
UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF
THE STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2013

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Independent Auditor's Report

Board of Governors
University of Central Missouri
A Component Unit of the State of Missouri
Warrensburg, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of University of Central Missouri (the University) and its discretely presented component unit, collectively, a component unit of the State of Missouri, as of and for the years then ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the University's 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 U.S. generally accepted accounting principles; 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 audit. We did not audit the financial statements of University of Central Missouri Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$42,941,248 and \$38,863,336 as of June 30, 2013 and 2012, respectively, and total revenues of \$7,892,228 and \$4,601,949, respectively, for the years then ended. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for University of Central Missouri Foundation, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of University of Central Missouri Foundation, which comprise the financial statements of the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of the other accountants are sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to these matters.

Other Matters

Management's Discussion and Analysis

The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the University's financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, 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* and should be considered in assessing the results of our audit.

RubinBrown LLP

October 14, 2013

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2013 And 2012

Overview

Established in 1871, the University of Central Missouri (the University) was originally known as the State Normal School for the Second Normal District, an institution created by the Missouri General Assembly to educate teachers for the state's public schools. Building upon this tradition, the University has evolved to meet academic and career needs of new generations of Missouri students and beyond as a major comprehensive institution with four academic colleges and 150 areas of study. The University has achieved national recognition for many of its academic programs, including aviation, criminal justice and education, and it is a leader among Missouri's public universities in program-specific accreditations.

The University takes ongoing pride in providing a student-centered learning environment where tenured professors teach the majority of classes. The University boasts a 17:1 student-faculty ratio and a graduate job placement rate above 90 percent, exceeding the national average for 19 consecutive years. The University's environment of student success helped the University reach a record enrollment of 12,494 students for the 2013 Fall semester, the highest in its 141-year history. The University's students are served by 490 full-time faculty members. 65 percent of the faculty members have earned doctorates.

The University is also well known for its culture of friendship and service that extends far outside its campus boundaries. It has 33 international exchange agreements with institutions worldwide, and more than 840 international students contribute to a diverse student body. Students from nearly every county in Missouri, 47 states and 63 countries from around the globe attend the University. Through our International Center, students can study in over 60 countries at more than 285 institutions.

The University is the only public university in Missouri to own and operate its own airport. Other special facilities which contribute to a quality learning environment include its 322,000-watt public broadcasting facilities, KMOS-TV, the Prussing Research Farm, and the Missouri Safety Center.

Academic Programs

The academic programs at the University are organized under four colleges: the College of Arts, Humanities, and Social Sciences; the Harmon College of Business and Professional Studies; the College of Education; and the College of Health, Science and Technology. The University also has the Honors College, which is one of the oldest honors colleges in the Midwest, and the School of Graduate and Extended Studies.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

In addition to opportunities on the Warrensburg campus, a number of degree programs can be taken at the University's main extended campus location, the 40,000-square-foot the University Summit Center in Lee's Summit, Missouri, which serves more than 1,000 students in the Kansas City metropolitan area. Many undergraduate courses and programs also are offered online. Including its airport and other special facilities, the University occupies more than 1,500 acres.

The University offers the following undergraduate degrees: Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Music, Bachelor of Music Education, Bachelor of Science, Bachelor of Science in Business Administration, Bachelor of Science in Education and Bachelor of Social Work. It offers Master of Arts, Master of Arts in Teaching, Master of Business Administration, Master of Science and Master of Science in Education degrees.

The University provides additional graduate-level study for Education Specialist degrees in the areas of School Administration, Curriculum and Instruction, and Human Services, in addition to cooperating with two other institutions on doctoral programs. The Ed.D. in Educational Leadership is conferred by the University of Missouri-Columbia, and the Ph.D. in Technology Management is conferred by Indiana State University.

Awards And Accomplishments

In the summer of 2012, the University of Central Missouri was named to two national lists that help guide students in their college selection process. The University was recognized by The Princeton Review as one of the best colleges and universities in the Midwest for the seventh consecutive year, and was also ranked by U.S. News & World Report among the nation's best regional institutions. U.S. News & World Report rankings are included in the 2013 Best Colleges guidebook.

The Princeton Review selected the University as one of its "Best in the Midwest" colleges and universities. As such, the University is one of 153 Midwestern schools named in the nationally known education services company's edition of "Best Colleges: Region by Region." Selection is based on a qualitative evaluation of academic excellence as well as results from student surveys, school visits and opinions of independent high school-based college advisers whose recommendations are invited. The Princeton Review does not numerically rank institutions.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

University Foundation

The University of Central Missouri Foundation (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's primary function is to raise and hold funds to support the University and its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. The Foundation is considered a component unit of the University because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University. During the years ended June 30, 2013 and 2012, the Foundation provided support to the University of \$3,018,220 and \$3,268,870, respectively.

Management Discussion And Analysis

This discussion and analysis of the University's financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2013, 2012 and 2011. Since the management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, it should be read in conjunction with the University's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

Effective July 1, 2004, the University adopted GASB Statement No. 39, Determining Whether Certain Organizations are Component Units - An Amendment of GASB Statement No. 14. The Foundation meets the criteria set forth for component units under GASB Statement No. 39. Thus, the University's Annual Report includes audited University Foundation financial statements which are prepared in accordance with Financial Accounting Standards Board (FASB) standards.

The University has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45), as of fiscal year ended June 30, 2008. The University is required to recognize the costs of other postemployment benefits in the accounting periods the benefits are earned rather than when benefits are paid or provided. The annual expense and liability associated with other postemployment benefits includes an estimate of the benefits attributed to services received from employees in the current year in addition to an amortization component related to past service costs.

UNIVERSITY OF CENTRAL MISSOURI
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Management's Discussion And Analysis (*Continued*)

During Fiscal Year 2013, the University implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position (GASB 63) and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Please see New Accounting Standards Adopted in Note 1 of the financial statements for further details.

The University has entered into an Asset Purchase Agreement with KCPT in Kansas City for the sale of the University's radio station KTBG. The transaction and resulting transfer of the radio station license requires Federal Communications Commission (FCC) approval which was granted on September 19, 2013. The FCC approval is published and a 40 day public comment period is required before the approval becomes final and KCPT has certain transmitting requirements to be concluded before closing of the transaction.

The U.S. Department of Education (DOE) conducted a program review of the University of Central Missouri's administration of Title IV programs in April of 2012. The review covered financial aid award years of 2009 - 2010, 2010 - 2011 and 2011 - 2012. The University has not received the final program report and this is a continuing open review.

Statement Of Net Position

The Statement of net position presents the consolidated financial position of the University at a point in time. The statement of net position has four major components which include 1.) Assets, 2.) Deferred Outflows of Resources, 3.) Liabilities, and 4.) Net Position. A description of each component is as follows:

Assets - Current assets are those anticipated to be liquidated within one year or less and include items such as cash and cash equivalents, investments, accounts receivable, inventories, loans to students and prepaid expenses. Non-current assets include that portion of accounts receivable, investments, loans to students and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment, etc.

Deferred outflows of resources - Deferred Outflows are the consumption of net position that are applicable to a future reporting period. These balances are attributable to the deferred amount on debt refundings.

UNIVERSITY OF CENTRAL MISSOURI
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Management's Discussion And Analysis (*Continued*)

Liabilities - Current liabilities are those anticipated to be recognized within one year or less and include items such as accounts payable and accrued liabilities, accrued compensated absences, unearned revenue, interest payable, student deposits, the current portion of long-term debt and accrued settlements. Non-current liabilities include that portion of accrued liabilities, compensated absences, long-term debt and settlements that are not due within one year.

Net Position - Net position represents the University's total assets, plus deferred outflows of resources, less total liabilities. Net position is classified in three major categories which include 1.) Net Investment in Capital Assets, 2.) Restricted, and 3.) Unrestricted.

1.) Net Investment in Capital Assets represents buildings, building improvements, equipment, etc. that is net of accumulated depreciation and related debt.

2.) Restricted net position are those whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital projects.

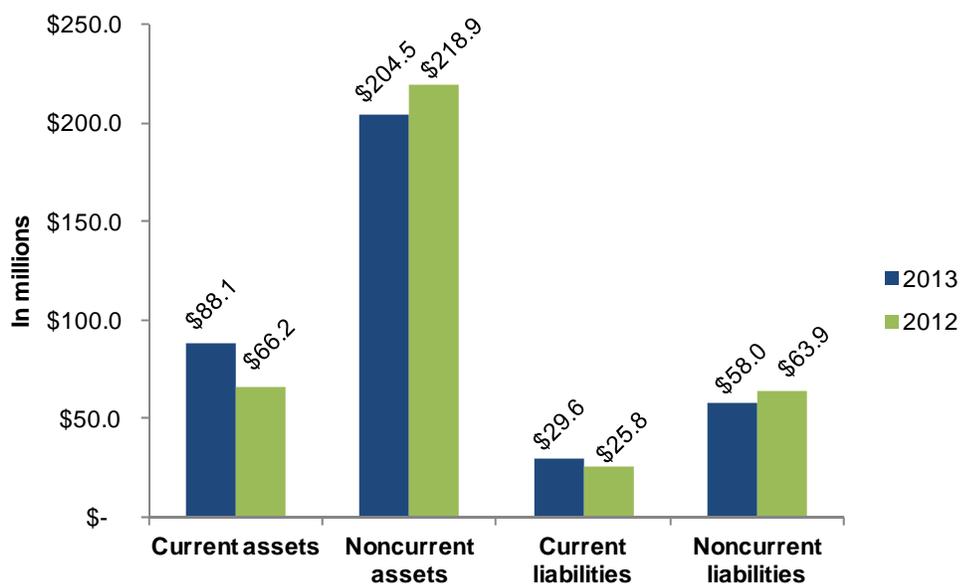
3.) Unrestricted net position represent balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet received.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

A summary of the University's assets, deferred outflows of resources, liabilities and net position at June 30 (in millions):

	<u>2013</u>	<u>2012</u>
Current assets	\$ 88.1	\$ 66.2
Noncurrent assets	204.5	218.9
Total assets	292.6	285.1
Deferred outflows of resources	0.2	0.3
Current liabilities	29.6	25.8
Noncurrent liabilities	58.0	63.9
Total liabilities	87.6	89.7
Net position		
Net investment in capital assets	121.6	120.4
Restricted	11.3	11.0
Unrestricted	72.3	64.3
Total Net Position	\$ 205.2	\$ 195.7



UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

Comparative Analysis Of Fiscal Years 2013 And 2012

Current assets - Current assets for Fiscal Year 2013 totaled \$88.1 million which is an increase of \$21.9 million from Fiscal Year 2012 current assets of \$66.2 million. This increase is attributed to total cash and short-term investments increasing as a result of the University's investment in short term securities at year end.

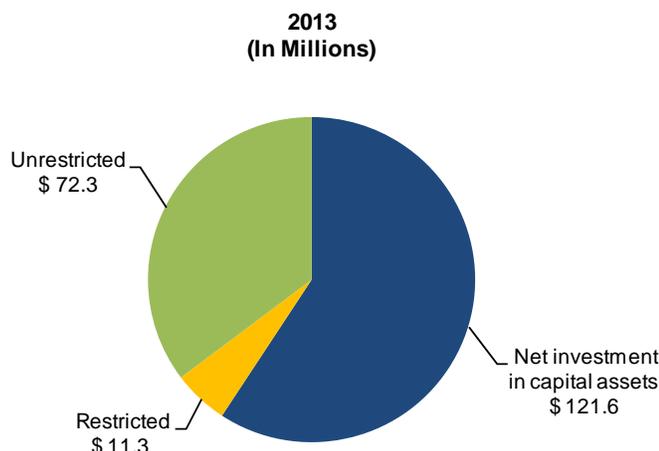
Non-current assets - Total non-current assets decreased approximately \$14.4 million. The decrease is primarily due to a shift in the University carrying a larger amount of short term investments at year end. In addition, the University had a decrease in capital asset of approximately \$4.3 million resulting from assets being fully depreciated and asset retirements.

Deferred outflows of resources - Total deferred outflows of resources had a minimal decrease due to the annual amortization of deferred amounts on debt defeasance.

Current liabilities - Current liabilities totaled \$29.6 million increasing by approximately \$3.8 million compared to the prior year total of \$25.8 million. This is primarily attributed to an increase in accounts payable and accrued liabilities of \$2.7 million. In addition, unearned revenue increased by \$0.9 million due to additional summer credit hour production.

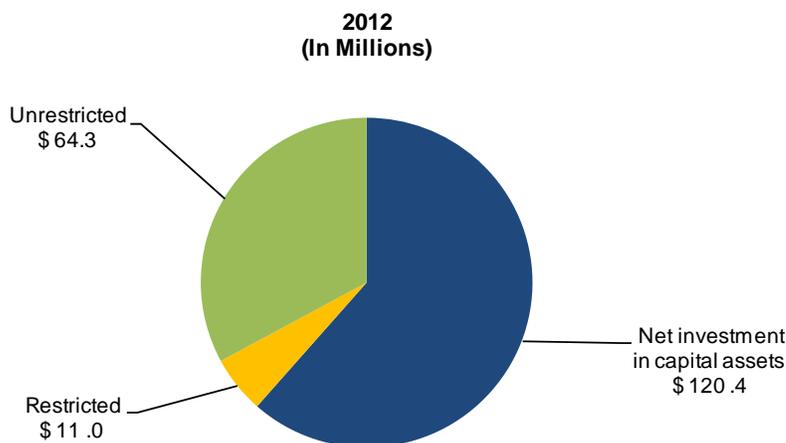
Non-current liabilities - Total non-current liabilities decreased approximately \$5.9 million. This decrease is primarily attributed to the debt service principal payments.

Net position - At June 30, 2013, the University's net position was \$205.2 million. This was comprised of unrestricted - \$72.3 million; net investment in capital assets - \$121.6 million; restricted for loans - \$6.7 million and other restricted - \$4.6 million.



UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)



Comparative Analysis Of Fiscal Years 2012 And 2011

Current assets - Current assets for fiscal year 2012 totaled \$66.2 million which was an increase of \$5.8 million from fiscal year 2011 current assets of \$60.4 million. This increase was attributed to total cash and short-term investments increasing as a result of the University's investment in short term securities at year end.

Non-current assets - Total non-current assets decreased approximately \$6.0 million. The decrease was primarily due to a shift in the University carrying a larger amount of short term investments at year end. In addition, the University had a decrease in capital asset of approximately \$2.0 million resulting from retirements of assets.

Current liabilities - Current liabilities totaled \$25.8 million decreasing by approximately \$2.7 million compared to the prior year total of \$28.5 million. This was primarily attributed to a decrease in accounts payable and accrued liabilities of \$2.7 million.

Non-current liabilities - Total non-current liabilities decreased approximately \$5.2 million. This decrease was primarily attributed to the debt service principal payments. In addition, the amount of long-term liabilities decreased due to regular debt service payments and a decrease in other non-current liabilities totaling (\$0.2 mil).

Net position - At June 30, 2012, the University's net position was \$195.7 million. These were comprised of unrestricted - \$64.3 million; net investment in capital assets - \$120.4 million; restricted for loans - \$6.7 million and other restricted - \$4.3 million.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

Operating Results

The statement of revenues, expenses and changes in net position (SRECNP) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and non-operating categories, and provide a view of the University's operating margin. Comparative summary statements of revenue, expenses and changes in net position for the years ended June 30, are as follows (in millions):

	<u>2013</u>	2012
Operating Revenues		
Tuition and fees	\$ 77.2	\$ 76.3
Scholarship allowances	(15.7)	(14.9)
Net tuition and fees	61.5	61.4
Federal grants and contracts	0.8	1.6
State grants and contracts	0.1	0.1
Auxiliary enterprises	37.7	33.8
Scholarship allowances	(4.5)	(4.3)
Net auxiliary enterprises	33.2	29.5
Other	8.9	8.1
Total Operating Revenues	104.5	100.7
Operating Expenses	171.2	165.7
Operating Loss	(66.7)	(65.0)
Non-Operating Revenues (Expenses)		
State appropriation	51.6	51.2
Federal grants and contracts	20.1	19.3
State grants and contracts	1.6	0.6
Other grants and contracts	1.0	1.2
Gain (loss) on disposal of capital assets	0.1	(0.1)
Contributions	2.8	2.0
Investment income	0.2	0.2
Interest on capital asset-related debt	(2.1)	(2.8)
Other non-operating expenses	(0.1)	(0.3)
Net Non-Operating Revenues	75.2	71.3
Increase In Net Position	8.5	6.3
Capital Grants And Gifts	1.1	1.3
Net Position - Beginning Of Year As Restated	195.7	188.1
Net Position - End Of Year	\$ 205.2	\$ 195.7

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

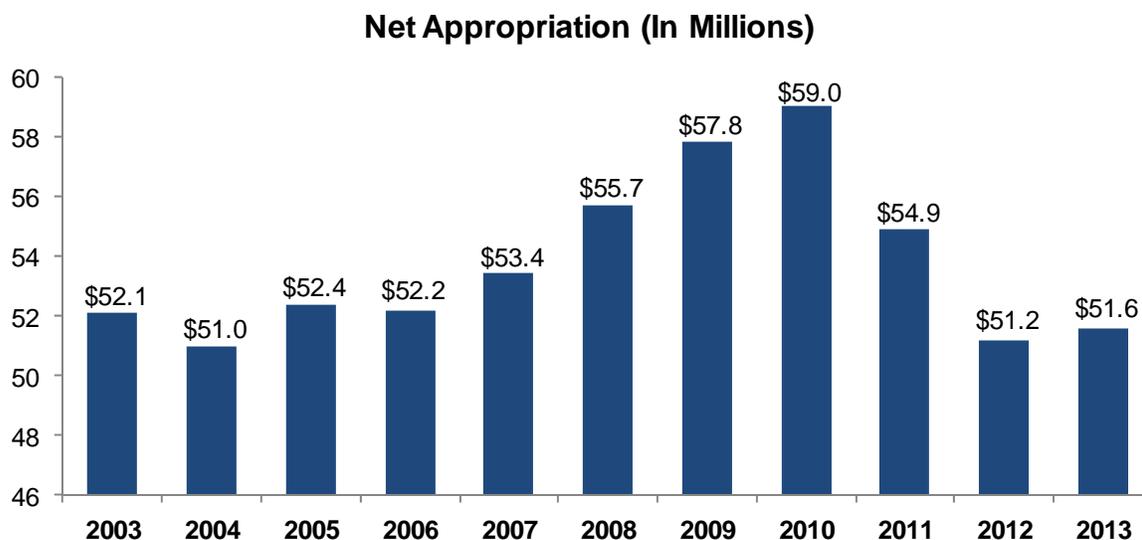
Comparative Analysis Of Fiscal Years 2013 And 2012

Operating revenues - For the year ended June 30, 2013, tuition and fee revenues (net of scholarship allowances and bad debt expense) increased approximately \$0.1 million compared to fiscal year 2012 as a result of an increase in enrollment (2.3%) and a tuition and fee increase (3.0%). Fiscal year 2012 tuition and fees were approximately \$4.7 million above the year ended June 30, 2011 as the result of 3.4% increase in enrollment and a tuition and fee increase (4.2%).

Auxiliary enterprises experienced an increase of \$3.7 million above fiscal year 2012 which is primarily attributed to a student housing rate increase of 5.13% for fiscal year 2013 coupled with an increase in on-campus student residents.

Non-operating revenues - Although state appropriations are considered part of the University's budgeting process and specifically included as general operating funds, the Governmental Accounting Standards Board (GASB) require state appropriations to be separately reported as non-operating revenue.

The University's financial position is closely tied to the State of Missouri and the associated general revenue and lottery proceeds appropriated by the Legislature. State appropriation revenue remained almost constant in fiscal year 2013 compared to fiscal year 2012. Following is a historical trend of the University's state appropriation funding (net of withholdings).

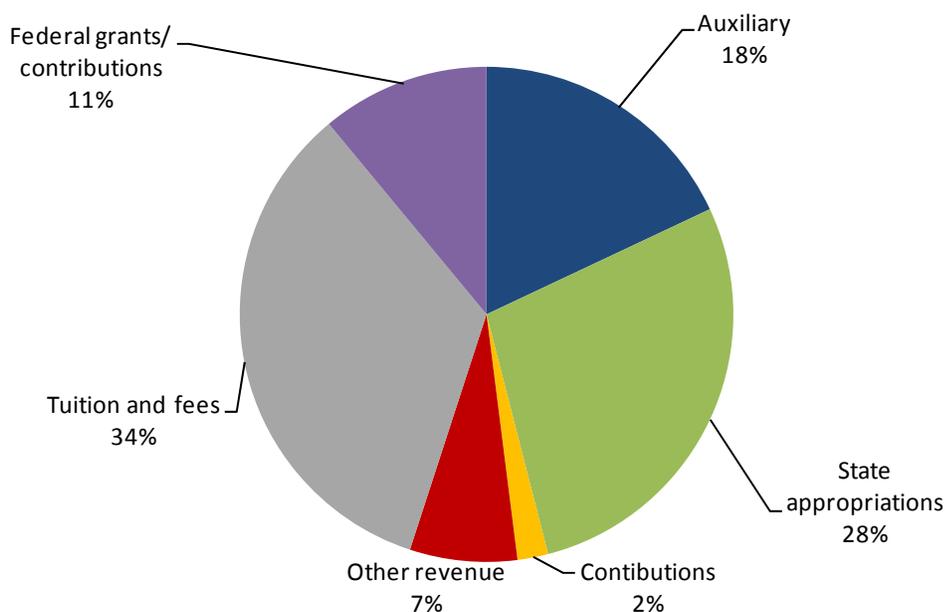


UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

Fiscal Year 2013 interest on capital asset related debt decreased approximately \$0.7 million over fiscal year 2012 primarily due to the advanced refunding of debt to take advantage of lower interest rates. Federal grants and contracts revenue increased by \$0.8 million over fiscal year 2012 amount of \$19.3 million primarily due to increase in awarded federal financial aid program revenues.

The following graph summarizes the University's fiscal year 2013 revenue sources:



Operating Expenses
For The Years Ended June 30,
(In Millions)

	<u>2013</u>	<u>2012</u>
Compensation and benefits	\$ 101.0	\$ 99.8
Contractual services	13.5	12.3
Supplies and materials	13.9	13.4
Scholarships and fellowships	7.3	7.2
Depreciation	14.9	14.6
Utilities	5.4	5.3
Other	15.2	13.1
	<u>\$ 171.2</u>	<u>\$ 165.7</u>

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

Operating expenses - Total operating expenses increased \$5.5 million from \$165.7 million in fiscal year 2012 to \$171.2 million in fiscal year 2013.

Fiscal year 2013 Compensation and Benefits increased \$1.2 million from the prior year resulting from an increase in health care premiums (\$0.4 million) and a one percent across the board salary increase (\$0.8 million).

Supplies and materials increased \$0.5 million over fiscal year 2012's total of \$13.4 million primarily due to continued upgrading of residential housing furniture and equipment. Contractual services increased \$1.2 million over fiscal year 2012 primarily due to an increase in food service expenses (\$0.3 million) and other contracted services increase (\$0.9 million) associated with the Dale Carnegie program and the University's sprinkler system maintenance contract.

Fiscal year 2013 depreciation expense increased \$0.3 million from the prior year resulting from fiscal year 2012 new assets put into use - Telecom & Information Technology Infrastructure Equipment, Aviation T-Hangars and other capital expenditures.

In addition, other expenses increased by \$2.1 million over fiscal year 2012 due to increases in maintenance and repair expense (\$0.5 mil), travel and food (\$0.5 mil), software maintenance contracts (\$0.5 mil), and advertising and other expenses (\$0.6 mil) for fiscal year 2013.

For the year ended June 30, 2012, operating expenses increased by approximately \$0.2 million above the year ended June 30, 2011. This increase was primarily related to decreased expenses of \$2.8 million for compensation and benefits resulting from the faculty early retirement program, decrease in administrative salaries and wages due to a 90 day hiring freeze, and a decrease in the annual recording of costs associated with GASB 45.

Supplies and materials decreased \$1.2 million over fiscal year 2011 due to one-time furniture and equipment expenditures associated with the newly constructed Student Recreation and Wellness Center. Scholarships and fellowships decreased by \$0.5 million primarily due to reduction of funded scholarship allowances. Depreciation expense increased by \$2.9 million from the prior year which resulted from the addition of new assets put into use - Student Recreation and Wellness Center, Morrow Garrison Renovation, Audrey J. Walton Clubhouse and the ESCO Energy Savings Program.

UNIVERSITY OF CENTRAL MISSOURI
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Management's Discussion And Analysis (*Continued*)

Cash Flows
For The Years Ended June 30,
(In Millions)

	<u>2013</u>	<u>2012</u>
Cash Provided By (Used In)		
Operating activities	\$ (48.2)	\$ (53.9)
Non-capital financing activities	77.1	73.3
Capital and related financing activities	(17.5)	(18.8)
Investing activities	0.2	(7.4)
Increase (Decrease) In Cash And Cash Equivalents	11.6	(6.8)
Cash And Cash Equivalents - Beginning Of Year	6.6	13.4
Cash And Cash Equivalents - End Of Year	\$ 18.2	\$ 6.6

The Statement of cash flows shows the sources and uses of University cash. The statement presents a beginning and ending cash balance only that does not include the University's investment in CD's, Treasury or Government Securities or Corporate Bonds.

During the year ended June 30, 2013, cash used in operating activities amounted to (\$48.2) million, which resulted from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, and associated collections that were offset by payments to suppliers, utilities, employees, scholarships and fellowships and other payments. Cash provided by non-capital financing activities of \$77.1 million includes state appropriations, gifts and grants for other than capital purposes and other receipts.

Cash used for capital and related financing activities was (\$17.5) million. The University had capital expenditures of \$9.6 million including: \$1.1 million in Nickerson Hall Remodel, \$0.8 million Stadium Scoreboards, \$0.5 million in KMOS-TV Equipment. Additional other capital expenditures totaling approximately \$7.2 million include various roof replacements, parking lot improvements, residential housing furnishings, various building improvements and capital equipment purchases. Capital related financing included principal and interest on capital debt and leases of \$8.0 million which were partially offset by gifts and grants for capital purposes of \$1.1 million. Cash and cash equivalents at June 30, 2013, were \$18.2 million, which increased \$11.6 million from June 30, 2012. This increase is attributed to less cash being invested in short term and long term securities versus the prior year.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Management's Discussion And Analysis (*Continued*)

During the year ended June 30, 2012, cash used in operating activities amounted to (\$53.9) million, which resulted from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, and associated collections that were offset by payments to suppliers, utilities, employees, scholarships and fellowships and other payments. Cash provided by non-capital financing activities of \$73.3 million included state appropriations, gifts and grants for other than capital purposes and other receipts. Cash used for capital and related financing activities was (\$18.8) million. This included purchases of capital assets (\$11.3) million, principal and interest on capital debt and leases (\$7.5 million) which were partially offset by state appropriations for capital purposes of \$1.3 million. Cash and cash equivalents at June 30, 2012, were \$6.6 million, which decreased \$6.8 million from June 30, 2011.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF NET POSITION

June 30, 2013 And 2012

Page 1 Of 2

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 16,767,793	\$ 6,287,828
Restricted cash and cash equivalents - current	1,496,849	366,117
Short-term investments	56,110,893	46,109,448
Accounts Receivable, net of allowance; 2013 - \$5,721,176; 2012 - \$6,077,466	6,010,365	5,636,880
Interest receivable	62,100	135,452
Federal and grants receivable	1,580,566	1,606,049
Due from Foundation	57,216	58,098
Inventories	3,432,646	3,228,375
Loans to students, net	1,307,096	1,399,703
Prepaid expenses	1,230,271	1,339,681
Total Current Assets	88,055,795	66,167,631
Noncurrent Assets		
Investments	14,072,890	24,032,341
Loans to students, net	5,955,905	6,099,905
Due from Foundation	391,813	422,817
Capital assets, net	184,103,206	188,383,191
Total Noncurrent Assets	204,523,814	218,938,254
Total Assets	292,579,609	285,105,885

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF NET POSITION

June 30, 2013 And 2012

Page 2 Of 2

	2013	2012
Deferred Outflows Of Resources		
Deferred amount on debt refundings	\$ 224,877	\$ 281,563
<hr/>		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	17,162,639	14,461,593
Accrued compensated absences	2,056,389	2,075,566
Unearned revenue	3,567,858	2,668,000
Interest payable	501,048	541,176
Long-term debt	6,121,389	5,889,973
Accrued settlement	50,000	50,000
Student deposits	116,018	147,707
Total Current Liabilities	29,575,341	25,834,015
Noncurrent Liabilities		
Accrued compensated absences	1,766,357	1,670,010
Accrued settlement	391,813	422,817
Other long-term liability	1,179,827	987,414
Long-term debt	54,660,400	60,781,708
Total Non-Current Liabilities	57,998,397	63,861,949
Total Liabilities	87,573,738	89,695,964
Net Position		
Net investment in capital assets	121,614,078	120,364,806
Restricted for		
Non-Expendable		
Loans	6,664,940	6,670,690
Expendable		
Scholarships and fellowships	40,133	42,133
Loans	1,208,637	1,209,847
Other	3,379,016	3,129,079
Unrestricted	72,323,944	64,274,929
Total Net Position	\$ 205,230,748	\$ 195,691,484

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013 And 2012

	2013	2012
Assets		
Cash and cash equivalents	\$ 806,437	\$ 1,959,350
Investments	39,378,572	35,026,330
Contributions receivable, net	1,384,435	550,053
Other receivables	1,945	—
Accrued investment income	136,971	166,061
Cash surrender value or life insurance	362,493	335,069
Beneficial interest in charitable trusts, net	861,973	825,723
Prepaid expenses	8,422	750
Total Assets	\$ 42,941,248	\$ 38,863,336
Liabilities		
Annuities payable	\$ 1,279,361	\$ 1,341,488
Accrued expenses	224,074	146,663
Total Liabilities	1,503,435	1,488,151
Net Assets		
Unrestricted	3,783,929	3,726,580
Temporarily restricted	17,298,533	14,314,385
Permanently restricted	20,355,351	19,334,220
Total Net Assets	41,437,813	37,375,185
	\$ 42,941,248	\$ 38,863,336

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Years Ended June 30, 2013 And 2012
Page 1 Of 2

	2013	2012
Operating Revenues		
Tuition and fees, net of scholarship allowances; 2013 - \$15,729,002; 2012 - \$14,881,681 and bad debt expense; 2013 - \$1,000,582; 2012 - \$1,113,727	\$ 61,529,664	\$ 61,449,851
Federal grants and contracts	836,186	1,617,743
State grants and contracts	64,010	80,602
Interest on student receivables	612,543	575,299
Sales and services of educational activities	2,177,303	1,980,746
Auxiliary enterprises		
Housing, net of scholarship allowances; 2013 - \$4,542,913; 2012 - \$4,307,304	18,355,233	18,103,023
Bookstore	6,443,172	6,357,523
Other auxiliary enterprises	8,352,137	5,031,542
Other operating revenues	6,142,275	5,503,070
Total Operating Revenues	104,512,523	100,699,399
Operating Expenses		
Compensation and benefits	101,049,388	99,795,573
Contractual services	13,486,272	12,301,651
Supplies and services	13,859,371	13,396,951
Scholarships and fellowships	7,296,318	7,159,294
Depreciation	14,936,701	14,574,318
Utilities	5,407,163	5,328,828
Other	15,167,876	13,102,827
Total Operating Expenses	171,203,089	165,659,442
Operating Loss	(66,690,566)	(64,960,043)

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
For The Years Ended June 30, 2013 And 2012
Page 2 Of 2**

	2013	2012
Nonoperating Revenues (Expenses)		
State appropriations	\$ 51,595,668	\$ 51,182,273
Federal grants and contracts	20,104,132	19,264,091
State grants and contracts	1,607,107	542,798
Other grants and contracts	937,510	1,227,774
Contributions	2,863,745	2,024,807
Gain (loss) on disposal of capital assets	50,520	(93,580)
Investment income	201,922	217,878
Interest on capital asset - related debt	(2,112,739)	(2,777,416)
Other nonoperating expenses	(78,544)	(324,547)
Net Nonoperating Revenues	75,169,321	71,264,078
 Income Before Other Revenues And Expenses, Gains Or Losses	 8,478,755	 6,304,035
Capital Grants And Gifts	1,060,509	1,300,997
 Increase In Net Position	 9,539,264	 7,605,032
Net Position - Beginning Of Year, As Restated	195,691,484	188,086,452
Net Position - End Of Year	\$ 205,230,748	\$ 195,691,484

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Unrestricted</u>	<u>Total</u>
Revenue And Other Support				
Gifts	\$ 233,623	\$ 2,331,344	\$ 1,029,230	\$ 3,594,197
In-kind gifts	840	738,548	—	739,388
Other income	53	87,878	1,328	89,259
Investment income	132,802	717,298	9,076	859,176
Net realized and unrealized gain on investments	623,484	1,901,738	84,986	2,610,208
Net assets released from restrictions	2,907,958	(2,907,958)	—	—
Total Revenue And Other Support	3,898,760	2,868,848	1,124,620	7,892,228
Expenses				
Foundation expenses				
General administrative expenses	296,310	—	—	296,310
Fundraising expenses	230,813	—	—	230,813
Contributions to the University for the following purposes				
Program expenses:				
Scholarships	1,018,251	—	—	1,018,251
Academic support - TV/Radio	610,650	—	—	610,650
Student services - athletics	630,661	—	—	630,661
Instruction and other departmental	599,118	—	—	599,118
Support services				
Institutional support - plant facilities	454,750	—	—	454,750
Total Expenses	3,840,553	—	—	3,840,553
Increase In Net Assets Before Other Changes	58,207	2,868,848	1,124,620	4,051,675
Other Changes				
Adjustments to actuarial liability of annuities payable	—	(18,996)	24,949	5,953
Other	(858)	134,296	(128,438)	5,000
Total Other Changes	(858)	115,300	(103,489)	10,953
Increase In Net Assets	57,349	2,984,148	1,021,131	4,062,628
Net Assets - June 30, 2012	3,726,580	14,314,385	19,334,220	37,375,185
Net Assets - June 30, 2013	\$ 3,783,929	\$ 17,298,533	\$ 20,355,351	\$ 41,437,813

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF ACTIVITIES For The Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Unrestricted</u>	<u>Total</u>
Revenue And Other Support				
Gifts	\$ 252,318	\$ 2,002,713	\$ 1,653,086	\$ 3,908,117
In-kind gifts	1,396	314,552	—	315,948
Other income	253	65,588	—	65,841
Investment income	419,470	433,175	6,689	859,334
Net realized and unrealized gain on investments	(56,671)	(480,088)	(10,532)	(547,291)
Net assets released from restrictions	3,197,964	(3,197,964)	—	—
Total Revenue And Other Support	3,814,730	(862,024)	1,649,243	4,601,949
Expenses				
Foundation expenses				
General administrative expenses	402,863	—	—	402,863
Fundraising expenses	218,248	—	—	218,248
Contributions to the University for the following purposes				
Program expenses				
Scholarships	602,629	—	—	602,629
Academic support - TV/Radio	413,313	—	—	413,313
Student services - athletics	424,992	—	—	424,992
Instruction and other departmental	333,250	—	—	333,250
Support services				
Institutional support - plant facilities	1,359,980	—	—	1,359,980
Total Expenses	3,755,275	—	—	3,755,275
Increase (Decrease) In Net Assets Before Other Changes	59,455	(862,024)	1,649,243	846,674
Other Changes				
Adjustments to actuarial liability of annuities payable	—	(2,240)	10,378	8,138
Other	(73,351)	(15,576)	71,582	(17,345)
Reclassification of net assets	(638,675)	458,237	180,438	—
Total Other Changes	(712,026)	440,421	262,398	(9,207)
Increase (Decrease) In Net Assets	(652,571)	(421,603)	1,911,641	837,467
Net Assets - June 30, 2011	4,379,151	14,735,988	17,422,579	36,537,718
Net Assets - June 30, 2012	\$ 3,726,580	\$ 14,314,385	\$ 19,334,220	\$ 37,375,185

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2013 And 2012
Page 1 Of 2

	2013	2012
Cash Flows From Operating Activities		
Tuition and fees	\$ 62,056,037	\$ 61,360,602
Grants and contracts	900,196	1,698,345
Sales and services of educational activities	2,177,303	1,980,746
Payments to suppliers	(24,770,462)	(28,872,561)
Payments for utilities	(5,407,163)	(5,328,828)
Payments to employees	(100,779,805)	(99,989,283)
Payments for scholarships and fellowships	(7,296,318)	(7,159,294)
Loans issued to students	(1,133,716)	(1,386,239)
Collection of loans to students	1,982,866	1,812,957
Sales and services of auxiliary enterprises	33,118,853	29,602,168
Other payments	(9,025,601)	(7,599,757)
Net Cash Used In Operating Activities	(48,177,810)	(53,881,144)
Cash Flows From Noncapital Financing Activities		
State appropriations	51,595,668	51,182,273
Gifts and grants for other than capital purposes	25,537,977	22,552,151
Other payments	(46,658)	(384,875)
Net Cash Provided By Noncapital Financing Activities	77,086,987	73,349,549
Cash Flows From Capital And Related Financing Activities		
Proceeds from sale of capital assets	60,106	90,726
Purchase of capital assets	(9,605,794)	(11,381,375)
Principal paid on capital debt and leases	(5,889,973)	(4,975,925)
Interest paid on capital debt and leases	(2,096,100)	(2,542,789)
Net Cash Used In Capital And Related Financing Activities	(17,531,761)	(18,809,363)

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2013 And 2012
Page 2 Of 2

	2013	2012
Cash Flows From Investing Activities		
Investment income	\$ 446,327	\$ 200,450
Proceeds from sales and maturities of investments	44,000,000	33,960,000
Purchases of investments	(44,213,047)	(41,558,606)
Net Cash Provided By (Used In) Investing Activities	233,280	(7,398,156)
Net Increase (Decrease) In Cash And Cash Equivalents	11,610,696	(6,739,114)
Cash And Cash Equivalents - Beginning Of Year	6,653,945	13,393,059
Cash And Cash Equivalents - End Of Year	\$ 18,264,641	\$ 6,653,945
Reconciliation Of Changes In Net Position To Net		
Cash Used In Operating Activities		
Adjustments to reconcile changes in net position to net cash used in operating activities:		
Operating loss	\$ (66,690,566)	\$ (64,960,043)
Depreciation	14,936,701	14,574,318
Changes in assets and liabilities:		
Increase (decrease) in accounts receivable and student loans	(136,878)	15,415
Increase in inventory	(204,271)	(187,449)
(Increase) decrease in prepaid expenses	109,410	(243,904)
Increase (decrease) in accounts payable and accrued liabilities	2,670,042	(2,742,606)
Increase (decrease) in unearned revenue	899,858	(161,420)
Increase (decrease) in salaries and benefits	269,583	(193,710)
Increase (decrease) in student deposits	(31,689)	18,255
Net Cash Used In Operating Activities	\$ (48,177,810)	\$ (53,881,144)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 1,709,903	\$ 837,808
Capital assets donated	261,252	24,989

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

NOTES TO FINANCIAL STATEMENTS
June 30, 2013 And 2012

1. Summary Of Significant Accounting Policies

Nature Of Operations

University of Central Missouri (the University) is a state educational institution organized and existing under the laws of the State of Missouri and is a component unit of the State of Missouri. The University was founded in 1871 and is one of 13 four-year, public-supported institutions of higher education in Missouri. The University's main campus is located in the city of Warrensburg and offers a variety of programs and services at multiple locations.

Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Direct Loan, Federal Perkins Loan, Academic Competitiveness Grants and National Science and Mathematics Access to Retain Talent Grants. The University extends unsecured credit to students.

Basis Of Accounting And Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets 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. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

New Accounting Standards Adopted

In fiscal year 2013, the University adopted two new accounting standards as follows:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), establishes a new statement of net position format that reports separately all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The Statement requires deferred outflows of resources and deferred inflows of resources to be reported separately from assets and liabilities. The financial reporting impact resulting from the implementation of GASB 63 in the University's financial statements was the renaming of "Net Assets" to "Net Position", including changing the name of the financial statement from "Statement of Net Assets" to "Statement of Net Position".

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65), amends or supersedes the accounting and financial reporting guidance for certain items previously required to be reported as assets or liabilities. The University has early adopted this statement as it is effective for periods beginning after December 15, 2012. As a result the following assets and liabilities have been reclassified, as indicated:

Asset Or Liability Item	New Classification	Amount (In Thousands)
Deferred amount on refunding (previously included in bonds payable, net)	Deferred outflows of resources	\$ 224,877
Bond issuance costs (the unamortized portion was previously reported as an asset)	Outflow of resources	\$ —

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

In addition, as a result of implementing this statement, certain reclassifications and presentation changes to the statement of net position were required. The effect of these changes has been applied retroactively; as a result the beginning of year net position has been changed to reflect the expensing of bond issuance costs. The impact of these changes on the University's financial statements is as follows:

	<u>July 1, 2011</u>
Net position, as previously reported	\$ 188,776,921
Effect of change in accounting related to bond issuance costs	<u>(690,469)</u>
Net position, as restated	<u>\$ 188,086,452</u>

Use Of Estimates

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

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2013 and 2012, cash equivalents consisted primarily of money market funds.

Investments And Investment Income

Investments in U.S. Treasury obligations and U.S. agencies obligations are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable are recorded net of estimated uncollectible amounts. The University records an allowance for doubtful student accounts receivable that is based on various factors, such as historical collection information and existing economic conditions.

Deferred Outflows Of Resources

Deferred amounts on debt refundings incurred as a result of revenue bond refundings have been deferred and are being amortized over the life of the bonds using the straight-line method. Total amortization was \$56,767 for the years ended June 30, 2013 and 2012.

Inventories

Inventories include bookstore merchandise, golf equipment and consumable 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. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$980,308 for the years ended June 30, 2013 and 2012.

Capital Assets

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

Land improvements	15 years
Buildings and improvements	15 - 40 years
Infrastructure	15 years
Furniture, fixtures and equipment	5 - 15 years
Library materials	10 years

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

The University capitalizes interest costs as a component of construction in progress, based on the weighted average rates paid for long-term borrowing for projects not funded with tax-exempt debt. For those projects funded with tax-exempt debt, interest costs of borrowing specifically for the project are capitalized net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

	<u>2013</u>	<u>2012</u>
Interest costs capitalized for projects with no specific borrowings	\$ 114,446	\$ 155,986
Interest capitalized	114,446	155,986
Interest charged to expense	<u>2,112,739</u>	<u>2,777,416</u>
	<u>\$ 2,227,185</u>	<u>\$ 2,933,402</u>

Compensated Absences

University policies permit most employees to accumulate vacation 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 are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net 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 represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Net Position

The University classifies its net position into four components:

Net investment in capital assets - This represents the University's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition or construction of those assets or related debt also should be included in this component of net position.

Restricted expendable - These are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

Restricted nonexpendable - These are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, including the federal portion of loan funds and funds held for which the income is used to provide scholarships.

Unrestricted - The unrestricted portion of net position is the net amount of remaining assets less remaining liabilities that are not included in the determination of net investment in capital assets or the restricted components of net position.

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 and (3) interest on student loans.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Government Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 2013 and 2012, were \$15,729,002 and \$14,881,681, respectively. The scholarship allowances on housing for the years ended June 30, 2013 and 2012, were \$4,542,913 and \$4,307,304, respectively.

Income Taxes

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

Accrued Settlement

In 2001, the University was named the beneficiary of an estate, which was contested by a relative of the deceased. During Fiscal Year 2003, the University settled the dispute. The University has recorded a liability at June 30, 2013 and 2012, of \$441,813 and \$472,817, respectively, which represents the present value of the future annuity obligations under the settlement agreement. The liability has been determined using a discount rate of 3.6% and applicable mortality tables. This liability is to be funded by proceeds of the estate which are held by University of Central Missouri Foundation (Note 5).

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Foundation

University of Central Missouri Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's primary function is to raise and hold funds to support the University and its programs. The Foundation's Board of Directors consists of elected members of alumni, friends and other supporters of the University.

Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the years ended June 30, 2013 and 2012, the Foundation provided \$3,018,220 and \$3,268,871, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: UCM Smiser Alumni Center, Warrensburg, Missouri 64093.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the University's financial reporting entity for these differences.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 financial statement presentation. These reclassifications had no effect on the change in net position.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (Continued)

2. Deposits, Investments And Investment Return

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 must comply with the provisions of state policy which requires all deposits placed in financial institutions to be at least 100% collateralized with securities that are acceptable to the Missouri State Governor, Missouri State Treasurer and the Missouri State Auditor. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a nonaffiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts.

At June 30, 2013 and 2012, the University's bank balances were \$34,374,422 and \$24,367,557, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2013 or 2012.

Investments

The University may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At June 30, 2013 and 2012, the University had the following investments and maturities:

Type	2013		
	Fair Value	Less Than 1	1 - 5
U.S. Treasury obligations	\$ 54,068,203	\$ 46,070,313	\$ 7,997,890
U.S. agencies obligations	2,013,194	2,013,194	—
	<u>\$ 56,081,397</u>	<u>\$ 48,083,507</u>	<u>\$ 7,997,890</u>

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Type	2012		
	Fair Value	Less Than 1	1 - 5
U.S. Treasury obligations	\$ 46,030,624	\$ 26,048,283	\$ 19,982,341
U.S. agencies obligations	8,033,514	8,033,514	—
	<u>\$ 54,064,138</u>	<u>\$ 34,081,797</u>	<u>\$ 19,982,341</u>

Interest Rate Risk - Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The University's investment policy does not address interest rate risk.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University's policy to limit its investments in corporate bonds to "A", "AA" and "AAA" as rated by Standard and Poor's and Moody's Investors Services. At June 30, 2013 and 2012, the University had no investments in corporate bonds. At June 30, 2013, the University had one Federal Farm Credit Bank security that was rated AA by Standard and Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment policy does not address custodial risk. All of the University's investments at June 30, 2013 and 2012, are held in the University's name.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University's investment policy permits it to hold up to 25% of total investments, including certificates of deposit, in corporate bonds, with no more than 5% of its investments to be invested with any one issuer. The University's investment policy requires the ratio of investments in corporate bonds to be reviewed on an annual basis. The University places no restrictions on investments in direct obligations of the U.S. government, U.S. agency issues, U.S. government guaranteed securities or repurchase agreements that are collateralized 100% with U.S. Treasury bills, bonds or notes and are entered into for periods of 180 days or less.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Summary Of Carrying Values

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

	<u>2013</u>	<u>2012</u>
Carrying value		
Deposits	\$ 32,367,028	\$ 22,731,596
Investments	56,081,397	54,064,138
	<u>\$ 88,448,425</u>	<u>\$ 76,795,734</u>
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 16,767,793	\$ 6,287,828
Restricted cash and cash equivalents - current	1,496,849	366,117
Short-term investments	56,110,893	46,109,448
Noncurrent investments	14,072,890	24,032,341
	<u>\$ 88,448,425</u>	<u>\$ 76,795,734</u>

Investment Income

Investment income for the years ended June 30, 2013 and 2012 consisted of:

	<u>2013</u>	<u>2012</u>
Interest and dividend income	\$ 207,471	\$ 279,941
Net decrease in fair value of investments	(5,549)	(62,063)
	<u>\$ 201,922</u>	<u>\$ 217,878</u>

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (*Continued*)

3. Capital Assets

Capital assets activity for the years ended June 30, 2013 and 2012 were:

	2013				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 13,691,397	\$ —	\$ —	\$ —	\$ 13,691,397
Collections	2,810,204	2,900	—	—	2,813,104
Infrastructure	25,817,325	9,811	—	315,879	26,143,015
Buildings and improvements	282,960,260	62,445	—	2,291,406	285,314,111
Furniture, fixtures and equipment	30,330,700	2,813,613	670,890	—	32,473,423
Library materials	12,525,526	1,154,990	1,145,442	—	12,535,074
Construction in progress	1,810,762	6,622,546	1,646	(2,607,285)	5,824,377
	<u>369,946,174</u>	<u>10,666,305</u>	<u>1,817,978</u>	<u>—</u>	<u>378,794,501</u>
Less accumulated depreciation					
Infrastructure	12,739,582	1,290,671	—	—	14,030,253
Buildings and improvements	138,162,433	10,596,288	—	—	148,758,721
Furniture, fixtures and equipment	23,837,917	1,738,962	662,946	—	24,913,933
Library materials	6,823,051	1,310,780	1,145,443	—	6,988,388
	<u>181,562,983</u>	<u>14,936,701</u>	<u>1,808,389</u>	<u>—</u>	<u>194,691,295</u>
Net capital assets	\$ 188,383,191	\$ (4,270,396)	\$ 9,589	\$ —	\$ 184,103,206

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 13,257,575	\$ 433,822	\$ —	\$ —	\$ 13,691,397
Collections	2,799,804	10,400	—	—	2,810,204
Infrastructure	22,656,523	46,870	—	3,113,932	25,817,325
Buildings and improvements	276,319,410	1,181,162	—	5,459,688	282,960,260
Furniture, fixtures and equipment	31,344,664	1,776,583	2,790,547	—	30,330,700
Library materials	12,551,240	1,199,000	1,224,714	—	12,525,526
Construction in progress	2,387,366	8,034,535	37,519	(8,573,620)	1,810,762
	<u>361,316,582</u>	<u>12,682,372</u>	<u>4,052,780</u>	<u>—</u>	<u>369,946,174</u>
Less accumulated depreciation					
Infrastructure	11,598,660	1,140,922	—	—	12,739,582
Buildings and improvements	127,781,563	10,380,870	—	—	138,162,433
Furniture, fixtures and equipment	24,742,940	1,738,738	2,643,761	—	23,837,917
Library materials	6,733,976	1,313,788	1,224,713	—	6,823,051
	<u>170,857,139</u>	<u>14,574,318</u>	<u>3,868,474</u>	<u>—</u>	<u>181,562,983</u>
Net capital assets	\$ 190,459,443	\$ (1,891,946)	\$ 184,306	\$ —	\$ 188,383,191

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (Continued)

4. Long-Term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2013 and 2012:

	2013				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Student Housing System, Series 2009A	\$ 5,140,000	\$ —	\$ 1,560,000	\$ 3,580,000	\$ 1,615,000
Stadium Facility, Series 1999	915,000	—	290,000	625,000	305,000
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	3,269,706	—	508,464	2,761,242	539,066
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	3,675,294	—	571,536	3,103,758	605,934
Education Facility, Series 2007	729,381	—	118,927	610,454	124,825
Student Recreation Center, Series 2009	18,980,000	—	780,000	18,200,000	800,000
Total Revenue Bonds	32,709,381	—	3,828,927	28,880,454	3,989,825
Capital Lease Obligations	33,954,063	—	2,061,046	31,893,017	2,131,564
	66,663,444	—	5,889,973	60,773,471	6,121,389
Unamortized Discount On Bonds Payable	8,237	—	(81)	8,318	—
Total Long-Term Debt	66,671,681	—	5,889,892	60,781,789	6,121,389
Other Noncurrent Liabilities					
Accrued compensated absences	3,745,576	2,152,736	2,075,566	3,822,746	2,056,389
Accrued settlement	472,817	—	31,004	441,813	50,000
Other long-term liability	987,414	192,413	—	1,179,827	—
Total Other Noncurrent Liabilities	5,205,807	2,345,149	2,106,570	5,444,386	2,106,389
Total Long-Term Debt And Other Obligations	\$ 71,877,488	\$ 2,345,149	\$ 7,996,462	\$ 66,226,175	\$ 8,227,778

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Notes To Financial Statements (*Continued*)

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Student Housing System, Series 2009A	\$ 6,660,000	\$ —	\$ 1,520,000	\$ 5,140,000	\$ 1,560,000
Stadium Facility, Series 1999	1,200,000	—	285,000	915,000	290,000
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	—	3,269,706	—	3,269,706	508,464
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	3,650,000	—	3,650,000	—	—
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	—	3,675,294	—	3,675,294	571,536
Student Housing System, Energy Savings Program, Series 2002	4,100,000	—	4,100,000	—	—
Education Facility, Series 2007	842,687	—	113,306	729,381	118,927
Student Recreation Center, Series 2009	19,745,000	—	765,000	18,980,000	780,000
Total Revenue Bonds	36,197,687	6,945,000	10,433,306	32,709,381	3,828,927
Capital Lease Obligations	35,151,203	1,095,479	2,292,619	33,954,063	2,061,046
	71,348,890	8,040,479	12,725,925	66,663,444	5,889,973
Unamortized Discount On Bonds Payable	8,156	—	(81)	8,237	—
Total Long-Term Debt	71,357,046	8,040,479	12,725,844	66,671,681	5,889,973
Other Noncurrent Liabilities					
Accrued compensated absences	3,851,270	1,989,419	2,095,113	3,745,576	2,075,566
Accrued settlement	520,577	—	47,760	472,817	50,000
Other long-term liability	1,075,430	25,000	113,016	987,414	—
Total Other Noncurrent Liabilities	5,447,277	2,014,419	2,255,889	5,205,807	2,125,566
Total Long-Term Debt And Other Obligations	\$76,804,323	\$10,054,898	\$14,981,733	\$71,877,488	\$8,015,539

Revenue Bonds Payable

On March 29, 2012, the University issued \$6,945,000 of bonds to refund the Student Housing System Energy Savings and Library Facility Series 2002 Bonds. The bonds bear interest payable semiannually, at rates of 0.7% to 1.75%, which began October 1, 2012. Principal maturities began October 1, 2012, and continue until 2017. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (*Continued*)

On July 29, 2009, the University issued \$9,715,000 of bonds to refund the Student Housing System Refunding Revenue Series 2002 Bonds. The bonds bear interest payable semiannually, at rates of 0.9% to 3.5%, which began September 1, 2009. Principal maturities began September 1, 2009, and continue until 2015. The bonds are secured by the net revenues available for debt service of the housing system of the University.

On January 29, 2009, the University issued \$20,500,000 of revenue bonds. The bonds bear interest, payable semiannually, at rates of 1.5% to 5.05%, which began October 1, 2009. Principal maturities begin October 1, 2010, and continue until 2029. Proceeds from the issuance of these bonds are being used to renovate the Morrow-Garrison Complex and to construct a new student recreation and wellness center. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

On October 1, 2007, the University issued \$1,200,000 of insured Educational Facilities Revenue Bond, Series 2007. These bonds bear interest, payable semiannually, at 4.9% which began April 1, 2008. Principal maturities began April 1, 2008, and continue until 2017. Proceeds from issuance of these bonds were used to finance the demolition of the Pertle Springs Clubhouse and swimming pool, installation of a new sewer system, expansion of the existing driving range and placement of temporary facilities on the grounds.

On February 5, 1999, the University issued \$3,915,000 of bonds. The bonds bear interest, payable semiannually, at rates of 3.0% to 4.5% and are due in semiannual installments, which began April 1, 1999. Principal maturities began October 1, 1999, and continue until 2014. Proceeds from the issuance of these bonds were used to reconstruct, renovate and equip the stadium facility. The bonds are secured by the net revenues available for debt service of the stadium facility, including a designated portion of student fees. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer. The University is also required to maintain certain rate covenants related to the bonds.

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (*Continued*)

The debt service requirements as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Totals To</u> <u>Be Paid</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 4,983,750	\$ 3,989,825	\$ 993,925
2015	4,434,061	3,541,017	893,044
2016	3,799,313	3,002,515	796,798
2017	2,925,753	2,194,336	731,417
2018	2,844,034	2,167,761	676,273
2019 - 2023	7,728,983	4,950,000	2,778,983
2024 - 2028	7,652,426	6,135,000	1,517,426
2029 - 2030	3,048,218	2,900,000	148,218
Totals	\$ 37,416,538	\$ 28,880,454	\$ 8,536,084

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital lease at June 30, 2013 and 2012, totaled \$33,886,975 and \$36,032,249, respectively, net of accumulated depreciation of \$5,839,918 and \$3,248,775, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 0% to 7% together with the present value of the future minimum lease payments as of June 30, 2013:

<u>Year Ending June 30,</u>	
2014	\$ 3,185,702
2015	3,185,702
2016	3,185,702
2017	3,128,581
2018	3,128,580
2019 - 2023	15,642,898
2024 - 2027	7,821,447
Total minimum lease payments	39,278,612
Less amount representing interest	7,385,595
Present value of future minimum lease payments	<u>\$ 31,893,017</u>

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (*Continued*)

5. Related Party Transactions

At June 30, 2013 and 2012, the University had a receivable from the Foundation in the amount of \$449,029 and \$480,915, respectively, to fund accrued settlement charges related to a trust held by the Foundation.

The University pays payroll expenses for some employees that are subsequently reimbursed by the Foundation. The total amount of wages paid by the University on behalf of the Foundation was \$304,559 and \$320,264 for the years ended June 30, 2013 and 2012, respectively. In addition, University employees provided services to the Foundation valued at \$629,208 and \$743,959 for the years ended June 30, 2013 and 2012, respectively, which were not reimbursed by the Foundation. Additional expenses paid directly by the University on behalf of Foundation operations that were not reimbursed were \$60,400 for the year ended June 30, 2013. There were no additional expenses paid directly by the University on behalf of the Foundation operations that were not reimbursed for the year ended June 30, 2012. Included in accounts receivable at June 30, 2013 and 2012, were receivables from the Foundation for reimbursements due of \$31,769 and \$35,067, respectively, for wages and benefits.

The University also has receivables from the Foundation at June 30, 2013 and 2012 of \$183,652 and \$96,983, respectively, for miscellaneous services performed on behalf of the Foundation.

6. Pension Plans

MOSERS

The University contributes to the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the State of Missouri. Pension expense is recorded for the amount the University is contractually required to contribute for the year. The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. State law assigns the authority to establish and amend benefit provisions to the plan's Board of Trustees, which is appointed by the governor with the approval of the state legislature. The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the plan at P.O. Box 209, Jefferson City, Missouri 65102, or by calling 573.632.6100 or 800.827.1063.

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (*Continued*)

The authority to establish and amend requirements of plan members and the University is set forth in state law and is vested in the plan's Board of Trustees. The University is required to contribute at an actuarially determined rate; the rate was 14.45% and 13.97% of annual covered payroll for 2013 and 2012, respectively. The University made 100% of the required contributions of \$8,002,485, \$7,516,111 and \$7,527,292 in 2013, 2012 and 2011, respectively. The MOSERS funded status ratio was 73.2% and 79.2% as of June 30, 2013 and 2012, respectively.

The MOSERS funding policy provides for actuarially determined and Board approved, employer contributions using the entry-age normal cost method, consisting of normal cost and amortization of any unfunded accrued liabilities over an open 30-year period. Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State statute to be funded in advance. Employees hired prior to January 1, 2011, do not contribute to MOSERS. Employees hired after January 1, 2011, or thereafter, are required to contribute 4% to the plan via a pre-tax withholding. Any amendments to the plan are established by changes in State statute.

CURP

As of July 1, 2002, all faculty on full-time, regular appointment were enrolled in the College and University Retirement Plan (CURP) if they had not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan that uses TIAA-CREF as its third-party administrator. In 2013 and 2012, the University contributed 6.80% and 6.92%, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2013, 2012 and 2011, were \$1,063,587, \$929,711 and \$980,399 respectively. 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.

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Notes To Financial Statements (*Continued*)

7. Health Care Benefits

Employee Health And Welfare Benefits

The University obtains employee health and welfare insurance through commercial insurers. The coverage is fully insured and the University neither assumes nor discharges claims for its participating members or their dependents. Employee health and welfare expense was \$6,460,046 and \$6,936,058 for the years ended June 30, 2013 and 2012, respectively. Effective January 1, 2013, the University amended the health insurance contract into a modified cost-plus agreement. As part of this agreement, the University transferred \$1,205,414 into a health trust account to be used to make health insurance claim payments for the covered period after the end of the contract.

Other Postemployment Benefit Obligations

In addition to the pension benefits described in *Note 6*, the University provides health care benefits, through a commercial insurance carrier, to qualifying retired employees who elect to remain in the University's health care plan.

At June 30, 2013 and 2012, 143 and 188 retirees of the University, respectively, had elected to participate in the health care plan. The plan is authorized by the Board of Governors until the employee reaches the age of 65, and benefits and amendments to the plan are approved by the Board. The plan is funded on a pay-as-you-go basis. The University pays the full portion of the premium for retirees that retired prior to January 1, 2007, until the retiree reaches Medicare eligibility. For retirees retiring between January 1, 2007, and December 31, 2016, the University will pay a portion of the premium, based on retirement date. Qualified retirees retiring after December 31, 2016, will be eligible to participate in the University's plan prior to age 65 only by paying the full cost of the premium established for pre-Medicare eligible retirees. Premiums are reviewed and set annually based on projections and claims history provided by the insurance carrier. Retiree claims are included in the cost pool with active employees, resulting in a lower retiree age-adjusted premium. The difference between actual age-adjusted premiums and the actual premium charged retirees results is included in the calculation of the University's obligation under GASB 45.

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Notes To Financial Statements (*Continued*)

Annual OPEB Cost And Net OPEB Obligation

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

Normal cost	\$ 9,921
Amortization payment	<u>824,432</u>
Annual required contribution (ARC)	834,353
Interest on normal cost and amortization payment	37,512
Adjustment to ARC	<u>202,551</u>
Annual OPEB cost	669,314
Less contributions made	<u>(476,902)</u>
Increase in net OPEB obligation	192,412
Net OPEB obligation - beginning of year	<u>937,790</u>
Net OPEB obligation - end of year	<u><u>\$ 1,130,202</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year	Annual	Percentage Of	Net OPEB
End	OPEB Cost	Annual OPEB	Obligation
Cost	Cost	Obligation	
6/30/2011	1,078,187	80.20%	1,050,806
6/30/2012	649,424	117.40%	937,790
6/30/2013	669,314	71.20%	1,130,202

The net OPEB obligation is reported as a component of other long-term liabilities on the statement of net position.

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Notes To Financial Statements (*Continued*)

As of July 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,670,229 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,670,229. The covered payroll (annual payroll of active employees covered by the plan) was \$52,902,908, and the ratio of the UAAL to the covered payroll was 6.9%.

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements. The Schedule of Funding Progress will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

The actuarial methods and assumptions utilized in the valuation were as follows:

Actuarial Assumptions

Actuarial cost method	Projected Unit Credit
UAAL amortization method	Level dollar amount
UAAL amortization period, closed/open	5 years, open
Investment return (discount rate)	4.00%
Healthcare cost trend rate	8.5% decreasing to 5.5% after 7 years

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (*Continued*)

8. 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. At June 30, 2013 and 2012, there was no accrual recorded in the statements of net position related to these matters.

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 Contracts

The University had outstanding commitments of approximately \$11,395,958 related to construction contracts at June 30, 2013.

Department Of Education Review

The U.S. Department of Education (DOE) conducted a program review of the University of Central Missouri during April 2012. The focus of the review was to determine UCM's compliance with statutes and federal regulations as they pertain to the University's administration of Title IV programs. The review consisted of, but was not limited to, an examination of UCM's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records. This review covered the award years of 2009-10, 2010-11 and 2011-12.

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A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

In April 2013, the DOE issued a preliminary program review report of findings of non-compliance and requested additional financial aid information from the University. In June 2013, the University issued a written response to the preliminary findings and provided the additional financial aid information requested by the DOE. As of October 14, 2013, the date which the financial statements were available for issue, the University has not received the final report from the U.S. Department of Education. At this time, the University has determined that a reasonable estimate of the potential liability to the University which could result from the DOE review is within the range of \$650,000 to \$1,350,000. The University has accrued \$700,000 as of June 30, 2013 based on the estimated range.

Current Economic Conditions

The current economic environment presents universities with unprecedented circumstances and challenges, which in some cases may result in declines in enrollment revenue, governmental support and contributions; constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the University.

Current economic conditions could make it difficult for some donors to continue to contribute to universities and their foundations. Changes in contribution levels could impact the University's ability to provide scholarships or fund programs. State funding may also change as states have fewer resources to allocate. Universities in the state of Missouri entered into an agreement with the governor to hold tuition rates steady in exchange for steady state appropriations. Recent legislation has further impacted the University's ability to increase tuition rates.

The changes possible in this environment could result in future adjustments to the values of assets and liabilities, such as allowances for student receivables. The University could experience difficulty maintaining sufficient liquidity should significant changes occur.

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

9. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health 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.

10. University Of Central Missouri Foundation

Financial Statement Presentation

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC. The FASB ASC requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of financial position, a statement of activities and a statement of cash flows.

Investments

The Foundation's investment portfolio at June 30, 2013 and 2012 is composed of the following:

	Fair Value	
	2013	2012
Domestic equity	\$ 20,026,715	\$ 14,392,032
International equity	586,571	1,100,483
Fixed income	16,096,655	15,822,291
Alternative	2,029,013	3,654,981
Real estate investment trust	589,618	6,543
Real estate held as an investments	50,000	50,000
	<u>\$ 39,378,572</u>	<u>\$ 35,026,330</u>

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

The following summary reflects the placement of investments among certain classifications:

	Fair Value	
	2013	2012
Unrestricted	\$ 3,595,888	\$ 3,492,382
Temporarily restricted	16,438,887	13,414,793
Permanently restricted	19,343,797	18,119,155
	\$ 39,378,572	\$ 35,026,330

Contributions Receivable

Contributions receivable consists of unconditional gifts and bequests to be received in future periods and have been discounted to their present value based on anticipated payment streams. The present value of the annual amount of contributions receivable to be realized at June 30, 2013 and 2012 is as follows:

	June 30,	
	2013	2012
Due within one year	\$ 202,500	\$ 209,950
Due in one to five years	1,273,500	409,188
	1,476,000	619,138
Less:		
Allowance for uncollectible contributions	34,416	51,021
Unamortized discount	57,149	18,064
	\$ 1,384,435	\$ 550,053

Net Assets

Endowment net assets at June 30, 2013 and 2012 by type of fund consisted of the following:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,064,296	\$ 17,720,239	\$ 19,784,535
Board-designated endowment funds	3,002,130	11,278,095	—	14,280,225
	\$ 3,002,130	\$ 13,342,391	\$ 17,720,239	\$ 34,064,760

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 1,848,319	\$ 16,760,291	\$ 18,608,610
Board-designated endowment funds	2,694,258	9,473,804	—	12,168,062
	<u>\$ 2,694,258</u>	<u>\$ 11,322,123</u>	<u>\$ 16,760,291</u>	<u>\$ 30,776,672</u>

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2013 and 2012:

	June 30, 2013		June 30, 2012	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Instruction Scholarships Academic support	\$ 4,877,709	\$ 16,347,474	\$ 4,832,963	\$ 15,322,691
TV/Radio institutional support	247,846	—	382,667	—
Plant facilities	129,684	60,296	121,659	60,271
Student services	5,955,307	3,937,336	5,700,302	3,941,013
Athletics	1,349,950	10,245	407,258	10,245
Net accumulated earnings in excess of approved payout	4,738,037	—	2,869,536	—
	<u>\$ 17,298,533</u>	<u>\$ 20,355,351</u>	<u>\$ 14,314,385</u>	<u>\$ 19,334,220</u>

Required Supplementary Information

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

**OTHER POSTEMPLOYMENT BENEFITS –
SCHEDULE OF FUNDING PROGRESS
June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL As A Percentage Of Covered Payroll ((b - a) / c)
7/1/2007	\$ —	\$ 7,032,034	\$ 7,032,034	\$ —	\$ 59,556,532	11.8%
7/1/2009	—	5,556,294	5,556,294	—	54,497,362	10.2%
7/1/2011	—	3,670,229	3,670,229	—	52,902,908	6.9%

Supplementary Information

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

STADIUM BONDS – SERIES 1999

June 30, 2013

Revenues	
Foundation Suite Revenue (Chart F)	\$ 65,450
Walton Stadium	
Building rent income	4,738
Men's Football	
Advance ticket sales	9,078
Season tickets	18,670
Single game tickets	30,922
Programs/seats	1,607
General Fund Transfer For Walton Stadium	
Bond Payment	324,164

UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
STUDENT HOUSING SYSTEM
June 30, 2013

Operating revenues	\$ 32,261,302
Operating expenses	30,450,188
Operating income	<u>1,811,114</u>
Nonoperating revenues and transfers	—
Nonoperating expenses and transfers	(47,082)
Change in net position	<u>1,764,032</u>
Net Position	
Beginning of year	<u>12,954,004</u>
End of year	<u><u>\$ 14,718,036</u></u>
Change in net position	1,764,032
Add Back: Debt Service Payments	
Student housing	\$ 1,521,302
Student union	803,085
Total debt service payments	<u>2,324,387</u>
Add Back: Capital Improvements	<u>\$ 2,819,710</u>
Net Operating Revenue Before Debt Service Payments	\$ 6,908,129
Net Operating Revenue As A Percentage Of Debt Service	297%

1. Basis of Presentation

The condensed statements of revenues, expenses and changes in net position present the financial position and results of operations of certain activities of the University's Student Housing System Funds, defined as Student Dormitories, Bookstore, and Student Union, and pledged as collateral on the University's Series 2009 Refunding Revenue Bonds.

In accordance with University procedure, the University's liability for other postemployment benefits is not allocated internally to individual departments and funds. Accordingly, no liability for other postemployment benefits is reflected in this schedule.

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

June 30, 2013

Page 1 Of 3

An insurance package policy purchased through the Midwestern Higher Education Compact (MHEC) program, provides all risk coverage on buildings and contents. The following insurance coverages are in force at the University as of June 30, 2013:

1. Lexington Insurance Company, Policy No. 066095351: Policy providing \$100,000,000 all risk coverage on scheduled buildings and other property. There is a shared captive retention layer of \$1,000,000 per occurrence and \$7,651,499 aggregate through the Midwestern Higher Education Compact (MHEC).
2. Lexington Insurance Company, Policy No. 066095363: furnishes the secondary layer of \$400,000,000 excess of the Lexington's \$100,000,000 layer.
3. Westport Ins, Policy No. 31375048; Homeland Ins, Policy No. YSP5323; Hudson Special, Policy No. HCS100134; Maiden Special, Policy No. S1LPY0218001S; Arch Specialty, Policy No. PRP005077400; Liberty Mutual, Policy No. MQ2L9L438236012; RSUI Indemnity, Policy No. NHD377676; Starr Surplus, Policy No. 4473252400; Chubb Custom, Policy No. SLSTPY10544712; and General Sec AZ, Policy No. T0234451200376: furnishes the third layer of coverage, which is \$500,000,000 excess of the \$500,000,000.

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

June 30, 2013

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Scheduled buildings and property as of June 30, 2013 includes, but is not limited to the following:

	Amount Of Coverage	
	Building	Contents
Residential complex (included in blanket figures)		
Diemer Hall	\$ 5,996,880	\$ 129,390
South Ellis Hall	9,964,116	165,002
East Ellis Hall	11,727,098	181,621
North Ellis Hall	12,692,957	221,982
Foster Knox Hall	8,191,944	293,206
Fraternity Hall	10,834,609	432,093
Hudson Hall	10,713,481	1,233,176
University Conference Center	11,980,804	354,933
Hosey Hall	7,096,371	321,695
Nattinger-Bradshaw Hall	18,586,034	638,643
Nickerson Hall	9,272,452	258,782
Panhellenic Hall	9,813,159	378,675
South Todd Hall	2,614,191	136,512
Todd Hall	7,982,381	386,985
South Yeater Hall	14,227,091	402,416
Yeater Hall	8,581,241	258,782
Knox Hall	6,687,410	224,355
Houts Hall	7,389,096	360,869
Fitzgerald Hall	14,913,482	459,396
Apartments (included in blanket figures)		
Greenwood 4-Plex #2	482,968	9,497
Greenwood 4-Plex #3	482,968	9,497
Greenwood 4-Plex #4	482,968	9,497
Greenwood 4-Plex #6	482,968	9,497
Greenwood 4-Plex #8	482,968	9,497
Greenwood 4-Plex #10	482,968	9,497
Greenwood 4-Plex #12	482,968	9,497
Greenwood 4-Plex #13	482,968	9,497
Greenwood 4-Plex #14	482,968	9,497
Greenwood 4-Plex #16	482,968	10,228
Greenwood Handicap Unit	264,044	4,748
Greenwood VIP Unit	245,185	73,599

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

June 30, 2013

Page 3 Of 3

	Amount Of Coverage	
	Building	Contents
Apartments (included in blanket figures - continued)		
Central Village 8-Plex #1	\$ 1,380,864	\$ 20,180
Central Village 8-Plex #2	956,625	20,180
Central Village 8-Plex #3	1,380,864	20,180
Central Village 8-Plex #4	956,267	20,180
Central Village 8-Plex #5	1,380,864	20,180
Central Village 8-Plex #6	956,625	20,180
Central Village Community Building	696,735	20,340
Central Village 8-Plex #8	956,625	20,180
Central Village 8-Plex #9	956,625	20,180
Central Village 8-Plex #10	956,625	20,180
Central Village 8-Plex #12	956,625	20,180
Stadium		
Walton Stadium	2,566,575	975,005
Walton Stadium Field	1,224,000	—
Other (included in blanket figures)		
University Union	27,391,828	3,757,764
Ellis Mechanical Building	248,463	1,027,170
Greenwood Morton Building	149,860	—
Liability insurance		
Covered under the state legal expense fund		
(Statutory limit)		
Per person		300,000
Per occurrence		2,000,000
Crime		150,000

**UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI**

**ENROLLMENT AND OCCUPANCY STATISTICS
STUDENT HOUSING SYSTEM BONDS**

June 30, 2013

	<u>Headcount</u>	<u>Full-time Equivalent</u>	<u>Semester Credit Hours</u>
Summer 2012			
Undergraduate	3,008	1,043	15,648
Graduate	1,577	665	7,980
Fall 2012			
Undergraduate	9,683	8,316	124,745
Graduate	2,195	1,126	13,506
Spring 2013			
Undergraduate	9,607	7,761	116,410
Graduate	2,272	1,175	14,097

Statistics on the occupancy of the University's housing facilities are as follows:

<u>Residence Halls</u>		<u>Apartments</u>	
<u>11 - 12</u>	<u>12 - 13</u>	<u>11 - 12</u>	<u>12 - 13</u>
88%	83%	92%	91%

The following information sets forth the living choices of undergraduate students for the Fall 2012 semester:

Total on-campus	31.3%
Total off-campus	<u>68.7%</u>
Total	100.0%

Room and board charges for the fiscal years ended June 30, 2013 and 2012 are as follows:

	<u>Rate</u>	
	<u>2013</u>	<u>2012</u>
Residence halls (per semester)		
Single occupancy room	\$ 3,044	\$ 2,928
Double occupancy room	2,444	2,328
Apartments (per month)		
Central Village - one-bedroom	554	528
Central Village - two-bedroom	669	637
Central Village - three-bedroom	800	762
Foster/Knox	659	628
Greenwood Park	731	696
Nickerson	659	628
Todd - one-bedroom	659	628
Todd - two-bedroom	812	773
Basic meal plan (per semester)	1,285	1,219

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

	<u>2013</u>	<u>2012</u>
	University Union Fee	
Per credit hour (<9 credit hours)	\$ 7	\$ 7
Flat rate (9+ credit hours)	108	105