,884	24,018,568	16,146,473
Supplies and other services	17,333,904	17,586,784	17,469,559
Scholarship and fellowships	672,754	663,936	747,035
Depreciation	13,719,197	12,248,732	11,692,939
Utilities	3,950,439	4,066,030	3,875,469
Other	7,240,607	7,601,035	8,530,174
	<u>\$ 113,876,039</u>	<u>\$ 112,322,747</u>	<u>\$ 103,765,385</u>

Comparisons 2018 To 2017

The most significant sources of revenue for the University were state appropriations at \$39.4 million in 2018 compared to \$40.2 million in 2017; student tuition and fees totaling \$26.1 million in 2018 compared to \$27.0 million in 2017; and auxiliary services totaling \$23.7 million in 2018 compared to \$23.8 million in 2017.

Operating expenses totaled \$113.9 million in 2018 compared to \$112.3 million in 2017 with salaries and wages down 2.8%, fringe benefits up 8.7%, supplies and other services down 1.4%, scholarships up 1.3%, depreciation up 12%, utilities down 2.8%, and other expenses down 4.8%.

Comparisons 2017 To 2016

The most significant sources of revenue for the University were state appropriations at \$40.2 million in 2017 compared to \$41.8 million in 2016; student tuition and fees totaling \$27.0 million in 2017 compared to \$26.7 million in 2016; and auxiliary services totaling \$23.8 million in 2017 compared to \$25.6 million in 2016.

Operating expenses totaled \$112.3 million in 2017 compared to \$103.8 million in 2016 with salaries and wages up 1.8%, fringe benefits up 48.8%, supplies and other services up 0.7%, scholarships down 11.1%, depreciation up 4.8%, utilities up 4.9%, and other expenses down 10.9%.

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

Condensed Statements Of Cash Flows For The Years Ended June 30, 2018, 2017 And 2016

The statement of cash flows presents the University's flows of cash by defined categories. The primary purpose of the statement of cash flows is to provide information about the University's cash receipts and payments during the year.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash And Cash Equivalents Provided By (Used In):			
Operating activities	\$ (37,734,841)	\$ (38,389,986)	\$ (36,170,247)
Noncapital financing activities	47,445,444	48,577,180	50,160,277
Capital and related financing activities	(8,567,718)	(11,298,405)	(18,721,741)
Investing activities	<u>(3,136,926)</u>	<u>958,777</u>	<u>(7,180,715)</u>
Net increase (decrease) in cash and cash equivalents	(1,994,041)	(152,434)	(11,912,426)
Cash And Cash Equivalents, Beginning Of Year	<u>8,073,302</u>	<u>8,225,736</u>	<u>20,138,162</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 6,079,261</u>	<u>\$ 8,073,302</u>	<u>\$ 8,225,736</u>

The major source of operating cash was student tuition and fees (\$25.8 million, \$27.0 million and \$26.9 million in 2018, 2017 and 2016, respectively) and auxiliary enterprises (\$23.7 million, \$25.7 million and \$25.6 million in 2018, 2017 and 2016, respectively). The largest use of operating cash was payments to employees (\$62.9 million, \$64.8 million and \$62.6 million in 2018, 2017 and 2016, respectively) and payments to suppliers (\$17.7 million, \$17.3 million and \$17.5 million in 2018, 2017 and 2016, respectively).

The most significant source of noncapital financing activities was state appropriations of \$39.4 million, \$40.2 million and \$41.8 million in 2018, 2017 and 2016, respectively.

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (Continued)

Expenses By Functional Categories

The University also tracks expenses by functional categories (such as Instruction, Research, and Student Services) for the State of Missouri and other external agency purposes. The functional categorization of expenses also helps the University monitor expenditures in mission-critical areas such as Instruction. For the year ended June 30, 2018, depreciation and operation and maintenance of plant have been allocated among the other functional expenses to conform with the Integrated Postsecondary Education Data System (IPEDS) finance survey. Functional operating expenses for 2018, 2017 and 2016 were:

	<u>2018</u>	<u>Percent</u>
Instruction Credit and noncredit courses.	\$58,218,613	51.12%
Research Activities specifically organized to produce research outcomes from funds awarded by external agencies, as well as internally supported programs.	737,389	0.64
Public Service Activities that primarily provide noninstructional services to individuals and groups outside of the University. Expenditures are primarily for community service.	2,366,375	2.08
Academic Support Supporting services to instruction, research and public service. Includes libraries, academic administration and instructional media.	7,480,667	6.57
Student Services Activities which primarily contribute to student's well-being outside the formal instruction program. Includes admissions and registrar, student activities, and financial aid administration.	12,229,757	10.75
Institutional Support Activities which generally provide support to the entire University. Includes executive management, fiscal operations, personnel, development, fundraising activities and general administrative services.	8,597,034	7.55
Scholarships And Fellowships Awards for grant-in-aid stipends to students based on financial need and/or merit.	672,754	0.59
Auxiliary Enterprises Expenditures of essentially self-supporting activities such as Student Union Building, housing, cafeterias and recreation center.	23,573,450	20.70
Total Operating Expenses	<u>\$113,876,039</u>	<u>100.00%</u>

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

	<u>2017</u>	<u>Percent</u>
Instruction		
Credit and noncredit courses.	\$55,269,391	48.81%
Research		
Activities specifically organized to produce research outcomes from funds awarded by external agencies, as well as internally supported programs.	788,666	0.70
Public Service		
Activities that primarily provide noninstructional services to individuals and groups outside of the University. Expenditures are primarily for community service.	2,115,624	1.87
Academic Support		
Supporting services to instruction, research and public service. Includes libraries, academic administration and instructional media.	7,252,515	6.40
Student Services		
Activities which primarily contribute to student's well-being outside the formal instruction program. Includes admissions and registrar, student activities, and financial aid administration.	12,124,171	10.71
Institutional Support		
Activities which generally provide support to the entire University. Includes executive management, fiscal operations, personnel, development, fundraising activities and general administrative services.	7,879,359	6.96
Scholarships And Fellowships		
Awards for grant-in-aid stipends to students based on financial need and/or merit.	663,936	0.59
Auxiliary Enterprises		
Expenditures of essentially self-supporting activities such as Student Union Building, housing, cafeterias and recreation center.	27,135,682	23.96
Total Operating Expenses	<u>\$113,229,344</u>	<u>100.00%</u>

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

	2016	Percent
Instruction		
Credit and noncredit courses.	\$ 52,866,717	50.95%
Research		
Activities specifically organized to produce research outcomes from funds awarded by external agencies, as well as internally supported programs.	939,167	0.90
Public Service		
Activities that primarily provide noninstructional services to individuals and groups outside of the University. Expenditures are primarily for community service.	1,824,509	1.76
Academic Support		
Supporting services to instruction, research and public service. Includes libraries, academic administration and instructional media.	7,407,193	7.14
Student Services		
Activities which primarily contribute to student's well-being outside the formal instruction program. Includes admissions and registrar, student activities, and financial aid administration.	10,697,346	10.31
Institutional Support		
Activities which generally provide support to the entire University. Includes executive management, fiscal operations, personnel, development, fundraising activities and general administrative services.	6,959,074	6.71
Scholarships and Fellowships		
Awards for grant-in-aid stipends to students based on financial need and/or merit.	747,035	0.72
Auxiliary Enterprises		
Expenditures of essentially self-supporting activities such as Student Union Building, housing, cafeterias and recreation center.	22,324,342	21.51
Total Operating Expenses	<u>\$103,765,385</u>	<u>100.00%</u>

Physical Plant

The University completed a multiyear plan at a cost of nearly \$100 million to fully renovate its residence halls and the Student Union Building. For fiscal year 2018, this effort included completion of a \$1.7 million renovation to the Blanton/Nason/Brewer housing complex. Academic building renovations, and improvements, exceeded \$78 million since 2001. The aforementioned outlays included a \$15 million renovation of Baldwin Hall that was completed at the beginning of fiscal year 2018. The Baldwin Hall project was partially funded by a State of Missouri Bond Issue. Finally, \$4.8 million in improvements were made to Stokes Stadium, including renovations to the football field, track and press box.

TRUMAN STATE UNIVERSITY

Management's Discussion And Analysis (*Continued*)

At the conclusion of fiscal year 2018, two major projects began: (1) a \$4.4 million renovation of the Missouri Hall dining and kitchen areas got underway in May of 2018 and concluded in August, and (2) \$3.1 million in life safety improvements for the Pickler Memorial Library began in May of 2018 and are expected to be completed by the end of the calendar year.

Future capital projects include the replacement of two aged chilling units that support the campus cooling system, a roof replacement for Violette Hall and masonry repairs to the Recreation Center.

Looking Forward

The University's outlook is closely related to the financial status of the State of Missouri. Traditionally, the largest source of Education and General Revenue has come through the state appropriations, and the operating funds from the state for fiscal year 2018 decreased by 1.95% from 2017. For fiscal year 2019, the General Assembly appropriated level funding for higher education, and this was approved by the Governor.

The Missouri Coordinating Board for Higher Education (CBHE) made its recommendations for FY 2020 at its September 2018 meeting. Utilizing three elements of the performance funding model, the recommendation provides a 3% overall increase for Truman. Additional funds were also recommended as a block for institutions to develop proposals for academic initiatives which meet state economic and workforce needs.

The previous limitation on tuition increases beyond the consumer price index (CPI) was also modified by the General Assembly. This became effective in August 2018 and now allows tuition increases designed to offset lost revenue when state funding decreases on a year to year basis.

In terms of student enrollment, fall 2018 headcount is at 5,853 compared to fall 2017 at 6,272. New student enrollment was down as well as enrollment in part-time students. The university has engaged an enrollment management consultant with work beginning in late September 2018. It is anticipated that this effort will result in a rebound in new student enrollment in fall 2019.

Additional information can be obtained by calling (660) 785-4150 or writing to Truman State University, Attn: Business Office, 100 E. Normal, Kirksville, MO 63501.

TRUMAN STATE UNIVERSITY

STATEMENT OF NET POSITION

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	June 30,	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,270,479	\$ 3,979,937
Restricted cash and cash equivalents	881,459	1,186,541
Restricted short-term investments	2,783,055	2,498,678
Short-term investments	8,965,886	13,532,523
Accounts receivable, net of allowance: \$93,000 - 2018, \$142,000 - 2017	1,096,442	1,079,829
Interest receivable	383,936	326,566
Federal and state grants receivable	356,741	375,778
Other receivables	251,905	424,878
Inventories	401,412	475,483
Loans to students, net of allowance: \$12,900 - 2018, \$4,200 - 2017	1,463,262	1,376,408
Prepaid expenses	695,171	888,634
Total Current Assets	18,549,748	26,145,255
Noncurrent Assets		
Investments	117,517,100	104,394,117
Loans to students, net of allowance: \$58,200 - 2018, \$12,300 - 2017	3,378,149	3,409,619
Capital assets, net	207,388,013	214,114,222
Cash value of life insurance	134,422	125,135
Other assets, net	200,758	208,548
Total Noncurrent Assets	328,618,442	322,251,641
Total Assets	347,168,190	348,396,896
Deferred Outflows Of Resources		
Deferred amounts on University pension contributions	5,973,188	5,593,856
Deferred amounts on debt refundings	1,367,176	1,445,515
Differences between expected and actual experience - pension	22,790,699	21,593,020
Total Deferred Outflows Of Resources	30,131,063	28,632,391

TRUMAN STATE UNIVERSITY

STATEMENT OF NET POSITION

Page 2 Of 2

	June 30,	
	2018	2017
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 9,415,747	\$ 8,955,303
Accrued early retiree termination benefits	127,961	334,845
Accrued compensated absences	1,032,288	1,095,209
Unearned revenue	2,368,609	2,845,488
Annuities and trusts payable	88,611	72,857
Long-term debt - current portion	3,076,004	2,994,509
Deposits held in custody for others	265,669	265,888
Total Current Liabilities	16,374,889	16,564,099
Noncurrent Liabilities		
Accrued compensated absences	393,821	395,804
Accrued early retiree termination benefits	148,569	252,330
Annuities and trusts payable	522,907	472,585
Long-term debt	51,162,936	54,089,366
Net pension liability	87,256,736	77,726,342
Total Noncurrent Liabilities	139,484,969	132,936,427
Total Liabilities	155,859,858	149,500,526
Deferred Inflows Of Resources		
Net difference between projected and actual earnings on pension plan investments	2,360,811	1,953,272
Net Position		
Net investment in capital assets	152,348,570	157,369,407
Restricted for:		
Nonexpendable:		
Endowment	28,636,004	27,080,098
Loans (Federal)	4,465,828	4,462,564
Expendable:		
Scholarships and fellowships	9,668,925	8,486,383
Loans (Foundation)	3,543,941	3,374,490
Other	12,457,957	9,653,084
Unrestricted	7,957,359	15,149,463
Total Net Position	\$ 219,078,584	\$ 225,575,489

TRUMAN STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For The Years Ended June 30,	
	2018	2017
Operating Revenues		
Tuition and fees, net	\$ 26,127,489	\$ 27,001,481
Federal grants and contracts	2,315,750	2,409,805
State grants and contracts	166,120	83,502
Private grants and contracts	98,161	84,414
Interest on student loans receivable	193,807	195,982
Sales and services of educational activities	682,984	547,130
Auxiliary enterprises, net	23,752,057	23,783,224
Other operating revenues	1,705,046	1,724,378
Total Operating Revenues	55,041,414	55,829,916
Operating Expenses		
Salaries and wages	44,853,254	46,137,662
Fringe benefits	26,105,884	24,018,568
Supplies and other services	17,333,904	17,586,784
Scholarships and fellowships	672,754	663,936
Depreciation	13,719,197	12,248,732
Utilities	3,950,439	4,066,030
Other	7,240,607	7,601,035
Total Operating Expenses	113,876,039	112,322,747
Operating Loss	(58,834,625)	(56,492,831)
Nonoperating Revenues (Expenses)		
State appropriations	39,440,512	40,226,391
Federal grants and contracts	5,295,082	4,609,530
Contributions	1,858,073	1,495,943
Change in value of annuity and trust obligations	(69,979)	2,061
Income from trusts	123,647	120,602
Investment income	3,542,682	4,885,173
Interest on capital asset-related debt	(1,655,965)	(1,707,650)
Gain on disposal of capital assets	342	4,324
Other nonoperating revenues	401,101	1,416,767
Nonoperating Revenues, Net	48,935,495	51,053,141
Loss Before Other Revenues	(9,899,130)	(5,439,690)
Appropriations, Gifts And Revenues Restricted For Capital Improvements	1,864,362	12,689,942
Additions To Permanent Endowments	1,537,863	1,781,430
Increase (Decrease) In Net Position	(6,496,905)	9,031,682
Net Position - Beginning Of Year	225,575,489	216,543,807
Net Position - End Of Year	\$ 219,078,584	\$ 225,575,489

TRUMAN STATE UNIVERSITY

STATEMENT OF CASH FLOWS

	For The Years Ended June 30,	
	2018	2017
Cash Flows From Operating Activities		
Tuition and fees	\$ 25,808,054	\$ 27,024,951
Grants and contracts	2,454,441	2,691,532
Payments to suppliers	(17,659,602)	(17,323,790)
Payments for utilities	(3,950,439)	(4,066,030)
Payments to employees	(62,895,768)	(64,828,057)
Payments for scholarships and fellowships	(672,754)	(663,936)
Loans issued to students	(892,217)	(866,924)
Collections of loans to students	1,030,640	1,056,113
Sales and services of auxiliary enterprises	23,722,408	24,724,327
Sales and services of educational activities	682,984	547,130
Other payments	(5,362,588)	(6,685,302)
Net Cash Used In Operating Activities	(37,734,841)	(38,389,986)
Cash Flows From Noncapital Financing Activities		
State appropriations	39,440,512	40,226,391
Gifts and grants for other than capital purposes	6,078,816	6,020,984
Investments subject to annuity and trust obligations	154,687	15,000
Payments of annuity and trust obligations	(158,590)	(70,796)
Endowment gifts	1,537,863	1,781,430
Other receipts	392,156	604,171
Net Cash Provided By Noncapital Financing Activities	47,445,444	48,577,180
Cash Flows From Capital And Related Financing Activities		
Appropriations, gifts and revenues restricted for capital improvements	1,864,362	10,754,379
Proceeds from sales of capital assets	—	12,504
Purchase of capital assets	(5,764,530)	(17,395,814)
Interest paid on capital debt and leases	(1,661,140)	(1,712,615)
Principal paid on capital debt and leases	(3,006,410)	(2,956,859)
Net Cash Used In Capital And Related Financing Activities	(8,567,718)	(11,298,405)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	56,160,432	95,501,082
Investment income	3,640,153	2,689,568
Distributions from perpetual trusts	123,647	126,211
Purchases of investments	(63,061,158)	(97,358,084)
Net Cash Used In Investing Activities	(3,136,926)	958,777
Net Decrease In Cash And Cash Equivalents	(1,994,041)	(152,434)
Cash And Cash Equivalents - Beginning Of Year	8,073,302	8,225,736
Cash And Cash Equivalents - End Of Year	\$ 6,079,261	\$ 8,073,302

TRUMAN STATE UNIVERSITY

STATEMENT OF CASH FLOWS *(Continued)*

	For The Years Ended June 30,	
	2018	2017
Reconciliation Of Cash And Cash Equivalents To The Statement Of Net Position		
Cash	\$ 1,270,479	\$ 3,979,937
Restricted cash - current	881,459	1,186,541
Cash equivalents included in short-term investments	3,195,632	2,390,319
Cash equivalents included in investments - noncurrent	731,691	516,505
	\$ 6,079,261	\$ 8,073,302
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Operating loss	\$ (58,834,625)	\$ (56,492,831)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	13,719,197	12,248,732
Net change in pension expense	8,438,919	5,519,955
Changes in assets and liabilities:		
Receivables, net	175,397	(131,576)
Inventories	74,071	121,121
Loans receivable	(55,384)	(6,793)
Prepaid expenses and other assets	201,253	(80,598)
Accounts payable and accrued liabilities	(601,022)	222,471
Unearned revenue	(476,879)	409,720
Accrued compensated absences and early termination benefits	(375,549)	(191,782)
Deposits held in custody for others	(219)	(8,405)
	\$ (37,734,841)	\$ (38,389,986)
Net Cash Used In Operating Activities	\$ (37,734,841)	\$ (38,389,986)
Supplemental Disclosure Of Cash Flow Information		
Noncash gifts received	\$ 1,074,339	\$ 2,014,443
Accounts payable incurred for capital asset purchases	1,970,722	904,081
Gain on disposal of capital assets	(342)	(4,324)
Unrealized gain on investments	(154,841)	2,128,370
	\$ (154,841)	\$ 2,128,370

TRUMAN STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. Nature Of Operations And Summary Of Significant Accounting Policies

Nature Of Operations

Truman State University (the University) is a state-assisted university with its campus located in Kirksville, Missouri, operating under the jurisdiction of its Board of Governors. The University is a component unit of the state of Missouri. The University is fully accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The University awards graduate and undergraduate degrees from five schools and serves a population of approximately 6,300 students.

Reporting Entity

The University determines its financial reporting entity pursuant to GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statements No. 61 and No. 80. As a result of the application of this pronouncement, the University includes the Truman State University Foundation (the Foundation), a legally separate not-for-profit corporation, as a blended component unit within its financial statements. Representatives of the University hold a voting majority of the seats on the Foundation's Nominating Committee, which in turn appoints a voting majority of the members of the Foundation's Board of Trustees. Additionally, the Foundation provides a financial benefit to the University, as the University is able to access the Foundation's resources. Finally, the Foundation provides services entirely to the University. Accordingly, the University presents the Foundation as a blended component unit.

Pursuant to the blended method of component unit presentation, the financial data of the Foundation is combined with the financial data of the University within these financial statements. Transactions between the University and the Foundation have been eliminated as part of the combination process.

Separately issued financial statements for the Foundation can be obtained by calling 660-785-4150, or writing to Truman State University, Attn: Office of Advancement, 100 E. Normal, Kirksville, MO 63501.

Basis Of Accounting And Presentation

The University prepares its financial statements as a business type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2018, cash equivalents consisted primarily of money market funds.

Investments And Investment Income

Investments in equity securities, fixed income securities and mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit and repurchase agreements are carried at cost plus accrued interest, which approximates fair value.

Investment income includes interest income, dividend income, net realized gains and losses from the sale of securities, and net unrealized gains and losses that represent the change in the fair value of securities for the year.

The Foundation maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Accounts Receivable

Accounts receivable consists mostly of enrollment fee charges to students and charges for auxiliary enterprise services provided to students. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Inventories

Inventories consist of farm animals and supplies. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Loans To Students

The University makes loans to students under various federal and other loan programs. Loans to students are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to loans to students.

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	20 years
Buildings and improvements	20 - 50 years
Infrastructure	20 years
Furniture, fixtures and equipment	3 - 20 years
Library materials	10 years

The University capitalizes interest costs as a component of construction in progress, based on the interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing.

All interest costs of \$1,655,965 and \$1,707,650 incurred in 2018 and 2017, respectively, were charged to expense.

Compensated Absences

University policies permit nonacademic employees to accumulate vacation and compensating time benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits when earned, whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Unearned Revenue

Unearned revenue primarily represents tuition and student fees not earned during the current year, as well as advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri State Employees' Retirement System (MOSERS) and additions to/deductions from MOSERS' fiduciary net position have been determined on the same basis as they are reported by MOSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Resources are required to be classified for accounting and reporting purposes into the following three net position categories:

- ***Net Investment in Capital Assets:*** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- ***Restricted:***
 - ***Nonexpendable*** - Net position subject to externally imposed stipulations that the University maintain them permanently. Such assets include the Foundation's permanent endowment funds.

Expendable - Net position whose use by the University is subject to the externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- ***Unrestricted*** - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Governors or may otherwise be limited by contractual agreements with outside parties. Approximately \$1.5 million in 2018 and 2017 of unrestricted net position is designated for academic and research programs and initiatives, and capital programs.

Classification Of Revenues

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

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises (3) certain federal grants and (4) interest on student loans.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of certain nonexchange transactions. In a nonexchange transaction, the University receives value without directly giving equal value back, such as with gifts and contributions. Additionally, certain significant revenue relied upon for operations, such as state appropriations, Pell and similar funding, federal and state grants, investment income and endowment income, are reported as nonoperating revenue.

Scholarship Discounts And Allowances

Student enrollment fee revenues and revenues from auxiliary enterprises 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, including federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues while Pell grants are reported as nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition, fees, or auxiliary services, the University has recorded a discount and allowance. The total scholarship allowances on enrollment fees for the years ended June 30, 2018 and June 30, 2017 were \$26,846,020 and \$25,347,127, respectively. The total scholarship allowances on fees charged for auxiliary enterprises for the years ended June 30, 2018 and June 30, 2017 were \$1,852,509 and \$1,956,215, respectively.

Estimates And Assumptions

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

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 (the Code) and a similar provision of state law. The Foundation is exempt from income taxes under Section 501(c)(3) of the Code and a similar provision of state law.

Reclassifications

Certain 2017 balances have been reclassified in order to conform with the presentation of the 2018 financial statements.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Deposits And Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk requires compliance with the provisions of Missouri state law. The Foundation's policy does not currently include that provision.

Missouri 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. As of June 30, 2018, the University's deposits were properly insured or collateralized.

Investments

The University and Foundation 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, fixed income securities, bankers acceptances, commercial paper, corporate bonds, and bank repurchase agreements. The Foundation may also invest in real estate, equity securities and mutual funds.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

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

Type	Fair Value	Maturities In Years			
		Not Applicable	0 - 5	6 - 10	More Than 10
Cash and cash equivalents	\$ 3,927,323	\$ 3,927,323	\$ —	\$ —	\$ —
Certificates of deposit	9,264,017	—	9,264,017	—	—
Domestic equity mutual funds	26,003,236	26,003,236	—	—	—
Domestic equity securities	79,068	79,068	—	—	—
Exchange traded notes	855,212	855,212	—	—	—
Fixed income securities	80,403,436	—	71,069,459	3,359,499	5,974,478
Fixed income mutual funds	1,434,513	1,434,513	—	—	—
International equity mutual funds	5,462,830	5,462,830	—	—	—
International equity securities	10,179	10,179	—	—	—
Real estate mutual funds	964,328	964,328	—	—	—
Taxable high yield mutual funds	861,899	861,899	—	—	—
	\$ 129,266,041	\$ 39,598,588	\$ 80,333,476	\$ 3,359,499	\$ 5,974,478

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

Type	Fair Value	Maturities In Years			
		Not Applicable	0 - 5	6 - 10	More Than 10
Cash and cash equivalents	\$ 2,906,824	\$ 2,906,824	\$ —	\$ —	\$ —
Certificates of deposit	8,862,202	—	8,862,202	—	—
Domestic equity mutual funds	23,646,426	23,646,426	—	—	—
Domestic equity securities	49,566	49,566	—	—	—
Exchange traded notes	807,098	807,098	—	—	—
Fixed income securities	75,897,333	—	66,164,684	3,994,872	5,737,777
Fixed income mutual funds	944,099	944,099	—	—	—
International equity mutual funds	5,162,741	5,162,741	—	—	—
International equity securities	7,791	7,791	—	—	—
Real estate mutual funds	1,259,127	1,259,127	—	—	—
Taxable high yield mutual funds	882,111	882,111	—	—	—
	\$ 120,425,318	\$ 35,665,783	\$ 75,026,886	\$ 3,994,872	\$ 5,737,777

Interest Rate Risk

The University's policy manages interest rate risk by maintaining adequate liquidity for short-term cash needs. The University seeks to avoid the need to sell securities prior to maturity by making longer-term investments only with funds that are not needed for cash flow purposes; by establishing maximum individual investment maturity (or duration) and maximum portfolio average maturity (or portfolio limits); and by structuring the investment portfolio so that securities mature in time to meet expected cash requirements for ongoing operations. The policy limits the portfolio's maximum average duration to three years.

The Foundation's policy has no constraint on the maturity of any single fixed income security. However, the dollar weighted average duration of the investment grade portion of the portfolio should not exceed a range of +/- 35% of that of the fixed income benchmarks for investment grade securities. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The University's policy limits credit risk by establishing minimum credit ratings for each non-government security type; by implementing a credit review and approval process or by hiring an outside registered investment advisor who has such a process; and by diversifying the portfolio to reduce the risk of loss resulting from the over-concentration of assets in a specific maturity, issuer, or type of security.

It is the Foundation's policy to limit its investments in fixed income securities to ratings of investment grade or higher at the time of purchase by NRSROs, with the exception that up to 25% of the fixed income holdings of the portfolio may be rated below investment grade. At no time, however, shall more than 10% of the total portfolio be invested in noninvestment grade (high yield) fixed income instruments.

Commercial paper rated A-1, P-1, or the equivalent by at least two nationally recognized statistical rating organizations may be held from issuing corporations with commercial paper programs with sizes in excess of \$500,000,000 as well as long term debt ratings, if any, of "A" or better. Purchases of commercial paper may not exceed 270 days to maturity.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

At June 30, 2018 and 2017, the following ratings were available for the University's and Foundation's fixed income investments:

Quality Ratings	2018	2017
Treasury/Agency	\$ 51,276,915	\$ 46,445,139
AAA	2,759,926	2,434,892
AA+	9,606,228	8,768,459
AA	1,783,453	2,093,655
AA-	1,530,987	1,389,735
A+	1,917,532	1,984,258
A	5,768,681	6,564,817
A-	869,304	523,603
A-1	1,737,262	2,523,323
A-1+	239,692	710,711
BBB+	192,428	188,618
BBB	2,652,781	2,270,123
B	68,247	—
	\$ 80,403,436	\$ 75,897,333

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University or Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Custodial credit risk for deposits is the risk that in the event of a bank failure, a government's deposit may not be returned to it. The University's deposit policy for the custodial credit risk requires compliance with the provisions of state law. Collateralization for the University is required for three types of investments: certificates of deposit, repurchase agreements, and letters of credit from the Federal Home Loan Bank. All securities serving as collateral shall be kept at a nonaffiliated custodial facility. The University's investment in bankers acceptances must be issued by domestic banks rated A-1, P-1, or the equivalent by at least two nationally recognized statistical rating organizations and maturity may not exceed 270 days.

Concentration Of Credit Risk

No more than 30% of the University's portfolio can be invested in callable U.S. Government agencies; no more than 50% of the portfolio can be invested in bankers acceptances and commercial paper combined; no more than 40% of the portfolio can be invested in corporate bonds; no more than 25% of the portfolio can be invested in municipal bonds; no more than 10% of the portfolio can be invested in asset-backed securities; and no more than 20% of the portfolio can be invested in money market mutual funds.

The Foundation places certain limits on the amount that may be invested in any one issuer. Investments in any one individual equity security should not exceed approximately 10% of the market value of the investment manager portfolio, and investment in any one economic sector should not exceed 25% of the market value of the investment manager portfolio. Holdings of any single issue in the portfolio should not exceed more than 5% of the total outstanding common stock of any one company. Fixed income securities of any single issuer, with the exception of U.S. government and agency securities, are limited to no more than 10% of the market value of the fixed income portion of the investment manager's portfolio. Corporate securities are limited to no more than 75% of the market value of the fixed income portion of the portfolio.

Within the fixed income portion of the portfolio, allocations to "plus" fixed income sectors (such as high yield corporate bonds, high yield bank loans, preferred stock, international bonds (denominated in U.S. dollars and non-U.S. dollars) and emerging market bonds (denominated in U.S. dollars and non-U.S. dollars) are allowed up to a maximum of 30% of the market value of the fixed income portion of the portfolio.

At June 30, 2018 and 2017, the University's and Foundation's combined investments in U.S. Treasuries exceeded 5% of the combined investment portfolio.

Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University's investment policy does not address foreign currency risk. The Foundation's investment policy permits it to hold up to 20% of total investments in international equities. The University and the Foundation had no direct investments (mutual funds are not considered direct investments) in international equities at June 30, 2018.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

Summary Of Carrying Values

The carrying values of deposits and investments are included in the statement of net position as follows at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Carrying value		
Deposits	\$ 2,151,938	\$ 5,166,478
Investments	<u>129,266,041</u>	<u>120,425,318</u>
	<u>\$ 131,417,979</u>	<u>\$ 125,591,796</u>
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 1,270,479	\$ 3,979,937
Restricted cash - current	881,459	1,186,541
Restricted short-term investments	2,783,055	2,498,678
Short-term investments	8,965,886	13,532,523
Long term investments	<u>117,517,100</u>	<u>104,394,117</u>
	<u>\$ 131,417,979</u>	<u>\$ 125,591,796</u>

Investment Income

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

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 2,422,338	\$ 1,947,677
Net realized and unrealized gains on investments	<u>1,120,344</u>	<u>2,937,496</u>
	<u>\$ 3,542,682</u>	<u>\$ 4,885,173</u>

Fair Value Measurements

GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University and Foundation have the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's and Foundations' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's and Foundations' own data.

When available, quoted prices are used to determine fair value by the University and Foundation. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University and Foundation's Level 1 investments primarily consist of investments in mutual funds, cash equivalents and equity securities.

The University and Foundation's investment custodians generally use a multi-dimensional relational model when determining the value of fixed income securities. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

At June 30, 2018, the University's and Foundation's investments were classified as follows:

Type	Fair Value	Fair Value Level		
		1	2	3
Cash and cash equivalents	\$ 3,927,323	\$ 3,927,323	\$ —	\$ —
Domestic equity mutual funds	26,003,236	26,003,236	—	—
Domestic equity securities	79,068	79,068	—	—
Exchange traded notes	855,212	855,212	—	—
Fixed income securities	80,403,436	—	80,403,436	—
Fixed income mutual funds	1,434,513	1,434,513	—	—
International equity mutual funds	5,462,830	5,462,830	—	—
International equity securities	10,179	10,179	—	—
Real estate mutual funds	964,328	964,328	—	—
Taxable high yield mutual funds	861,899	861,899	—	—
	\$ 120,002,024	\$ 39,598,588	\$ 80,403,436	\$ —

At June 30, 2017, the University's and Foundation's investments were classified as follows:

Type	Fair Value	Fair Value Level		
		1	2	3
Cash and cash equivalents	\$ 2,906,824	\$ 2,906,824	\$ —	\$ —
Domestic equity mutual funds	23,646,426	23,646,426	—	—
Domestic equity securities	49,566	49,566	—	—
Exchange traded notes	807,098	807,098	—	—
Fixed income securities	75,897,333	—	75,897,333	—
Fixed income mutual funds	944,099	944,099	—	—
International equity mutual funds	5,162,741	5,162,741	—	—
International equity securities	7,791	7,791	—	—
Real estate mutual funds	1,259,127	1,259,127	—	—
Taxable high yield mutual funds	882,111	882,111	—	—
	\$ 111,563,116	\$ 35,665,783	\$ 75,897,333	\$ —

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

3. Endowments And Similar Funds

The Board of Directors of the Foundation has established an investment policy with the objectives of protecting the principal of the endowment funds and maximizing total investment return without assuming extraordinary risks. It is the goal of the Foundation to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established on a fund-by-fund basis, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

In August 2009, the State of Missouri adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Foundation has reviewed the provisions of this act and determined (utilizing the criteria prescribed by UPMIFA) that declines in the fair value of invested, nonexpendable assets to the extent that they exceed the original gift made by the donor (i.e., the assets are “underwater”) are not available for spending, until such fair value is re-established to an amount above the original gift made by the donor. There were no funds that were considered to be underwater at June 30, 2018.

4. Capital Assets

Capital assets activity for the year ended June 30, 2018 was:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, Nondepreciable:					
Land	\$ 15,176,045	\$ —	\$ —	\$ —	\$ 15,176,045
Art	177,535	—	—	—	177,535
Construction in progress	4,489,184	3,061,871	—	(4,489,184)	3,061,871
Total Capital Assets, Nondepreciable	19,842,764	3,061,871	—	(4,489,184)	18,415,451
Capital Assets, Depreciable:					
Buildings and improvements	341,652,527	2,936,059	1,229,173	4,489,184	347,848,597
Furniture, fixtures and equipment	24,522,043	851,703	3,049,741	—	22,324,005
Library materials	14,977,276	143,355	411,748	—	14,708,883
Infrastructure	19,683,108	—	—	—	19,683,108
Total Capital Assets, Depreciable	400,834,954	3,931,117	4,690,662	4,489,184	404,564,593
Less Accumulated Depreciation:					
Buildings and improvements	159,817,388	11,656,365	1,229,173	—	170,244,580
Furniture, fixtures and equipment	22,260,876	904,433	3,049,741	—	20,115,568
Library materials	13,161,351	451,115	411,748	—	13,200,718
Infrastructure	11,323,881	707,284	—	—	12,031,165
Total Accumulated Depreciation	206,563,496	13,719,197	4,690,662	—	215,592,031
Total Capital Assets, Depreciable, Net	194,271,458	(9,788,080)	—	4,489,184	188,972,562
Total Capital Assets - Net	\$ 214,114,222	\$ (6,726,209)	\$ —	\$ —	\$ 207,388,013

Capital assets activity for the year ended June 30, 2017 was:

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets, Nondepreciable:					
Land	\$ 15,176,045	\$ —	\$ —	\$ —	\$ 15,176,045
Art	177,535	—	—	—	177,535
Construction in progress	1,616,927	4,420,984	—	(1,548,727)	4,489,184
Construction in progress - energy contract	10,065,887	—	—	(10,065,887)	—
Total Capital Assets, Nondepreciable	27,036,394	4,420,984	—	(11,614,614)	19,842,764
Capital Assets, Depreciable:					
Buildings and improvements	316,420,485	13,757,880	—	11,474,162	341,652,527
Furniture, fixtures and equipment	24,562,601	635,141	675,699	—	24,522,043
Library materials	14,900,453	157,862	81,039	—	14,977,276
Infrastructure	18,717,344	825,312	—	140,452	19,683,108
Total Capital Assets, Depreciable	374,600,883	15,376,195	756,738	11,614,614	400,834,954
Less Accumulated Depreciation:					
Buildings and improvements	149,652,802	10,164,586	—	—	159,817,388
Furniture, fixtures and equipment	22,041,632	894,943	675,699	—	22,260,876
Library materials	12,740,791	501,599	81,039	—	13,161,351
Infrastructure	10,636,277	687,604	—	—	11,323,881
Total Accumulated Depreciation	195,071,502	12,248,732	756,738	—	206,563,496
Total Capital Assets, Depreciable, Net	179,529,381	3,127,463	—	11,614,614	194,271,458
Total Capital Assets - Net	\$ 206,565,775	\$ 7,548,447	\$ —	\$ —	\$ 214,114,222

5. Long-Term Liabilities

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases					
Student Housing System Revenue Bonds - 2016	\$ 18,770,000	\$ —	\$ 745,000	\$ 18,025,000	\$ 765,000
Student Housing System Revenue Bonds - 2015	11,600,000	—	505,000	11,095,000	525,000
Student Housing System Revenue Bonds - 2013	17,435,000	—	820,000	16,615,000	845,000
Total bonds payable	47,805,000	—	2,070,000	45,735,000	2,135,000
Unamortized premium on bonds payable	1,243,141	—	72,922	1,170,219	72,921
Total bonds payable plus unamortized premium	49,048,141	—	2,142,922	46,905,219	2,207,921
Capital lease obligations	8,035,734	161,475	863,488	7,333,721	868,083
Total bonds and capital leases	57,083,875	161,475	3,006,410	54,238,940	3,076,004
Other noncurrent liabilities					
Accrued termination benefits	587,175	—	310,645	276,530	127,961
Accrued compensated absences	1,491,013	98,861	163,765	1,426,109	1,032,288
Annuities and trusts payable	545,442	84,708	18,632	611,518	88,611
Total other noncurrent liabilities	2,623,630	183,569	493,042	2,314,157	1,248,860
Total noncurrent liabilities	\$ 59,707,505	\$ 345,044	\$ 3,499,452	\$ 56,553,097	\$ 4,324,864

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds and capital leases					
Student Housing System Revenue Bonds - 2016	\$ 19,495,000	\$ —	\$ 725,000	\$ 18,770,000	\$ 745,000
Student Housing System Revenue Bonds - 2015	12,100,000	—	500,000	11,600,000	505,000
Student Housing System Revenue Bonds - 2013	18,230,000	—	795,000	17,435,000	820,000
Total bonds payable	49,825,000	—	2,020,000	47,805,000	2,070,000
Unamortized premium on bonds payable	1,337,137	—	93,996	1,243,141	72,921
Total bonds payable plus unamortized premium	51,162,137	—	2,113,996	49,048,141	2,142,921
Capital lease obligations	8,878,597	—	842,863	8,035,734	851,588
Total bonds and capital leases	60,040,734	—	2,956,859	57,083,875	2,994,509
Other noncurrent liabilities					
Accrued termination benefits	755,232	216,257	384,314	587,175	334,845
Accrued compensated absences	1,514,738	110,853	134,578	1,491,013	1,095,209
Annuities and trusts payable	603,299	17,061	74,918	545,442	72,857
Total other noncurrent liabilities	2,873,269	344,171	593,810	2,623,630	1,502,911
Total noncurrent liabilities	\$ 62,914,003	\$ 344,171	\$ 3,550,669	\$ 59,707,505	\$ 4,497,420

The Foundation has been the recipient of several gift annuities which require future payments to the donor or their named beneficiaries. The assets received from donors are recorded at fair value on the date of the gift. The Foundation has recorded a liability at June 30, 2018 and 2017 of \$611,518 and \$545,442, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from approximately 1% to 7%. The Foundation has segregated assets in custodial investment accounts to fund these obligations. At June 30, 2018 and 2017, the fair value of these investments was \$1,146,527 and \$1,063,191, respectively.

Energy Performance Contract

In May 2015, the University entered into an Energy Performance Contract with Energy Solutions Professionals, LLC (the Contractor). The project includes the installation of various equipment and improvements at the University facilities through December 2016. The total cost of the project was approximately \$10,100,000. The Contractor has projected annual savings for the University of approximately \$1,000,000 per year over a 10-year period.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

In May 2015, the University entered into a lease purchase agreement to fund the energy savings project with a financial institution. Total acquisition costs for the energy equipment and improvements to be funded by the financial institution totaled \$9,274,600. The lease is payable over a 10-year period as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 868,083	\$ 131,917	\$ 1,000,000
2020	884,897	115,103	1,000,000
2021	902,037	97,963	1,000,000
2022	919,509	80,491	1,000,000
2023	937,319	62,681	1,000,000
2024-2026	2,672,300	77,700	2,750,000
	<u>\$ 7,184,145</u>	<u>\$ 565,855</u>	<u>\$ 7,750,000</u>

Revenue Bonds Payable

On February 11, 2016, the University issued a series of auxiliary system revenue bonds in order to refund the remaining outstanding bonds from the 2008 bond issuance. The principal amount issued, with its related premium, totaled \$20,588,689 and matures in annual installments through 2036.

The refunding resulted in a decrease in payments to service the new debt versus the old debt of \$2,583,901, an economic gain of \$4,373,351, and a deferred amount from refunding of \$1,271,533, which is being amortized over the life of the new debt.

On May 28, 2015, the University issued a series of auxiliary system revenue bonds, in order to refund the remaining outstanding bonds from the 2006 bond issuance. The principal amount issued, with its related premium, totaled \$12,824,953 and matures in annual installments through 2034. The refunding resulted in a decrease in payments to service the new debt versus the old debt of \$2,182,006, an economic gain of \$1,672,487 and a deferred amount from refunding of \$225,305. The deferred amount from refunding is being amortized over the life of the new debt.

On April 18, 2013, the University issued a series of auxiliary system revenue bonds in order to refund the remaining outstanding bonds from the 2004 bond issuance. The principal amount issued, with its related premium, totaled \$21,238,831 and matures in annual installments through 2033.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The various issues of the auxiliary system revenue bonds are payable, both as to principal and interest, solely out of the net income and revenues arising from the operation of the auxiliary system and out of any grant-in-aid which may be received from any source.

The bonds outstanding bear interest at rates ranging from 2% to 4% per annum and are collateralized by a first lien on and pledge of the net revenue derived from the operation and ownership of the housing system which includes all housing, dining and social facilities owned or operated by the University.

The bond debt service requirements as of June 30, 2018, are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 2,135,000	\$ 1,520,184	\$ 3,655,184
2020	2,215,000	1,447,684	3,662,684
2021	2,290,000	1,372,434	3,662,434
2022	2,365,000	1,294,584	3,659,584
2023	2,450,000	1,214,134	3,664,134
2024-2028	13,625,000	4,745,869	18,370,869
2029-2033	16,030,000	2,375,839	18,405,839
2034-2038	4,625,000	273,706	4,898,706
	<u>\$ 45,735,000</u>	<u>\$ 14,244,434</u>	<u>\$ 59,979,434</u>

6. Pension Plans - MOSERS

General Information about the Pension Plan

Plan description. Benefit eligible employees of the University are provided with pensions through Missouri State Employees' Plan (MSEP) - a cost-sharing multiple-employer defined benefit pension plan 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 University 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 MSEP 2011 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 19.45 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Contributions to the pension plan from the University were \$5,973,188 and \$5,593,856 for the years ended June 30, 2018 and 2017, respectively.

Pension Liabilities, Pension Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

At June 30, 2018, the University reported a liability of \$87,256,736 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 total pension liability was offset by the fiduciary net position obtained from MOSERS CAFR as of June 30, 2017, to determine net pension liability.

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 1.676 percent, an increase from its proportion measured of 1.674 percent as of the June 30, 2016, measurement date.

During the MOSERS plan year ended June 30, 2017, there were changes to MSEP 2011 benefit provisions that reduced the actuarial accrued liability. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

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:

Inflation	2.5%, approximate
Salary increases	3.25% to 8.75% including inflation
Wage inflation	3.0%
Investment rate of return	7.5%, 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 reaffirmed its previous decision to reduce the investment return assumption from 7.65% to 7.5% for the June 30, 2017 valuation. There were no other changes in assumptions.

Mortality. 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%. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% 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:

<u>Asset Class</u>	<u>Policy Allocation</u>	<u>Long-Term Expected Real Rate Of Return*</u>	<u>Weighted Average Long-Term Expected Real Rate Of Return</u>
Opportunistic global equity	38.0%	5.5%	2.1%
Nominal bonds	44.0%	1.0%	0.5%
Commodities	20.0%	4.5%	0.9%
Inflation-linked bonds	39.0%	0.8%	0.3%
Alternative beta	31.0%	4.5%	1.4%
	<u>172.0%</u>		<u>5.2%</u>

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

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5%, 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%) or 1-percentage-point higher (8.5%) than the current rate:

Sensitivity of the University's proportionate share of the NPL

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net pension liability	\$ 112,345,042	\$87,256,736	\$ 66,154,399

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

Pension expense. For the years ended June 30, 2018 and 2017, the University recognized pension expense of \$14,337,516 and \$11,239,682, respectively.

TRUMAN STATE UNIVERSITYNotes To Financial Statements (*Continued*)

Deferred outflows of resources and deferred inflows of resources. At June 30, 2018 and 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 483,411	\$ 1,374,257
Changes of assumptions	7,656,668	218,996
Net difference between projected and actual earnings on pension plan investments	14,616,839	—
Changes in proportion and differences between University contributions and proportionate share of contributions	33,781	767,558
University contributions subsequent to the measurement dates of June 30, 2017	5,973,188	—
	\$ 28,763,887	\$ 2,360,811

	2017	
	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 800,502	\$ 227,094
Changes of assumptions	8,092,821	467,190
Net difference between projected and actual earnings on pension plan investments	12,699,697	—
Changes in proportion and differences between University contributions and proportionate share of contributions	—	1,258,988
University contributions subsequent to the measurement dates of June 30, 2016	5,593,856	—
	\$ 27,186,876	\$ 1,953,272

TRUMAN STATE UNIVERSITY

Notes To Financial Statements (*Continued*)

The University amounts reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date 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:

Amortization Schedule

<u>Plan Year Ending June 30</u>	<u>Amount</u>
2019	\$ 6,486,077
2020	9,197,952
2021	3,635,242
2022	1,110,611
	<u>\$ 20,429,882</u>

Payables to the pension plan

As of June 30, 2018, the University had payables of \$458,255 to MOSERS for the amount owed for salaries earned but not remitted as of June 30, 2018 due to payment terms in employment contracts.

7. Retirement Plans - CURP

All faculty on full-time, regular appointment are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third-party administrator. The University is required to contribute at an actuarially determined rate; the rate was 6.19% and 5.67% of annual covered payroll for 2018 and 2017, respectively. The University's contributions to the plan for the years ended June 30, 2018 and 2017 were \$540,304 and \$470,079, respectively, which equaled the required contributions for the years. CURP provides a retirement program which offers interstate portability, immediate vesting and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

8. Employee Health And Welfare Benefits

Effective January 1, 2012, the University established a self-insured medical program covering substantially all employees. The University's liability has been limited by the purchase of specific (\$150,000 in fiscal year 2018) and aggregate (\$1,000,000 in fiscal year 2018) reinsurance. The University has recorded a reserve for expenses incurred but not reported of \$673,045 and \$600,405 as of June 30, 2018 and 2017, respectively, which is included in accrued liabilities on the statement of net position.

The liability reported for claims incurred but not reported are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information obtained prior to the issuance of the financial statements indicates it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Change in the balance of the insurance reserve liability during the year ended June 30, 2018 and 20162017 were as follows:

Liability, July 1, 2016	\$ 438,263
Current year claims and changes in estimate	7,391,962
Claim payments	<u>(7,229,820)</u>
Liability, June 30, 2017	600,405
Current year claims and changes in estimate	7,624,522
Claim payments	<u>(7,551,882)</u>
Liability, June 30, 2018	<u>\$ 673,045</u>

Total employee health and welfare expense was \$6,805,298 and \$5,982,149 for the years ended June 30, 2018 and 2017, respectively.

9. Early Retiree Termination Benefits

The University pays health insurance premiums for qualified retired employees who have chosen to participate in early retirement programs established by the Board of Governors until the employee reached the age of 65. Separate programs were established in fiscal years 2010, 2011, 2012, 2015, 2016, 2017, and 2018. For participants that have not chosen the lump-sum payment method, the University has recorded a liability at the present value of the estimated future cash flows for the program, which amounted to \$276,530 and \$587,175 at June 30, 2018 and 2017, respectively.

During the year ended June 30, 2018, the University paid \$167,408 of reimbursements under this plan. Lump sum payments to participants totaled \$300,000 during 2018. At June 30, 2018, there were 17 retirees participating in the program.

10. Commitments And Contingencies

Claims And Litigation

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

Government Grants

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

Construction

The University had outstanding commitments of \$5,720,834 related to construction contracts at June 30, 2018. A remaining commitment of \$2,791,237 on the Missouri Hall Dining Kitchen Project with Sodexo comprises the majority of the outstanding construction/architect commitments.

Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2017, the Department of Education has stipulated that new loans may not be disbursed under the program (some limited exceptions to continue to award new loans have been made, but are not expected to be applicable for the University). Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for this program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program, while not certain or determinable at this point, could result in the University recording an obligation to refund previous Federal contributions received under this program to the Department of Education.

11. 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 accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The State of Missouri self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

12. Segment Information

A segment is an identifiable activity reported within a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. Pursuant to the reporting requirements of GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, the University had one segment at June 30, 2018.

TRUMAN STATE UNIVERSITYNotes To Financial Statements (*Continued*)

The segment consists of Housing System Revenue Bonds Series 2013, dated April 18, 2013, and Housing System Revenue Bonds Series 2015, dated May 28, 2015, and Housing System Revenue Bonds Series 2016, dated February 11, 2016. These accounts are established to account for activities of the Housing System, as defined by the bond resolutions.

The condensed financial information for the Housing System Revenue Bond Fund as of June 30, 2018 and 2017 is as follows:

Condensed Statement Of Net Position

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 18,106,999	\$ 14,852,970
Noncurrent Assets		
Capital assets, net of depreciation	78,668,686	81,722,241
Other	115,555	123,345
Total Assets	96,891,240	96,698,556
Deferred Outflows Of Resources	1,367,176	1,445,515
Current Liabilities	3,693,023	2,442,880
Noncurrent Liabilities	46,889,186	49,095,440
Total Liabilities	50,582,209	51,538,320
Net Position		
Net investment in capital assets	30,430,245	33,888,207
Unrestricted	17,245,962	12,717,544
Total Net Position	\$ 47,676,207	\$ 46,605,751

TRUMAN STATE UNIVERSITYNotes To Financial Statements (*Continued*)**Condensed Statement Of Revenues,
Expenses And Changes In Net Position**

	<u>2018</u>	<u>2017</u>
Operating Revenue		
Housing and food service, net of scholarship allowance	\$ 21,508,459	\$ 21,066,954
Other operating revenues	604,890	647,878
Total Operating Revenue	<u>22,113,349</u>	<u>21,714,832</u>
Operating Expenses		
Compensation and benefits	3,745,461	3,571,062
Supplies and other services	11,260,128	10,605,852
Depreciation	5,651,648	5,302,337
Utilities	1,710,586	1,740,165
Total Operating Expenses	<u>22,367,823</u>	<u>21,219,416</u>
Operating Income (Loss)	<u>(254,474)</u>	495,416
Nonoperating Revenue (Expenses)		
Student fees for capital projects	1,065,164	1,064,190
Investment income	222,764	280,954
Interest on capital asset related debt and other expenses	(1,683,239)	(1,788,611)
Funds received for capital investment	1,864,362	4,434,241
Other	(144,121)	(93,997)
Net Nonoperating Revenue	<u>1,324,930</u>	<u>3,896,777</u>
Increase In Net Position	<u>1,070,456</u>	4,392,193
Net Position - Beginning of Year	<u>46,605,751</u>	<u>42,213,558</u>
Net Position End Of Year	<u>\$ 47,676,207</u>	<u>\$ 46,605,751</u>

Condensed Statement Of Cash Flows

	<u>2018</u>	<u>2017</u>
Net cash provided by operating activities	\$ 8,234,705	\$ 9,255,573
Net cash used in capital and related financing activities	(4,877,269)	(5,697,010)
Net cash used in investing activities	(3,332,442)	(3,591,470)
Net increase (decrease) in cash and cash equivalents	24,994	(32,907)
Cash and cash equivalents - beginning of year	<u>5,660</u>	<u>38,567</u>
Cash and cash equivalents - end of year	<u>\$ 30,654</u>	<u>\$ 5,660</u>

TRUMAN STATE UNIVERSITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

	June 30,			
	2017	2016	2015	2014
University's proportionate of the net pension liability	1.676%	1.674%	1.721%	1.736%
University's proportionate share of the net pension liability	\$ 87,256,736	\$ 77,726,342	\$ 55,252,185	\$ 40,938,147
University's covered payroll	32,983,265	32,430,791	33,308,792	32,701,587
University's proportionate share of the net pension liability as a percentage of its covered payroll	264.55%	239.67%	165.88%	125.19%
Plan fiduciary net position as a percentage of the total pension liability	60.41%	63.60%	77.62%	79.49%

Notes: The above schedule is intended to show information for ten years. Additional years will be displayed as they become available. The information is based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

TRUMAN STATE UNIVERSITY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION (Continued)
SCHEDULE OF UNIVERSITY CONTRIBUTIONS
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM

	June 30,			
	2018	2017	2016	2015
Contractually required contribution	\$ 5,597,262	\$ 5,503,067	\$ 5,652,501	\$ 5,666,746
Contributions in relation to the contractually required contribution	5,597,262	5,503,067	5,652,501	5,666,746
University's covered payroll	32,983,265	32,430,791	33,308,792	32,701,587
Contributions as a percentage of covered payroll	16.97%	16.97%	16.97%	17.33%

Notes: The above schedule is intended to show information for ten years. Additional years will be displayed as they become available. The information is based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

TRUMAN STATE UNIVERSITY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION For The Year Ended June 30, 2018

1. **Changes Of Benefit Terms Or Assumptions**

Changes Of Benefit Terms

Senate Bill 62 (SB 62), which contained changes to the benefit structure for MSEP 2011, was passed by the 2017 legislature. The provisions of the bill decreased vesting from ten to five years of service, but also included provisions that essentially offset the cost of the vesting change. As a result, SB 62 had no impact on the employer contribution rate and created a decrease to the UAAL of \$1.6 million.

Changes Of Assumptions

MOSERS reduced the investment return assumption used in the June 30, 2017 valuation to 7.5%.

ITEM F.2

Enrollment Management Update

DESCRIPTION AND BACKGROUND

Regina Morin, Vice President for Enrollment Management, will provide an Enrollment Management update.

RECOMMENDED ACTION

This is a discussion item only.

ITEM F.3
Financial Report

DESCRIPTION AND BACKGROUND

The Financial Report includes a review as of August 31, 2018, of education and general revenues and expenditures and auxiliary systems revenues and expenditures and a review as of August 31, 2018, of the Truman State University Foundation revenues and expenditures.

RECOMMENDED ACTION

This is a discussion item only.

ATTACHMENT

Financial Report

Truman State University Financial Report

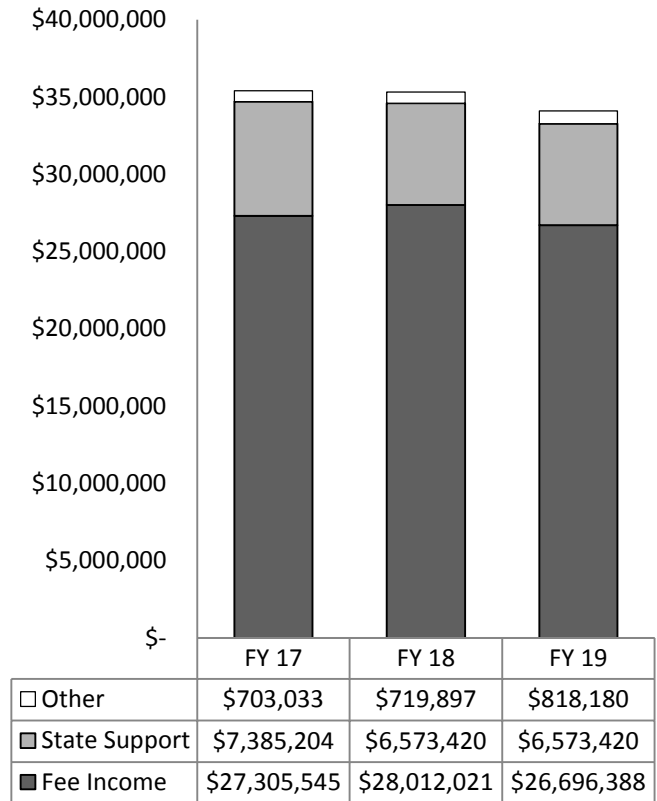
August 31, 2018 compared to August 31, 2017

Education & General (Pages A1-A3)

Year-over-year revenues fell by \$1.2M (3.5%) to \$34.1M primarily due to a \$1.6M tuition shortfall. While the price of FY19 tuition was increased by 1%, the loss of revenue was the direct result of 419 fewer students enrolled for the recent fall semester. The revenue distribution over the last three fiscal years is outlined in Figure 1. Overall revenues were at 36% of the fiscal 2019 budget.

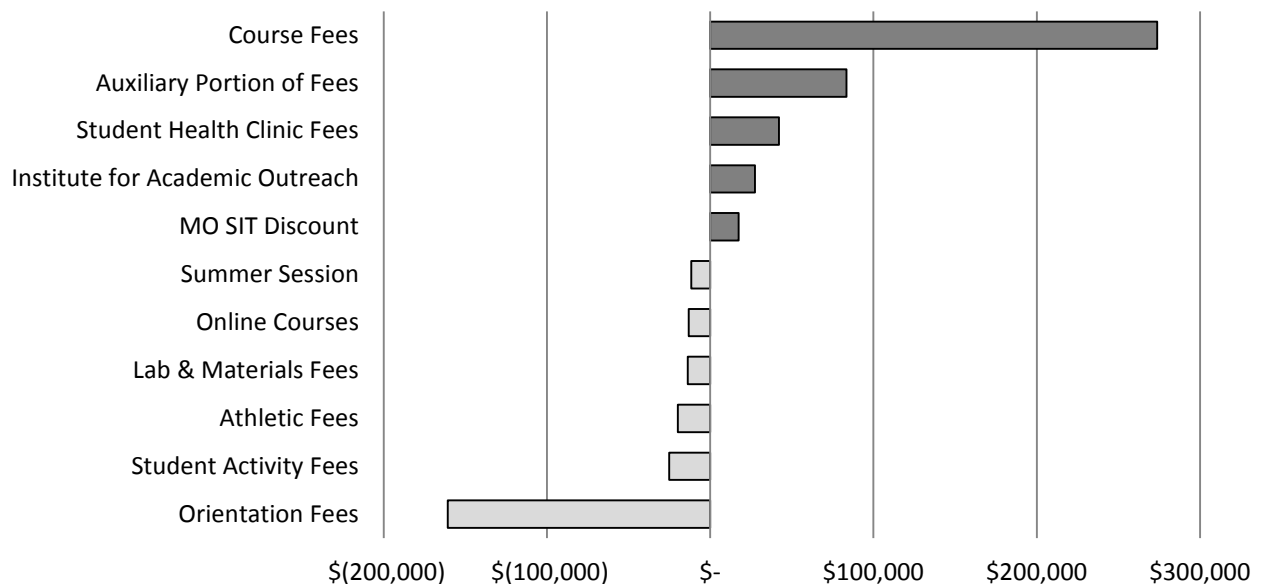
State appropriations were unchanged at \$6.6M. The aforementioned unfavorable tuition variance was partially offset by a \$273,755 increase in course fees (based on a recently revised model). In addition, health clinic fees and other income also grew over prior year by \$42,057 and \$98,283, respectively. The improvement in health clinic fees was related to pricing; whereas, the increase in other income reflected recent transfers from the Truman Foundation for ongoing capital projects.

Figure 1: Education & General Revenues



Significant variances in local fee revenue (excluding tuition) are outlined in Figure 2.

Figure 2: Tuition & Fee Variances (FY 18 to FY 19)



Year-over-year expenses fell by \$1.9M to \$19.4M primarily due to a \$949,574 reduction in equipment and capital expenditures. It is important to note that prior fiscal year capital spending included costs related to Stokes Stadium and the associated track & field facilities. Expenses over the last three fiscal years are outlined in Figure 3. Overall expenses were at 19.6% of the fiscal 2019 budget.

Institutional aid fell by \$702,024 (6.2%) to \$10.6M primarily as result of a corresponding reduction in freshman enrollment.

The University was able to reduce salaries by \$145,099 (4.6%) by hiring replacements at lower costs and by reducing the number of overall positions.

Other operating expense variances were identified in the following categories:

- Travel expenses fell by \$143,046 (36.2%) as a result of reduced study abroad spending and a decrease in individual travel expenditures.
- Supplies expense grew by \$113,261 (25.7%) as result of networking purchases of \$41,955 and other non-capitalized equipment purchases of \$66,111.

Auxiliary Systems (Pages B1-B3)

Year-over-year auxiliary revenues fell by \$937,455 (7%) to \$12.4M primarily due to an \$856,817 shortfall in residence hall income. This revenue variance was driven by a reduction in year-over-year residency of 235 students.

The revenue distribution over the last three fiscal years is outlined in Figure 4. Overall revenues were at 49% of the fiscal 2019 budget.

In addition to the loss in resident hall income, reduced enrollment also impacted Student Union and Recreation Center fees. Revenue in these areas fell by \$35,177 and \$47,735, respectively.

Figure 3: Education & General Expenses

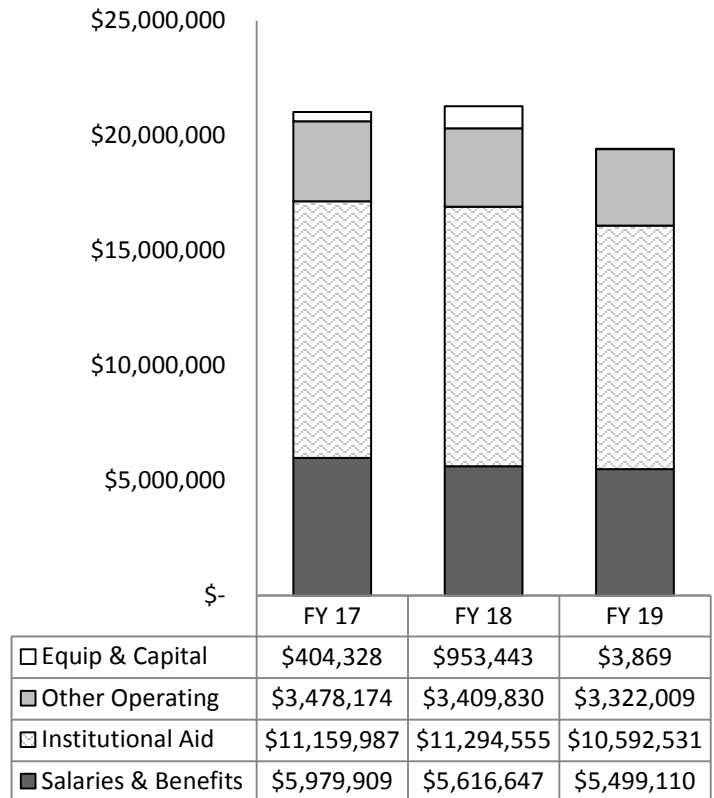
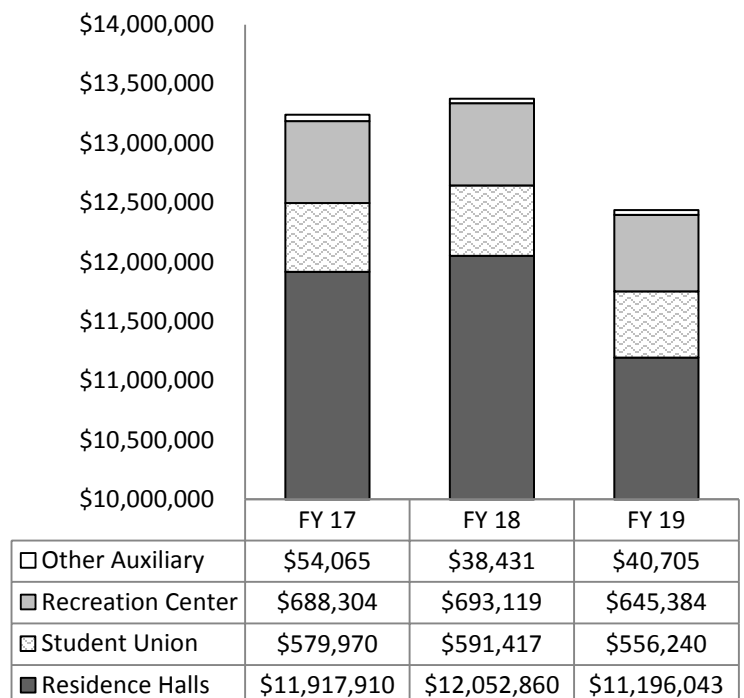
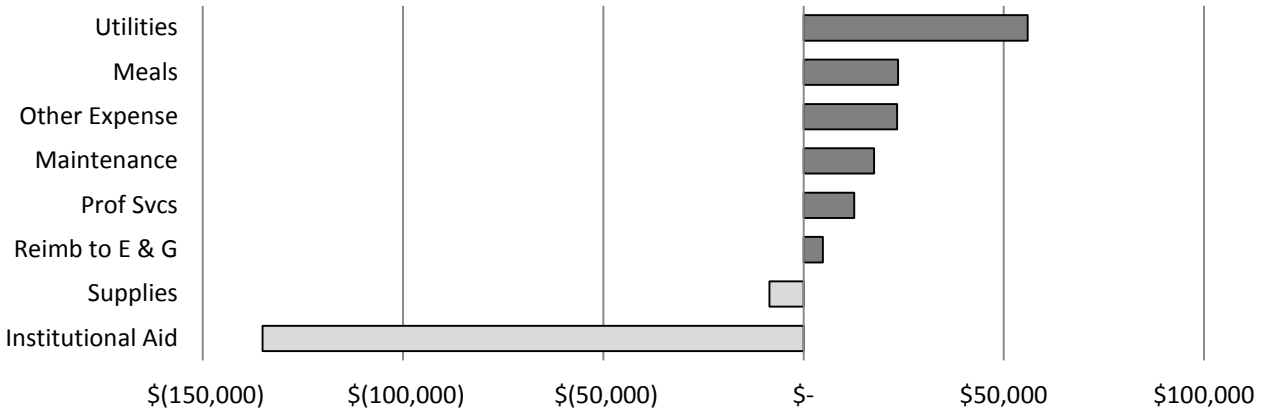


Figure 4: Auxiliary Revenues



Expenses fell by \$145,728 (3.3%) to \$4.3M primarily due to a \$151,601 reduction in equipment and capital expenditures. Prior year capital spending included a non-recurring purchase of a dish machine for the Student Union at a cost of \$141,609. Overall expenses were at 16.8% of the fiscal 2019 budget. Other year-over-year expense variances are outlined in Figure 5.

Figure 5: Auxiliary Expense Variances (FY 18 to FY 19)



Truman State University Foundation (Pages C1-C3)

Statement of Net Position (Page C1)

Fiscal year-to-date 2019 net position was \$56.1M (an increase of \$5.1M over prior year). Short term assets increased by \$46,093 year-over-year to \$3.4M. Long term assets also grew significantly by \$5.2M to \$53.4M. Long term asset growth was comprised of a \$5.2M increase in investments.

Current liabilities of \$182,287 were \$77,878 greater than prior year due to corresponding increases in accounts payable and refundable contributions of \$39,277 and \$24,411, respectively. The accounts payable variance was due to pending Foundation-funded capital payments that were processed in September. The refundable contributions were associated with the discontinued men’s tennis and wrestling teams. In the event these conditional contributions meet the threshold for funding the aforementioned programs, the donations will be reclassified to assets in a future period. Finally, non-current liabilities (annuities & trusts payable) grew by \$50,321 to \$522,907.

Statement of Revenues, Expenditures and Changes in Net Position (Page C2)

Contributions and additions to permanent endowments were \$511,779 (a \$195,423 increase over prior year). Fiscal year 2019 investment income (net of fees) was \$1.9M compared to \$788,157 last year. Interest and dividends grew by \$22,673. Realized gains decreased by \$41,612; however, unrealized gains grew by \$1.1M due to strengthening market conditions and rising interest rates.

Expenses and transfers to other Truman budgets totaled \$1.1M this year compared to \$715,778 a year ago (a \$359,996 increase). Significant increases were in Scholarships (\$26,002) and Transfers to Truman State University (\$333,494). Transfers consisted primarily of capital projects funded by the Foundation including: the Parents’ Red Barn Pavilion, the Sesquicentennial Plaza and upgrades to the Towne Museum.

Investments Schedule (Page C3)

Investments (including endowments, trusts and annuities) grew by \$5.1M to \$55.8M.

Truman State University
 Educational & General
 Budget to Actual
 For the period ending Aug 31

	FY19 Budget	FY19 To Date	Percent of Budget This Year	Percent of Budget Last Year
Education & General				
Revenues				
State Sourced Income	\$ 40,660,322	\$ 6,573,420	16.17%	
Local Income	\$ 54,583,000	\$ 27,514,568	50.41%	
Total Budgeted Revenues	\$ 95,243,322	\$ 34,087,988	35.79%	37.34%
Rollover from prior year	\$ 3,628,313			
Total Resources to Spend	\$ 98,871,635			
Expenses				
Salaries & Fringe Benefits				
Faculty/Staff Salaries	\$ 38,219,330	\$ 3,019,953	7.90%	
Student Employment	\$ 3,780,536	\$ 961,619	25.44%	
Fringe Benefits	\$ 14,462,020	\$ 1,517,538	10.49%	
Total Salaries & Fringe Benefits	\$ 56,461,886	\$ 5,499,110	9.74%	9.81%
Equipment & Capitalized Expense	\$ 2,949,354	\$ 3,869	0.13%	42.77%
Operations				
Other Expense	\$ 17,779,265	\$ 2,824,993	15.89%	
Institutional Aid	\$ 19,050,000	\$ 10,592,531	55.60%	
Utilities	\$ 2,631,130	\$ 497,016	18.89%	
Total Operations	\$ 39,460,395	\$ 13,914,540	35.26%	37.35%
Total Education & General Expense	\$ 98,871,635	\$ 19,417,519	19.64%	21.52%

Truman State University
 Operating Receipts by Fund
 For the period ending Aug 31

	<u>FY17 Receipts</u>	<u>FY18 Receipts</u>	<u>FY19 Receipts</u>	<u>Change FY18 to FY19</u>	<u>% Change FY18 to FY19</u>
Education & General					
State Appropriation					
State Appropriation	\$ 7,223,538	\$ 6,573,420	\$ 6,573,420	\$ -	0.00%
Autism Funds	\$ 161,666	\$ -	\$ -	\$ -	0.00%
Total State Sourced Income	\$ 7,385,204	\$ 6,573,420	\$ 6,573,420	\$ -	0.00%
Enrollment Fees					
Enrollment Fees	\$ 25,731,315	\$ 26,322,036	\$ 24,735,637	\$ (1,586,399)	-6.03%
Course Fees	\$ 852,503	\$ 979,056	\$ 1,252,811	\$ 273,755	27.96%
Student Activity Fees	\$ 249,858	\$ 245,780	\$ 220,590	\$ (25,190)	-10.25%
Athletic Fees	\$ 321,981	\$ 317,396	\$ 297,540	\$ (19,856)	-6.26%
Health Clinic Fees	\$ 149,888	\$ 147,753	\$ 189,810	\$ 42,057	28.46%
Total Student Fees	\$ 27,305,545	\$ 28,012,021	\$ 26,696,388	\$ (1,315,633)	-4.70%
Other Income	\$ 703,033	\$ 719,897	\$ 818,180	\$ 98,283	13.65%
Total Education & General	\$ 35,393,782	\$ 35,305,338	\$ 34,087,988	\$ (1,217,350)	-3.45%

Truman State University
Operating Expense by Fund
For the period ending Aug 31

	<u>FY17</u> <u>Expense</u>	<u>FY18</u> <u>Expense</u>	<u>FY19</u> <u>Expense</u>	<u>Change</u> <u>FY18 to FY19</u>	<u>% Change</u> <u>FY18 to FY19</u>
Education & General					
Salaries & Fringe Benefits					
Faculty & Staff Salaries	\$ 3,381,627	\$ 3,165,052	\$ 3,019,953	\$ (145,099)	-4.58%
Student Salaries	\$ 993,724	\$ 950,315	\$ 961,619	\$ 11,304	1.19%
Fringe Benefits	\$ 1,604,558	\$ 1,501,280	\$ 1,517,538	\$ 16,258	1.08%
Total Salary & Fringe Benefits	\$ 5,979,909	\$ 5,616,647	\$ 5,499,110	\$ (117,537)	-2.09%
Equipment & Capital Expenses	\$ 404,328	\$ 953,443	\$ 3,869	\$ (949,574)	-99.59%
Operations					
Institutional Aid	\$ 11,159,987	\$ 11,294,555	\$ 10,592,531	\$ (702,024)	-6.22%
Professional Services	\$ 121,504	\$ 288,041	\$ 310,385	\$ 22,344	7.76%
Travel	\$ 347,974	\$ 394,906	\$ 251,860	\$ (143,046)	-36.22%
Utilities	\$ 481,150	\$ 523,884	\$ 497,016	\$ (26,868)	-5.13%
Supplies	\$ 491,291	\$ 441,181	\$ 554,442	\$ 113,261	25.67%
Maintenance Contracts	\$ 745,797	\$ 662,153	\$ 623,844	\$ (38,309)	-5.79%
Communications	\$ 96,568	\$ 174,319	\$ 115,885	\$ (58,434)	-33.52%
Maintenance & Repair	\$ 141,270	\$ 32,204	\$ 19,579	\$ (12,625)	-39.20%
Energy Lease Principal & Interest	\$ 210,000	\$ 210,000	\$ 210,000	\$ -	0.00%
Other Expense	\$ 842,620	\$ 683,142	\$ 738,998	\$ 55,856	8.18%
Total Operations	\$ 14,638,161	\$ 14,704,385	\$ 13,914,540	\$ (789,845)	-5.37%
Total Education & General	\$ 21,022,398	\$ 21,274,475	\$ 19,417,519	\$ (1,856,956)	-8.73%

Truman State University
 Auxiliary
 Budget to Actual
 For the period ending Aug 31

	FY19 Budget	FY19 To Date	Percent of Budget This Year	Percent of Budget Last Year
Auxiliary Systems				
Revenues				
Residence Halls	\$ 22,375,076	\$ 11,196,043	50.04%	
Student Union	\$ 1,334,549	\$ 556,240	41.68%	
Recreation Center	\$ 1,199,097	\$ 645,384	53.82%	
Other Auxiliary	\$ 449,105	\$ 40,705	9.06%	
Total Budgeted Revenues	\$ 25,357,827	\$ 12,438,372	49.05%	51.31%
Rollover from prior year	\$ 480,233			
Total Resources to Spend	\$ 25,838,061			
Expenses				
Salaries & Fringe Benefits				
Salaries	\$ 2,224,267	\$ 321,411	14.45%	
Student Salaries	\$ 1,421,819	\$ 200,627	14.11%	
Fringe Benefits	\$ 1,253,351	\$ 525,562	41.93%	
Total Salaries & Fringe Benefits	\$ 4,899,436	\$ 1,047,600	21.38%	22.29%
Equipment /Capitalized Expense	\$ 781,203	\$ 2,924	0.37%	18.94%
Operations				
Bond Principal & Interest	\$ 3,655,096	\$ -	0.00%	
Meals/Banquets/Refreshments	\$ 8,550,000	\$ 772,799	9.04%	
Other Expense	\$ 3,896,325	\$ 1,324,534	33.99%	
Institutional Aid	\$ 1,900,000	\$ 804,214	42.33%	
Utilities	\$ 2,156,000	\$ 384,217	17.82%	
Total Operations	\$ 20,157,421	\$ 3,285,764	16.30%	15.49%
Total Auxiliary Expense	\$ 25,838,061	\$ 4,336,288	16.78%	16.78%

Truman State University
 Operating Receipts by Fund
 For the period ending Aug 31

	<u>FY17</u> <u>Receipts</u>	<u>FY18</u> <u>Receipts</u>	<u>FY19</u> <u>Receipts</u>	<u>Change</u> <u>FY18 to FY19</u>	<u>% Change</u> <u>FY18 to FY19</u>
Auxiliary					
Residence Halls	\$ 11,917,910	\$ 12,052,860	\$ 11,196,043	\$ (856,817)	-7.11%
Student Union	\$ 579,970	\$ 591,417	\$ 556,240	\$ (35,177)	-5.95%
Recreation Center	\$ 688,304	\$ 693,119	\$ 645,384	\$ (47,735)	-6.89%
Other Auxiliary	\$ 54,065	\$ 38,431	\$ 40,705	\$ 2,274	5.92%
Total Auxiliary	<u>\$ 13,240,249</u>	<u>\$ 13,375,827</u>	<u>\$ 12,438,372</u>	<u>\$ (937,455)</u>	<u>-7.01%</u>

Truman State University
Operating Expense by Fund
For the period ending Aug 31

	FY17 Expense	FY18 Expense	FY19 Expense	Change FY18 to FY19	% Change FY18 to FY19
Auxiliary					
Salaries & Fringe Benefits					
Administrative & Staff Salaries	\$ 317,734	\$ 318,728	\$ 321,411	\$ 2,683	0.84%
Student Wages	\$ 176,741	\$ 202,745	\$ 200,627	\$ (2,118)	-1.04%
Fringe Benefits	\$ 497,548	\$ 514,961	\$ 525,562	\$ 10,601	2.06%
Total Salary & Fringe Benefits	\$ 992,023	\$ 1,036,434	\$ 1,047,600	\$ 11,166	1.08%
Equipment & Capital Expenses	\$ 9,200	\$ 154,525	\$ 2,924	\$ (151,601)	-98.11%
Operations					
Institutional Aid	\$ 973,342	\$ 939,330	\$ 804,214	\$ (135,116)	-14.38%
Supplies	\$ 103,435	\$ 82,950	\$ 74,445	\$ (8,505)	-10.25%
Maintenance Contracts	\$ 102,990	\$ 54,265	\$ 50,084	\$ (4,181)	-7.70%
Communications	\$ 13,799	\$ 10,116	\$ 10,431	\$ 315	3.11%
Meals-Contract Food Service	\$ 731,980	\$ 774,388	\$ 772,799	\$ (1,589)	-0.21%
Meals-Other	\$ 187,734	\$ 243,132	\$ 268,317	\$ 25,185	10.36%
Utilities	\$ 389,622	\$ 328,270	\$ 384,217	\$ 55,947	17.04%
Professional Services	\$ 29,924	\$ 166,016	\$ 178,688	\$ 12,672	7.63%
Reimbursement to E & G	\$ 441,850	\$ 497,500	\$ 502,311	\$ 4,811	0.97%
Maintenance & Repair	\$ 23,639	\$ 31,264	\$ 53,042	\$ 21,778	0.00%
Other Expense	\$ 258,091	\$ 163,826	\$ 187,216	\$ 23,390	14.28%
Total Operations	\$ 3,256,406	\$ 3,291,057	\$ 3,285,764	\$ (5,293)	-0.16%
Total Auxiliary	\$ 4,257,629	\$ 4,482,016	\$ 4,336,288	\$ (145,728)	-3.25%

Truman State University Foundation
Statement of Net Position
August 31, 2017 Compared to August 31, 2018

ASSETS	31-Aug-17 FY18	31-Aug-18 FY19	Change FY18 to FY19
Current Assets			
Cash	\$ 187,602	\$ 313,747	\$ 126,145
Short Term Investments	\$ 2,994,361	\$ 2,924,225	\$ (70,135)
Loans Receivable, net of allowance	\$ 183,935	\$ 174,018	\$ (9,917)
Total Current Assets	\$ 3,365,898	\$ 3,411,990	\$ 46,093
Non-Current Assets			
Investments	\$ 47,657,797	\$ 52,826,586	\$ 5,168,789
Loans Receivable, net of allowance	\$ 357,050	\$ 406,042	\$ 48,992
Cash Value of Life Insurance	\$ 125,135	\$ 134,422	\$ 9,287
Total Non-Current Assets	\$ 48,139,981	\$ 53,367,050	\$ 5,227,068
Total Assets	\$ 51,505,879	\$ 56,779,040	\$ 5,273,161
LIABILITIES			
Current Liabilities			
Accounts Payable	\$ 43,032	\$ 82,309	\$ 39,277
Refundable Advance	\$ -	\$ 24,411	\$ 24,411
Annuities & Trusts Payable	\$ 61,377	\$ 75,568	\$ 14,190
Total Current Liabilities	\$ 104,409	\$ 182,287	\$ 77,878
Non-Current Liabilities			
Annuities & Trusts Payable	\$ 472,586	\$ 522,907	\$ 50,321
Total Non-Current Liabilities	\$ 472,586	\$ 522,907	\$ 50,321
Total Liabilities	\$ 576,995	\$ 705,195	\$ 128,199
NET POSITION	\$ 50,928,883	\$ 56,073,845	\$ 5,144,962

Truman State University Foundation
Statement of Revenues, Expenses & Changes in Net Position
August 31, 2017 Compared to August 31, 2018

	<u>31-Aug-17</u> <u>FY18</u>	<u>31-Aug-18</u> <u>FY19</u>	<u>Change</u> <u>FY18 to FY19</u>
Operating Revenue			
Interest on Student Loan Receivable	\$ 4,638	\$ 3,988	\$ (650)
Total Operating Revenues	<u>\$ 4,638</u>	<u>\$ 3,988</u>	<u>\$ (650)</u>
Operating Expenses			
Scholarships	\$ 524,995	\$ 550,997	\$ 26,002
Supplies & Other Services	\$ 56,302	\$ 58,196	\$ 1,894
Travel Expense	\$ 14,914	\$ 23,222	\$ 8,308
Other Expense	\$ 29,125	\$ 19,423	\$ (9,702)
Total Operating Expenses	<u>\$ 625,336</u>	<u>\$ 651,837</u>	<u>\$ 26,502</u>
Operating Gain (Loss)	<u>\$ (620,697)</u>	<u>\$ (647,849)</u>	<u>\$ (27,152)</u>
Non-Operating Revenues (Expenses)			
Contributions	\$ 263,350	\$ 139,628	\$ (123,722)
Interest & Dividends	\$ 181,600	\$ 204,273	\$ 22,673
Realized Gain (Loss)	\$ 74,973	\$ 33,362	\$ (41,612)
Unrealized Gain (Loss)	\$ 549,760	\$ 1,652,999	\$ 1,103,239
Other Non-Operating Income	\$ 5,012	\$ 6,221	\$ 1,209
Other Non-Operating Expense	\$ (18,177)	\$ (19,885)	\$ (1,709)
Net Non-Operating Revenues (Expenses)	<u>\$ 1,056,519</u>	<u>\$ 2,016,598</u>	<u>\$ 960,079</u>
Income before other Revenues, Expenses, Gains, Losses & Transfers	<u>\$ 435,822</u>	<u>\$ 1,368,748</u>	<u>\$ 932,926</u>
Additions to Permanent Endowments	\$ 53,006	\$ 372,150	\$ 319,144
Transfers to Education & General for Administration	\$ (19,883)	\$ (19,883)	\$ -
Transfers to Education & General	\$ (58,408)	\$ (100,376)	\$ (41,968)
Transfer to Auxiliary - Other	\$ (1,679)	\$ (457)	\$ 1,222
Transfer to Capital Fund - Current	\$ (10,473)	\$ (89,472)	\$ (78,999)
Transfer to Capital Fund - Plant	\$ -	\$ (213,749)	\$ (213,749)
Increase (Decrease) in Net Assets	<u>\$ 398,385</u>	<u>\$ 1,316,962</u>	<u>\$ 918,577</u>
Net Position, Beginning of Year	\$ 50,530,498	\$ 54,756,883	
Net Position Ending Balance	<u><u>\$ 50,928,883</u></u>	<u><u>\$ 56,073,845</u></u>	<u><u>\$ 5,144,962</u></u>

**Truman State University Foundation
Investments Schedule
August 31, 2017 Compared to August 31, 2018**

Investments	31-Aug-17 FY18	31-Aug-18 FY19
Invested with Outside Manager		
Endowment Pool	\$ 45,829,328	\$ 50,737,451
Total Endowment Pool	\$ 45,829,328	\$ 50,737,451
Short-Term Pool	\$ 2,994,361	\$ 2,924,225
Student Investment Fund	\$ 105,755	\$ 120,130
Long Trust	\$ 714,875	\$ 759,551
Courtright Elmwood Unitrust	\$ 33,112	\$ 33,794
Annuities Payable - CGA	\$ 879,068	\$ 1,076,972
Fitzpatrick - CA CGA	\$ 69,566	\$ 71,153
Annuities Payable - FL CGA	\$ 26,094	\$ 27,534
Total Investments	\$ 50,652,158	\$ 55,750,811
Beneficial Interest in Trusts		
Invested through Citizens Bank, Chillicothe, MO Ludlow Trust	\$ 233,956	\$ 241,284
Invested through First Bankers Trust, Quincy, IL Cozean Trust	\$ 333,350.12	\$ 341,909
Invested through Citizens Bank, Chillicothe, MO Lyle Ingraham Trust	\$ 3,030,748	\$ 3,169,563
Total Beneficial Interest in Trusts	\$ 3,598,055	\$ 3,752,756

ITEM G

Academic and Student Affairs Committee Report

DESCRIPTION AND BACKGROUND

Governor Laura A. Crandall, Chair of the Academic and Student Affairs Committee, will provide a report on the committee meeting held on October 8.

RECOMMENDED ACTION

This is a discussion item only.

ITEM H

Budget and Capital Projects Committee Report

DESCRIPTION AND BACKGROUND

Governor Mike LaBeth, Chair of the Budget and Capital Project Committee, will provide a report on the committee meeting held on October 10.

RECOMMENDED ACTION

This is a discussion item only.

ITEM H.1

Construction Projects Report

DESCRIPTION AND BACKGROUND

The following report is an update on construction projects which have been approved by the Board at previous meetings.

RECOMMENDED ACTION

This is a discussion item only.

ATTACHMENT

Construction Projects Report

Construction Projects Report

<u>Project Project Name</u>	<u>Budget</u>	<u>Approval Date</u>	<u>Expenditure To Date</u>	<u>Completion Status*</u>	<u>Occupancy**</u>	<u>Project Completion</u>	<u>Final Project Cost</u>
Missouri Hall Dining/ Kitchen Project	\$4,400,000	8-5-17	\$3,232,307	73%	8-8-18		
Campbell Apartments Balcony Repair Project	\$ 689,000	2-3-18	\$ 322,297	47%	7-31-18		
Pickler Memorial Library Fire Suppression Systems Project	\$3,115,000	4-14-18	\$1,547,768	49%	1-11-19		
Student Union Building Audio/Visual Technology Improvements Project	\$ 115,000	4-14-18		0%	10-31-18		
Fair Apartments Asbestos Abatement and Demolition Project	\$ 179,000	4-14-18	\$ 173,610	97%	8-1-18		
Missouri Hall Carpet Replacement Project	\$ 151,814	4-14-18	\$ 151,814	100%	8-3-18	8-8-18	\$151,814
Student Union Building Food Service Project	\$ 337,000	8-4-18		0%	1-14-19		

*completion status based on payments made

**occupancy date based on primary construction contract

ITEM H.2

Contracts for Construction Projects and Equipment Purchases Report

DESCRIPTION AND BACKGROUND

The following is a report of construction projects and equipment purchases totaling \$25,000 to \$100,000 which have been approved since the last meeting of the Board.

RECOMMENDED ACTION

This is a discussion item only.

ATTACHMENT

Contracts for Construction Projects/Equipment Purchases

Contracts for Construction Projects

The following construction projects totaling \$25,000 to \$100,000 have been approved since the last meeting of the Board.

<u>Project Name</u>	<u>Cost</u>
Miscellaneous Painting Project This project entailed miscellaneous painting projects across campus including trim on the Adair House and University Residence, the bridge between McClain and Baldwin Halls, gates at Stokes Stadium, and various doors and railings around campus. The invitation to bid was sent to four area painters and contractors, advertised in two newspapers, and posted on the Purchasing website. The project was awarded to Rentschler Painting from Kirksville, Missouri, the only contractor to submit a bid. Two other contractors who found the project on our website visited campus but both chose to not submit a bid.	\$80,465
Magruder Flooring Project The project removed and replaced the worn flooring on the main corridor of the second floor of Magruder Hall with a more durable vinyl tile. Walk-off carpet was also installed in the entries. The invitation to bid was sent to six firms, advertised in two newspapers, and posted on the Purchasing website. Two bids were received. The project was awarded to Richardet Floor Covering from Perryville, Missouri.	\$59,991

Equipment Purchases

The following single items of equipment totaling \$25,000 to \$100,000 have been approved since the last meeting of the Board.

<u>Description</u>	<u>Cost</u>
None to report	

ITEM H.3

Architectural Services – Greenwood Center Windows/Recreation Center Improvements Project

DESCRIPTION AND BACKGROUND

This project would replace approximately two-thirds of the windows in the Greenwood Building. The windows to be replaced in this project are those facing Normal Avenue and Halliburton Street, leaving a number of existing windows in the rear of the building which can be removed at a later date to allow construction materials to be moved into the structure. The Recreation Center alarm system is original to the building (1996) and is difficult to repair due to unavailability of parts. It recently has been producing numerous false alarms. In addition, significant temperature variations caused by the Recreation Center HVAC controls system need to be diagnosed.

The procedure for state agencies seeking architectural engineering or land surveying services is outlined in statute. It involves a review of qualifications of firms on file or those which have submitted qualifications for a proposed project. In evaluating the qualifications, the following criteria are used:

1. The specialized experience and technical competence of the firm with respect to the type of services required;
2. The capacity and capability of the firm to perform the work in question, including specialized services, within the time limitations fixed for the completion of the project;
3. The past record of performance of the firm with respect to such factors as control of costs, quality of work, and ability to meet schedules; and
4. The firm's proximity to and familiarity with the area in which the project is located.

Based on a review of credentials on file and previous work performed at Truman, a selection committee including representatives from Campus Planning and Physical Plant recommends that Wm. B. Ittner, Inc., St. Louis, MO, be selected for the project. This firm has successfully completed several similar projects on campus and is already engaged in the Violette Hall roof replacement and Recreation Center masonry repairs scheduled for summer 2019. A copy of their proposal for these additional services is attached, and the services would be performed under the terms of the existing contract with Wm. B. Ittner, Inc.

Funding for this project will come from the line item state capital appropriation for Greenwood Windows and Recreation Center reserves based on the actual cost of construction. Project approval is requested at this time to allow bidding early in 2019 to obtain competitive pricing before contractors become scheduled for the summer construction period.

RECOMMENDED ACTION

BE IT RESOLVED that the proposal from Wm. B. Ittner, Inc. to provide architectural services for the Greenwood Center Windows/Recreation Center Improvements Project, with the fees and work for such services to be within the guidelines of the proposal, be approved; and

BE IT FURTHER RESOLVED that the President of the University, or her designee, be authorized to execute a contract with the firm for the project; and

BE IT FURTHER RESOLVED that a copy of the proposal be attached to and made a part of the minutes for this meeting.

Moved by _____
Seconded by _____
Vote: Aye _____
Nay _____

ATTACHMENT

Proposal Summary



September 27, 2018

Mr. Mark Schultz, AIA, CSI
Campus Planning Office, McClain Hall
Truman State University
100 East Normal
Kirksville, Missouri 63501

RE: Reference Contract: Limited Roof Replacements at Violette Hall and Miscellaneous Exterior Repairs at the Student Recreation Center Project for:
Proposed Additional Services for the Greenwood School Windows and the Student Recreation Center Fire Alarm and HVAC Controls

Dear Mark,

Ittner is pleased to have another opportunity to provide professional design services to Truman State University. We are submitting this proposal letter to confirm our mutual understanding of the scope of additional services requested and to serve as our authorization to proceed.

I. General Contract Terms:

The terms of our Prime Agreement, AIA Document B101-2017, dated August 6, 2018, shall apply unless otherwise noted in this agreement.

II. Project Description:

The proposed additional services are as follows:

1. Design a windows replacement package on the most prominently visible, street-facing, four of the six facades of the Greenwood School.
2. Design a complete fire alarm system replacement at the Student Recreation Center (see Attachment B).
3. Assess and report on the HVAC controls system performance at the Student Recreation Center (see Attachment B).
4. Administer the additional work during the bidding and negotiation, and construction phases.

III. Scope of Services:

Ittner will provide the project management and architectural design services. McClure Engineering (St. Louis) will provide the fire protection, plumbing, mechanical, and electrical engineering consulting services. No other engineering services are anticipated.

IV. Schedule:

Additional services will be performed concurrent with the Basic Services schedule in the Prime Agreement.

Optimizing human performance
and experience through
informed design.

Wm. B. Ittner, Inc.
611 N. Tenth Street, Suite 200
St. Louis, Missouri 63101
314.421.3342

330 Salem Place, Suite 110
Fairview Heights, Illinois 62206
618.674.2666

www.ittnerarchitects.com

ITTNER

V. Cost of the Work:

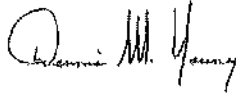
The estimated cost of the work for windows replacement at the Greenwood School and MEP work at the Student Recreation Center has not been defined at this time.

VI. Compensation:

Compensation for additional services shall be in accordance with Attachment A – Additional Services Compensation Analysis, plus reimbursable expenses.

After you have had an opportunity to review this additional services proposal, please acknowledge your approval to proceed by signing and returning one copy of this agreement for our file.

Sincerely,
Wm. B. Ittner, Inc.



Dennis M. Young
President & CEO

Accepted By:
Truman State University

Name

Title

Date

Additional Services Compensation Analysis

Attachment A

Student Recreation Center Fire Alarm & HVAC Controls and Greenwood School Ltd. Windows Replacement

Truman State University

ITTNER

Date: September 18, 2018

Task Description	Manhour Budget	Billing Rate (avg)	Detail Subtotal	Grand Totals
A. Ittner in-house services:			\$ 45,718	
B. McClure Engineering services (see Attachment B - McClure Proposal):			\$ 69,100	
Grand Total Lump Sum Fee, excluding reimbursable expenses:			\$ 114,818	

MCCLURE ENGINEERING

ATTACHMENT B

Revised September 27, 2018

Mr. Todd Powers
Ittner Architects
611 N. 10th Street
St. Louis, Missouri 63101

Re: Proposal for Engineering Services
for TSU Rec Center

Dear Todd:

We are pleased to present you with this proposal to provide professional engineering services for the project referenced above. Below is our understanding of the project along with our Scope of Work and Fee.

Description of Project

We understand that the project consists of replacement of the fire alarm system and an assessment of the performance of the temperature control system at the student recreation center. We will fully engineer the fire alarm system and provide bid documents illustrating device locations, and necessary fire alarm interlocks to HVAC equipment. We will observe and evaluate the temperature control system operation to complete an assessment and make recommendations for changes.

Scope of Work

We propose the following Scope of Work:

- a. Perform an initial on-site observation, followed by a series of remote observations to support the assessment of the temperature control system. The on-site efforts will be used to assess system functional status, general condition, and future reliability. The remote observations will entail collection of trend data and analysis of installed program logic.
- b. Consultation with key staff for operations input.
- c. Prepare a summary report with recommendations for the temperature control system, as well as an implementation proposal request for programming modifications

required to be issued to the control vendor. If hardware modifications are required, that will be addressed in a separate effort that will be identified in a future proposal.

- d. Participate in review meetings to review progress, discuss options, and clarify report findings.
- e. Commission software modifications to the temperature control system in the implementation effort.
- f. Perform field investigations as necessary to refine the scope of operations for the fire alarm system.
- g. Prepare a construction cost opinion for project appropriation.
- h. Prepare bid documents for the fire alarm system including schematics, floor plan drawings with device locations and specifications.

Fee for Basic Services

We propose to perform the above Scope of Work for a **Fixed Fee of \$69,100** including reimbursable expenses. A breakdown of this fee proposal between the fire alarm and temperature control areas of work is included below for your reference. Additional services will be billed based on the attached rate schedule.

Temperature Control System Assessment	\$36,000
Fire Alarm System Replacement	<u>\$33,100</u>
Proposal Total	\$69,100

We do not anticipate any travel or subconsultant expenses; however, we will request authorization in the event that these expenses arise and bill for these per the terms of this proposal or the contract.

Additional Services

Additional Services include all services that are not part of the Scope of Work as described above. This includes those services that arise as a result of unforeseen circumstances and will require an additional fee. Typical items included in Additional Services are as follows:

- a. Services resulting from changes in scope or magnitude of the project as described and agreed to under the Scope of Work.
- b. Services in connection with a public hearing, arbitration, or legal proceedings.

- c. Energy Modeling or Utility Program rebate documentation.
- d. Acoustical analysis.
- e. Arc flash study.

The above fee is valid for a period of 90 days from the date of this proposal, after which McClure Engineering reserves the right to retain or modify it to reflect changing economic conditions. Attached is a copy of our standard Terms and Conditions. We will invoice for our services on a monthly basis as the work progresses, and invoices are payable net 30 days.

Please sign below and return one copy of this letter proposal to acknowledge your understanding of our Scope of Work, Fee, and Terms and Conditions, and to authorize us to proceed. Please call me if you have any questions regarding this proposal.

Very Truly Yours,



Peter W. McDonnell

Accepted for Ittner Architects

By: _____

Title: _____

Date: _____

PWM:jac
Enclosure: Rate Schedule (dated January 1, 2018)

MCCLURE ENGINEERING

January 1, 2018

RATE SCHEDULE

<u>Category</u>	<u>Hourly Rate</u>
Principal	\$238
Project Manager	\$183
Senior Engineer	\$170
Engineer	\$148
Lighting Designer	\$148
Senior Technician	\$148
Technician	\$124
Designer	\$124
Project Administrator	\$90
Drafter	\$90
Clerical	\$78

Reimbursable expenses are in addition to hourly fees and include expenses incurred by McClure Engineering in the interest of the project. Unless otherwise defined by contract, reimbursable expenses shall be invoiced and include the following:

- Travel at cost.
- Automobile mileage at the published IRS Standard Mileage Rate.
- Reproductions of drawings, specifications, and other documents at cost.
- Courier and delivery charges at cost.
- Fees paid for securing permits and approvals.
- Sub-consultant expenses at cost plus 5%.

ITEM I
Agenda Items for Future Meetings

DESCRIPTION AND BACKGROUND

A list of projected agenda items for the regular meetings during the next year follows this page.

RECOMMENDED ACTION

This is a discussion item only.

ATTACHMENT

List of Projected Agenda Items

LIST OF PROJECTED AGENDA ITEMS
Regular Meetings of Board of Governors
Year Following the December 2018 Meeting

December 2018 Meeting

Participation in campus events
Minutes for open session of last meeting
President's report
Advancement and/or foundation report
Academic affairs report
Student affairs report
Enrollment management report
Annual staff council report
Financial report
Construction projects report
Housing charges for next fiscal year
Governmental relations services (as contract expires)
Selection of officers for next calendar year
Annual board committee appointments
Annual foundation board appointments
Dates and agenda items for future meetings
Minutes for closed session of last meeting
Personnel actions report
Paid leaves of absence for next fiscal year
Tenure review for faculty members completing their review period at end of fall semester

February 2019 Meeting

Participation in campus events
Annual photograph of board and president
Recognition of past board chair
Minutes for open session of last meeting
President's report
Advancement and/or foundation report
Academic affairs report
Student affairs report
Enrollment management report
Annual legislative consultant report
Annual student government report
Financial report
Construction projects report
External audit firm (as contract expires)
Academic calendar (as needed)
Board of Governors conflict of interest policy review
Dates and agenda items for future meetings
Minutes for closed session of last meeting
Personnel actions report
Annual general counsel evaluation committee appointments

(NOTE: Agenda items noted in red are discretionary reports and subject to change.)

April 2019 Meeting

Participation in campus events
Minutes for open session of last meeting
President's report
Advancement and/or foundation report
Academic affairs report
Student affairs report
Enrollment management report
Annual faculty senate report
Financial report
Construction projects report
Depository bank for next two fiscal years (as contracts expire)
Food service contractor (as contracts expire)
Bookstore contractor (as contracts expire)
Enrollment fees for next fiscal year
Dates and agenda items for future meetings
Minutes for closed session of last meeting
Personnel actions report
Treasurers for next fiscal year
Annual general counsel evaluation and appointment for next fiscal year
Board begins annual presidential review process as outlined in presidential review timeline

June 2019 Meeting/Retreat

Participation in campus events
Minutes for open session of last meeting
President's report
Advancement and/or foundation report
Academic affairs/assessment report
Student affairs report
Enrollment management report
Financial report
Construction projects report
State capital funds request for next legislative session
Enrollment fees for next fiscal year
Operating budgets for next fiscal year
Salary policies for next fiscal year
Union agreement renewal (in even numbered years)
Dates and agenda items for future meetings
Minutes for closed session of last meeting
Personnel actions report
Tenure review
Faculty promotions
Annual presidential review

August 2019 Meeting

Participation in campus events
Minutes for open session of last meeting

(NOTE: Agenda items noted in red are discretionary reports and subject to change.)

President's report
Advancement and/or foundation report
Academic affairs report
Student affairs report
Enrollment management report
Annual athletics report
Annual staff council report
Financial report
Construction projects report
Local capital budgets for current fiscal year
State appropriation request for next fiscal year
Honorary degree consideration
Dates and agenda items for future meetings
Minutes for closed session of last meeting
Personnel actions report
Board concludes annual presidential review process as outlined in presidential review timeline

October 2019 Meeting

Participation in campus events
Minutes for open session of last meeting
President's report
Advancement and/or foundation report
Academic affairs report
Student affairs report
Enrollment management report
Financial report
Audit report
Construction projects report
Dates and agenda items for future meetings
Minutes for closed session of last meeting
Personnel actions report

The following items will be added to the agendas as needed:

University strategic plan reports
Campus master plan reports
Reports from administrative areas
Approval of new or revised policies
Approval of architects and/or engineers for construction projects
Approval of new construction projects over \$100,000
Approval of equipment purchases and leases over \$100,000
Approval of consulting services over \$10,000
Approval of change orders for major changes in construction projects
Approval of real estate acquisitions
Litigation and legal action reports

(NOTE: Agenda items noted in red are discretionary reports and subject to change.)

ITEM J

Dates for Future Meetings

DESCRIPTION AND BACKGROUND

It is helpful to schedule, at least tentatively, the dates for board meetings during the next year. The tentatively scheduled dates are subject to change by the Board, but the preliminary action permits both Board members and staff members to avoid the scheduling of other activities on the targeted dates for board meetings. In addition to the regularly scheduled meetings, special meetings can be called by the President of the Board or by three members of the Board. A schedule of calendar events for the next year follows this page.

RECOMMENDED ACTION

BE IT RESOLVED that the next regular meeting of the Board of Governors be scheduled for Saturday, December 1, 2018, on the University campus in Kirksville, Missouri, beginning at 1:00 p.m., with the understanding that the Chair may alter the starting time and/or place for the meeting by giving due notice of such change; and

BE IT FURTHER RESOLVED that other regular meetings of the Board during the next year be tentatively scheduled for the following dates:

- Saturday, December 1, 2018;
- Saturday, February 9, 2019;
- Saturday, April 13, 2019;
- Saturday, June 15, 2019; and
- Saturday, August 3, 2019; and
- Friday, October 18, 2019.

Moved by _____
 Seconded by _____
 Vote: Aye _____
 Nay _____

ATTACHMENT

Calendar of Events October 2018 – October 2019

CALENDAR OF EVENTS
October 2018 - October 2019

2018

October	8-13	Homecoming Week
	12	BOARD OF GOVERNORS MEETING
	13	Home Football - Quincy
	18-19	Mid-Term Break
November	3	Home Football - Indianapolis
	3	Admission Showcase Event
	13	Lyceum: Ain't Misbehavin', Baldwin Auditorium, 7:30 p.m.
	22	Thanksgiving Day
December	1	BOARD OF GOVERNORS MEETING (TENTATIVE DATE)
	8	Lyceum: m-pact, Baldwin Auditorium, 7:30 p.m.
	15	Fall Commencement, 11:00 a.m.
	25	Christmas Day

2019

January	1	New Year's Day
	14	Spring Classes Begin
	21	Martin Luther King, Jr. Day
	29	Lyceum: Steel Magnolias, Baldwin Auditorium, 7:30 p.m.
February	2	Admission Showcase Event
	9	BOARD OF GOVERNORS MEETING (TENTATIVE DATE)
March	11-15	Spring Break
	21	Lyceum: Havana Cuba All-Stars, Baldwin Auditorium, 7:30 p.m.
	30	Admission Showcase Event
April	13	BOARD OF GOVERNORS MEETING (TENTATIVE DATE)
	13	Foundation Board Meeting and Banquet (Tentative)
	22	Term Break
	25	Student Research Conference
	27	Admission Showcase Event
May	11	Spring Commencement, 2:00 p.m.
	27	Memorial Day
	28	Summer School Begins
June	15	BOARD OF GOVERNORS MEETING/RETREAT (TENTATIVE DATE)
July	4	Independence Day
August	3	BOARD OF GOVERNORS MEETING (TENTATIVE DATE)
	14	Fall Semester Begins with Truman Week
September	2	Labor Day
	21	Family Day
October	10-11	Mid-Term Break
	14-19	Homecoming Week
	18	BOARD OF GOVERNORS MEETING (TENTATIVE DATE)

ITEM K
Agenda Items for Closed Session

RECOMMENDED ACTION

BE IT RESOLVED that this meeting be continued in closed session, with closed records and closed votes as permitted by law, for consideration of the following items as authorized by Section 610.021, Revised Statutes of Missouri:

1. Approval of minutes for the closed session of the last meeting under Subsection 14 of the statute for “Records which are protected from disclosure by law”;
2. Individual personnel actions under Subsection 3 of the statute for “Hiring, firing, disciplining or promoting of particular employees by a public governmental body when personal information about the employee is discussed or recorded”;
3. Confidential communications with the General Counsel; and
4. Purchase or sale of real estate under Subsection 2 of the statute for “Leasing, purchase or sale of real estate by a public governmental body where public knowledge of the transaction might adversely affect the legal consideration therefore; and

BE IT FURTHER RESOLVED that if any business not covered by the stated reasons for the closed session is raised during the closed session, then this meeting shall be reopened to the public and an announcement about a resumption of the open session shall be made in the hallway outside of the meeting room.

Moved by _____
Seconded by _____
Vote: Aye _____
Nay _____