
UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF
THE STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2014

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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 ended June 30, 2014 and 2013, 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 \$50,072,155 and \$42,941,248 as of June 30, 2014 and 2013, respectively, and total revenues of \$9,366,135 and \$7,892,228, 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, 2014 and 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Other Postemployment Benefits - Schedule of Funding Progress on pages 4 through 18 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Stadium Bonds - Series 1999 And Series 2013B; Condensed Statement Of Revenues, Expenses And Changes In Net Position - Student Housing System; Insurance Coverage - Student Housing System Bonds; and Enrollment And Occupancy Statistics - Student Housing System Bonds, 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 10, 2014, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RubinBrown LLP

October 10, 2014

UNIVERSITY OF CENTRAL MISSOURI

A COMPONENT UNIT OF THE STATE OF MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Years Ended June 30, 2014 And 2013

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 20 consecutive years. The University's environment of student success helped the University reach a record enrollment of 13,379 students for the 2014 Fall semester, the highest in its 142-year history. The University's students are served by 486 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 1,899 international students contribute to a diverse student body. Students from nearly every county in Missouri, 43 states and 61 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 Graduate School and International Admissions.

UNIVERSITY OF CENTRAL MISSOURI
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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 2013, 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 2014 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
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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, 2014 and 2013, the Foundation provided support to the University of \$2,868,455 and \$3,018,220, 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, 2014, 2013 and 2012. 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*)

Effective July 1, 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).

During Fiscal Year 2014, the University implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations. Please see "New Accounting Standards Adopted" in Note 1 of the financial statements for further details.

During fall of 2013, the Federal Communications Commission (FCC) approved the sale and transfer of the University's KTBG radio station license to KCPT Kansas City. This transaction was completed in December and resulted in a long term relationship with KCPT Kansas City that will benefit the University's broadcasting students.

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.

During Fiscal Year 2014, the University began construction on its largest capital project to date, a \$46.1 million mixed-use facility that will feature a 325-bed apartment style residence hall and retail facilities. This will serve as a living and learning center for upper classmen with an anticipated opening August 2015.

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.

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

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.

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.

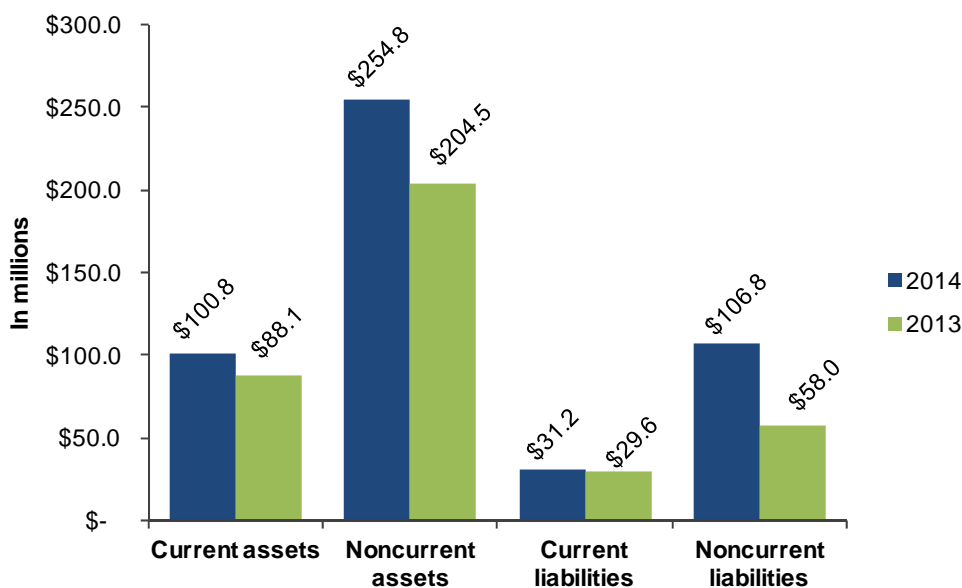
3.) Unrestricted net position represent balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet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

	2014	2013
Current assets	\$ 100.8	\$ 88.1
Noncurrent assets	254.8	204.5
Total assets	355.6	292.6
Deferred outflows of resources	0.8	0.2
Current liabilities	31.2	29.6
Noncurrent liabilities	106.8	58.0
Total liabilities	138.0	87.6
Net position		
Net investment in capital assets	129.7	121.6
Restricted	9.6	11.3
Unrestricted	79.1	72.3
Total Net Position	\$ 218.4	\$ 205.2



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

Management's Discussion And Analysis (*Continued*)

Comparative Analysis Of Fiscal Years 2014 And 2013

Current assets - Current assets for Fiscal Year 2014 totaled \$100.8 million which is an increase of \$12.7 million from Fiscal Year 2013 current assets of \$88.1 million. This increase is attributed to total cash and short-term investments increasing as a result of the unspent bond proceeds and an increase in federal grant receivables of \$3.0 million at year end.

Non-current assets - Total non-current assets increased approximately \$50.3 million. The increase is primarily due to a shift in the University carrying a larger amount of long term investments at year end. In addition, the University had an increase in capital assets of approximately \$8.7 million primarily resulting from construction in progress of The Crossing, Southeast School Project and the Football Stadium Upgrade. Refer to Note 3 for additional information on capital asset activity.

Deferred outflows of resources - Total deferred outflows of resources had an increase of \$0.6 million due to the advanced refunding of Series 2009 Student Recreation Center bond issuance to capitalize on lower interest rates.

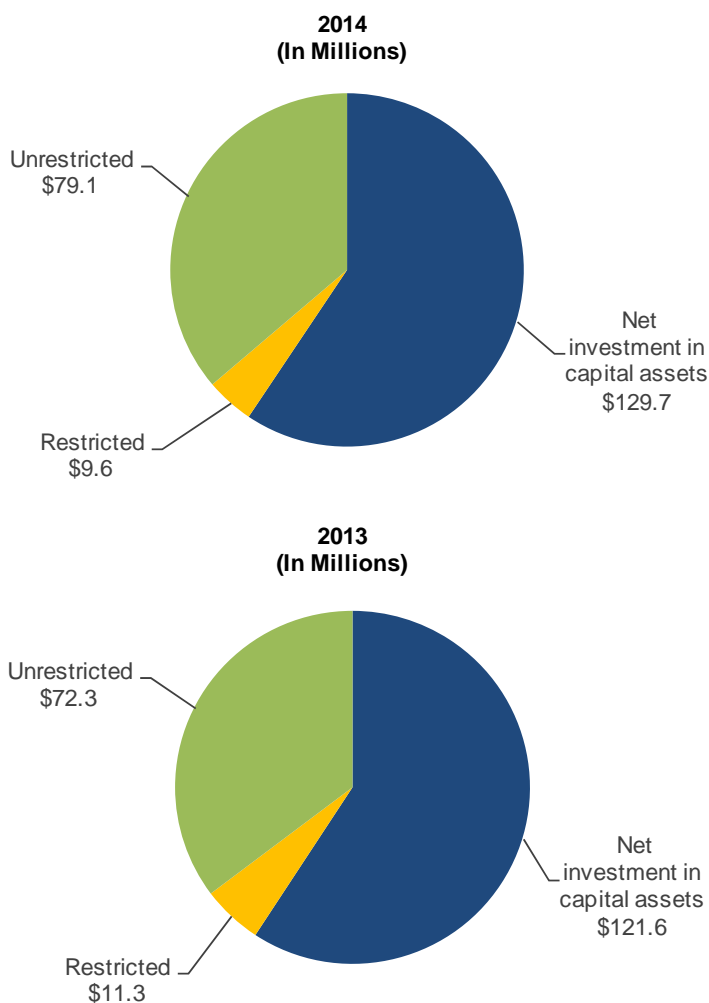
Current liabilities - Current liabilities totaled \$31.2 million increasing by approximately \$1.6 million compared to the prior year total of \$29.6 million. This is primarily attributed to an increase in current portion of long-term debt and interest payable of \$0.8 million. In addition, accounts payable and accrued liabilities had an increase of \$0.4 million. Unearned revenue increased by \$0.1 million and student deposits increased by \$0.3 million.

Non-current liabilities - Total non-current liabilities increased approximately \$48.8 million. This increase is primarily attributed to the bond issuances related to the new mixed-use facility and the Walton Stadium improvements totaling \$55.4 million offset by annual debt service payments and savings incurred from advance refunding of Student Recreation Center Series 2009 bond issue. In addition, other long term liability increased by \$0.3 million related to the liability increase in post-employment benefit obligations. Refer to Note 4 for additional information on long-term debt activity.

Net position - At June 30, 2014, the University's net position was \$218.4 million. This was comprised of unrestricted - \$79.1 million; net investment in capital assets - \$129.7 million; restricted for loans - \$7.0 million and other restricted - \$2.6 million.

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

Management's Discussion And Analysis (*Continued*)



Comparative Analysis Of Fiscal Years 2013 And 2012

Current assets - Current assets for fiscal year 2013 totaled \$88.1 million which was an increase of \$21.9 million from fiscal year 2012 current assets of \$66.2 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 \$14.4 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 \$4.3 million which resulted from assets being fully depreciated and asset retirements.

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

Management's Discussion And Analysis (*Continued*)

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 was primarily attributed to a decrease 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 was primarily attributed to the debt service principal payments.

Net position - At June 30, 2013, the University's net position was \$205.2 million. These were 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*)

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>2014</u>	<u>2013</u>
Operating Revenues		
Tuition and fees	\$ 88.2	\$ 77.2
Scholarship allowances	(16.5)	(15.7)
Net tuition and fees	71.7	61.5
Federal grants and contracts	1.9	0.8
State grants and contracts	0.1	0.1
Auxiliary enterprises	39.6	37.7
Scholarship allowances	(4.6)	(4.5)
Net auxiliary enterprises	35.0	33.2
Other	8.6	8.9
Total Operating Revenues	117.3	104.5
Operating Expenses	178.2	171.2
Operating Loss	(60.9)	(66.7)
Non-Operating Revenues (Expenses)		
State appropriation	51.3	51.6
Federal grants and contracts	19.3	20.1
State grants and contracts	0.6	1.6
Other grants and contracts	0.9	1.0
Gain (loss) on disposal of capital assets	(0.7)	0.1
Contributions	2.8	2.8
Investment income	0.3	0.2
Interest on capital asset-related debt	(1.5)	(2.1)
Other non-operating expenses	(0.8)	(0.1)
Net Non-Operating Revenues	72.2	75.2
Increase In Net Position	11.3	8.5
Capital Grants And Gifts	0.3	1.1
Special Item - Gain on Sale Of University Operations	1.6	—
Net Position - Beginning Of Year	205.3	195.7
Net Position - End Of Year	\$ 218.5	\$ 205.3

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

Management's Discussion And Analysis (*Continued*)

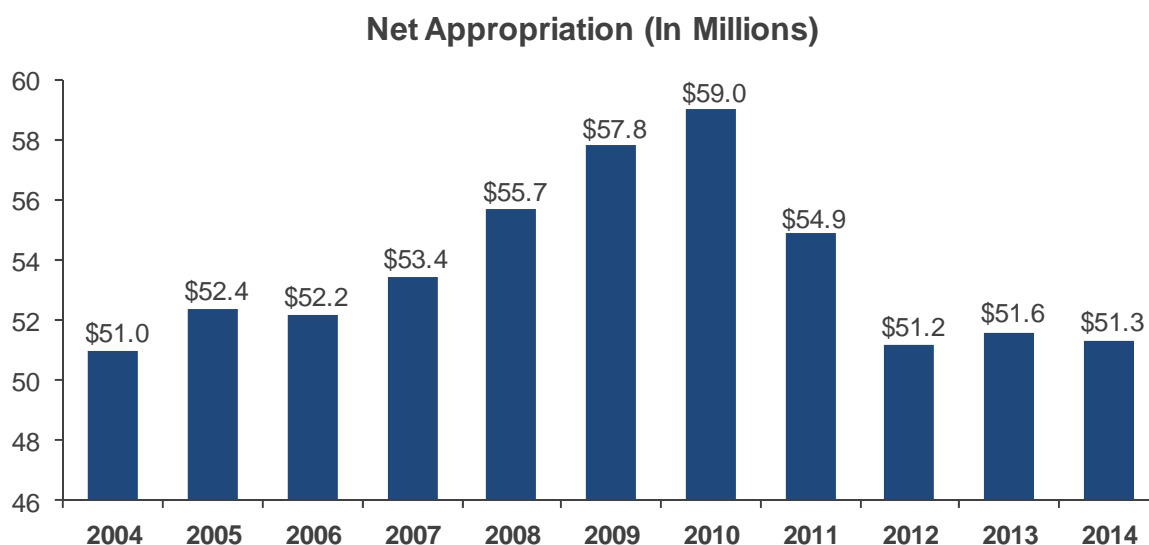
Comparative Analysis Of Fiscal Years 2014 And 2013

Operating revenues - For the year ended June 30, 2014, tuition and fee revenues (net of scholarship allowances and bad debt expense) increased approximately \$10.2 million compared to fiscal year 2013 as a result of increase in enrollment of 5.4% and a tuition and fee increase of 1.7%. Fiscal year 2013 tuition and fees were approximately \$0.1 million above the year ended June 30, 2012 as the result of a 2.3% increase in enrollment and a tuition and fee increase of 3.0%.

Auxiliary enterprises experienced an increase of \$1.8 million above fiscal year 2013 which is primarily attributed to a student housing rate increase of 3.0% and a board increase of 5.25% for fiscal year 2014 coupled with an increase in on-campus student residents resulting from the two-year residency requirement.

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 2014 compared to fiscal year 2013. Following is a historical trend of the University's state appropriation funding (net of withholdings).

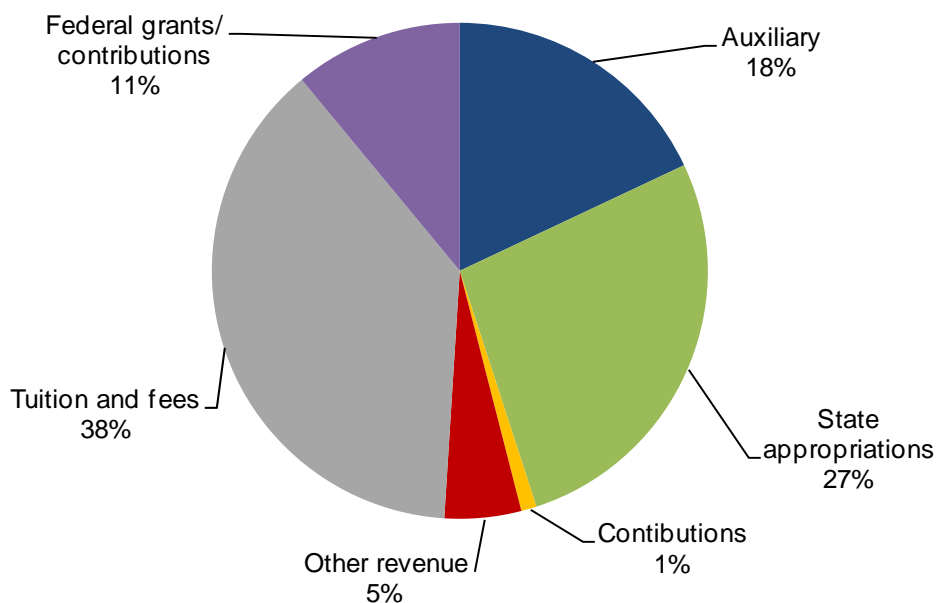


UNIVERSITY OF CENTRAL MISSOURI
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Management's Discussion And Analysis (*Continued*)

Fiscal Year 2014 interest on capital asset related debt decreased approximately \$0.6 million over fiscal year 2013 primarily due to the advanced refunding of debt to take advantage of lower interest rates. Federal grants and contracts revenue decreased by \$0.8 million over fiscal year 2013 amount of \$20.1 million primarily due to decrease in awarded federal financial aid program revenues.

The following graph summarizes the University's fiscal year 2014 revenue sources:



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

	2014	2013
Compensation and benefits	\$ 105.8	\$ 101.0
Contractual services	14.5	13.5
Supplies and materials	15.5	13.9
Scholarships and fellowships	7.4	7.3
Depreciation	14.8	14.9
Utilities	5.7	5.4
Other	14.5	15.2
	\$ 178.2	\$ 171.2

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

Operating expenses - Total operating expenses increased \$7.0 million from \$171.2 million in fiscal year 2013 to \$178.2 million in fiscal year 2014.

Fiscal year 2014 Compensation and Benefits increased \$4.8 million from the prior year resulting from an increase in fringe benefit expenses (\$2.1 million) which include increased health care premiums and retirement benefits and a one percent across the board salary increase (\$0.6 million). In addition, faculty compensation expenses increased (\$2.0 million) as a result of filling vacated positions and the increased needs associated with the enrollment increase.

Supplies and services increased \$1.6 million over fiscal year 2013's total of \$13.9 million primarily due to purchases of grant funded equipment, computer upgrades, telecom equipment, athletic equipment and upgrading of residential housing furniture. Contractual services increased \$1.0 million over fiscal year 2013 primarily due to an increase in food service expenses (\$0.4 million) and other contracted services increase (\$0.6 million) associated with the Dale Carnegie program and the University's annual campus wide maintenance and repair projects.

For the year ended June 30, 2013, operating expenses increased by approximately \$5.5 million above the year ended June 30, 2012. This increase was primarily related to increased expenses of \$1.2 million for compensation and benefits resulting from an increase in health care premiums and a one percent across the board salary increase.

Supplies and services increased \$0.5 million over fiscal year 2012 primarily due to continued upgrading of residential housing furniture and equipment. Contractual services increased \$1.2 million primarily due to an increase in food service expenses and other contracted services increases associated with the Dale Carnegie program and the University's sprinkler system maintenance contract. Depreciation expense increased by \$0.3 million from the prior year which resulted from the addition of new assets put into use—Telecom & Information Technology Infrastructure Equipment, Aviation T-Hangars and other capital expenditures.

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>2014</u>	<u>2013</u>
Cash Provided By (Used In)		
Operating activities	\$ (48.1)	\$ (48.2)
Non-capital financing activities	70.2	77.1
Capital and related financing activities	26.0	(17.5)
Investing activities	(8.6)	0.2
Increase In Cash And Cash Equivalents	39.5	11.6
Cash And Cash Equivalents - Beginning Of Year	18.2	6.6
Cash And Cash Equivalents - End Of Year	\$ 57.7	\$ 18.2

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, 2014, cash used in operating activities amounted to (\$48.1) 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 \$70.2 million includes state appropriations, gifts and grants for other than capital purposes and other receipts.

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

Management's Discussion And Analysis (*Continued*)

Cash used for capital and related financing activities was \$26.0 million. The University had capital expenditures of \$2.2 million including: \$0.3 million Union Building Automation System, \$0.3 million Houts Hosey Fire Alarm, \$0.4 million Telecom Equipment, and \$0.2 million Archauer Renovation. Additional other capital expenditures totaling approximately \$1.2 million include parking lot improvements, Ellis Hall improvements, Administration Building Lobby, residential housing furnishings, various building improvements and capital equipment purchases. Capital related financing included principal and interest on capital debt and leases of \$25.3 million which were partially offset by gifts and grants for capital purposes of \$0.3 million. The University had \$72.4 million of proceeds from the issuance of capital debt. This includes the refinancing of the Series 2009 Student Recreation Center bonds and the new issuance of debt related to the mixed-use project, The Crossing and Walton Stadium Improvements. Cash and cash equivalents at June 30, 2014, were \$57.7 million, which increased \$39.5 million from June 30, 2013. This increase is attributed to University's issuance of debt related to current construction projects.

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 included 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. This included purchases of capital assets (\$9.6) million, principal and interest on capital debt and leases (\$8.0 million) which were partially offset by state appropriations for capital purposes of \$1.1 million. Cash and cash equivalents at June 30, 2013, were \$18.2 million, which decreased \$11.6 million from June 30, 2012.

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

STATEMENT OF NET POSITION

June 30, 2014 And 2013

Page 1 Of 2

	2014	2013
Assets		
Current Assets		
Cash and cash equivalents	\$ 10,442,949	\$ 16,767,793
Restricted cash and cash equivalents - current	47,286,112	1,496,849
Short-term investments	24,044,074	56,110,893
Accounts receivable, net of allowance; 2014 - \$5,660,152; 2013 - \$5,721,176	6,732,482	6,010,365
Interest receivable	88,298	62,100
Federal and grants receivable	5,550,085	1,580,566
Due from Foundation	54,308	57,216
Inventories	3,308,724	3,432,646
Loans to students, net	1,357,072	1,307,096
Prepaid expenses	1,981,988	1,230,271
Total Current Assets	100,846,092	88,055,795
Noncurrent Assets		
Investments	56,091,011	14,072,890
Loans to students, net	5,505,255	5,955,905
Due from Foundation	377,191	391,813
Capital assets, net	192,792,739	184,103,206
Total Noncurrent Assets	254,766,196	204,523,814
Total Assets	355,612,288	292,579,609

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

STATEMENT OF NET POSITION

June 30, 2014 And 2013

Page 2 Of 2

	2014	2013
Deferred Outflows Of Resources		
Deferred amount on debt refundings	\$ 855,480	\$ 224,877
<hr/>		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	17,636,199	17,162,639
Accrued compensated absences	2,056,144	2,056,389
Unearned revenue	3,604,693	3,567,858
Interest payable	898,427	501,048
Long-term debt	6,530,174	6,121,389
Accrued settlement	50,000	50,000
Student deposits	431,332	116,018
Total Current Liabilities	31,206,969	29,575,341
Noncurrent Liabilities		
Accrued compensated absences	1,873,187	1,766,357
Accrued settlement	377,191	391,813
Other long-term liability	1,454,220	1,179,827
Long-term debt	103,139,386	54,660,400
Total Non-Current Liabilities	106,843,984	57,998,397
Total Liabilities	138,050,953	87,573,738
Net Position		
Net investment in capital assets	129,745,333	121,614,078
Restricted for		
Non-expendable		
Loans	6,987,879	6,664,940
Expendable		
Scholarships and fellowships	54,684	40,133
Loans	1,136,965	1,208,637
Other	1,428,174	3,379,016
Unrestricted	79,063,780	72,323,944
Total Net Position	\$ 218,416,815	\$ 205,230,748

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014 And 2013

	2014	2013
Assets		
Cash and cash equivalents	\$ 964,666	\$ 806,437
Investments	46,038,592	39,378,572
Contributions receivable, net	1,598,744	1,384,435
Other receivables	—	1,945
Accrued investment income	125,733	136,971
Cash surrender value or life insurance	371,565	362,493
Beneficial interest in charitable trusts, net	961,065	861,973
Prepaid expenses	11,790	8,422
Total Assets	\$ 50,072,155	\$ 42,941,248
Liabilities		
Annuities payable	\$ 2,018,274	\$ 1,279,361
Accrued expenses/due to University	330,253	224,074
Deferred revenue	11,882	—
Total Liabilities	2,360,409	1,503,435
Net Assets		
Unrestricted	5,294,208	3,783,929
Temporarily restricted	20,642,233	17,298,533
Permanently restricted	21,775,305	20,355,351
Total Net Assets	47,711,746	41,437,813
	\$ 50,072,155	\$ 42,941,248

**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, 2014 And 2013
Page 1 Of 2**

	2014	2013
Operating Revenues		
Tuition and fees, net of scholarship allowances; 2014 - \$16,524,979; 2013 - \$15,729,002 and bad debt expense; 2014 - \$395,710; 2013 - \$1,000,582	\$ 71,734,393	\$ 61,529,664
Federal grants and contracts	1,866,932	836,186
State grants and contracts	67,003	64,010
Interest on student receivables	714,078	612,543
Sales and services of educational activities	2,476,998	2,177,303
Auxiliary enterprises		
Housing, net of scholarship allowances; 2014 - \$4,558,764; 2013 - \$4,542,913	19,465,330	18,355,233
Bookstore	6,606,209	6,443,172
Other auxiliary enterprises	8,943,789	8,352,137
Other operating revenues	5,379,493	6,142,275
Total Operating Revenues	117,254,225	104,512,523
Operating Expenses		
Compensation and benefits	105,773,641	101,049,388
Contractual services	14,495,252	13,486,272
Supplies and services	15,523,828	13,859,371
Scholarships and fellowships	7,380,118	7,296,318
Depreciation	14,816,697	14,936,701
Utilities	5,720,924	5,407,163
Other	14,474,670	15,167,876
Total Operating Expenses	178,185,130	171,203,089
Operating Loss	(60,930,905)	(66,690,566)

**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, 2014 And 2013
Page 2 Of 2**

	<u>2014</u>	<u>2013</u>
Nonoperating Revenues (Expenses)		
State appropriations	\$ 51,317,250	\$ 51,595,668
Federal grants and contracts	19,278,426	20,104,132
State grants and contracts	584,155	1,607,107
Other grants and contracts	917,201	937,510
Contributions	2,755,642	2,863,745
Gain (loss) on disposal of capital assets	(701,034)	50,520
Investment income	300,263	201,922
Interest on capital asset - related debt	(1,538,076)	(2,112,739)
Other nonoperating expenses	(752,508)	(78,544)
Net Nonoperating Revenues	72,161,319	75,169,321
Income Before Other Revenues And Expenses, Gains Or Losses	11,230,414	8,478,755
Capital Grants And Gifts	305,633	1,060,509
Special Item - Gain On Sale Of University Operations	1,650,020	—
Increase In Net Position	13,186,067	9,539,264
Net Position - Beginning Of Year	205,230,748	195,691,484
Net Position - End Of Year	\$ 218,416,815	\$ 205,230,748

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Unrestricted</u>	<u>Total</u>
Revenue And Other Support				
Gifts	\$ 247,059	\$ 2,901,046	\$ 933,024	\$4,081,129
In-kind gifts	4,000	404,193	—	408,193
Other income	1,148	63,496	1,366	66,010
Investment income	152,905	740,986	—	893,891
Net realized and unrealized gain on investments and beneficial interests in trusts	348,614	3,468,633	99,665	3,916,912
Net assets released from restrictions	2,736,664	(2,736,664)	—	—
Total Revenue And Other Support	3,490,390	4,841,690	1,034,055	9,366,135
Expenses				
Foundation expenses				
General administrative expenses	290,005	—	—	290,005
Fundraising expenses	295,644	—	—	295,644
Contributions to the University for the following purposes:				
Program expenses:				
Scholarships	1,235,195	—	—	1,235,195
Academic support - TV/Radio	358,816	—	—	358,816
Student services - athletics	456,421	—	—	456,421
Instruction and other departmental	519,076	—	—	519,076
Support services				
Institutional support - plant facilities	262,422	—	—	262,422
Total Expenses	3,417,579	—	—	3,417,579
Increase In Net Assets Before Other Changes	72,811	4,841,690	1,034,055	5,948,556
Other Changes				
Adjustments to actuarial liability of annuities payable	—	(7,288)	364,155	356,867
Other	1,437,468	(1,490,702)	21,744	(31,490)
Total Other Changes	1,437,468	(1,497,990)	385,899	325,377
Increase In Net Assets	1,510,279	3,343,700	1,419,954	6,273,933
Net Assets - June 30, 2013	3,783,929	17,298,533	20,355,351	41,437,813
Net Assets - June 30, 2014	5,294,208	20,642,233	21,775,305	47,711,746

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2013

		Temporarily Unrestricted	Permanently Unrestricted	Total
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 and beneficial interests in trusts	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				
Other	—	(18,996)	24,949	5,953
Reclassification of net assets	(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
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2014 And 2013
Page 1 Of 2

	2014	2013
Cash Flows From Operating Activities		
Tuition and fees	\$ 71,049,111	\$ 62,056,037
Grants and contracts	1,933,935	900,196
Sales and services of educational activities	2,476,998	2,177,303
Payments to suppliers	(32,441,387)	(24,770,462)
Payments for utilities	(5,720,924)	(5,407,163)
Payments to employees	(105,392,663)	(100,779,805)
Payments for scholarships and fellowships	(7,380,118)	(7,296,318)
Loans issued to students	(1,067,900)	(1,133,716)
Collection of loans to students	2,182,652	1,982,866
Sales and services of auxiliary enterprises	35,330,642	33,118,853
Other payments	(9,095,177)	(9,025,601)
Net Cash Used In Operating Activities	(48,124,831)	(48,177,810)
Cash Flows From Noncapital Financing Activities		
State appropriations	51,317,250	51,595,668
Gifts and grants for other than capital purposes	19,565,905	25,537,977
Other payments	(734,978)	(46,658)
Net Cash Provided By Noncapital Financing Activities	70,148,177	77,086,987
Cash Flows From Capital And Related Financing Activities		
Proceeds from issuance of capital debt	72,438,069	—
Proceeds from sale of capital assets	201,648	60,107
Purchase of capital assets	(21,299,829)	(9,605,794)
Principal paid on capital debt and leases	(23,521,388)	(5,889,973)
Interest paid on capital debt and leases	(1,800,210)	(2,096,100)
Net Cash Provided By (Used In) Capital And Related Financing Activities	26,018,290	(17,531,760)

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

**STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2014 And 2013
Page 2 Of 2**

	2014	2013
Cash Flows From Investing Activities		
Investment income	\$ 246,761	\$ 446,327
Proceeds from sales and maturities of investments	56,000,000	44,000,000
Purchases of investments	(65,923,998)	(44,213,047)
Proceeds from sale of University operations	1,100,020	—
Net Cash Provided By (Used In) Investing Activities	(8,577,217)	233,280
Net Increase In Cash And Cash Equivalents	39,464,419	11,610,697
Cash And Cash Equivalents - Beginning Of Year	18,264,642	6,653,945
Cash And Cash Equivalents - End Of Year	\$ 57,729,061	\$ 18,264,642
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	\$ (60,930,905)	\$ (66,690,566)
Depreciation	14,816,697	14,936,701
Changes in assets and liabilities:		
Decrease in accounts receivable and student loans	(321,443)	(136,878)
(Increase) decrease in inventory	123,922	(204,271)
(Increase) decrease in prepaid expenses	(201,717)	109,410
Increase (decrease) in accounts payable and accrued liabilities	(2,344,512)	2,670,042
Increase in unearned revenue	36,835	899,858
Increase in salaries and benefits	380,978	269,583
Increase (decrease) in student deposits	315,314	(31,689)
Net Cash Used In Operating Activities	\$ (48,124,831)	\$ (48,177,810)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 2,803,450	\$ 1,709,903
Capital assets donated	44,520	261,252
Consideration received for disposal of University operations	550,000	—

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 And 2013

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 Standard Adopted

In fiscal year 2014, the University adopted a new accounting standard as follows:

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (the Statement), establishes accounting and financial reporting standards related to disposals of government operations. GASB 69 requires disclosures to be made to enable financial statement users to evaluate the nature and financial effects of combinations and disposals of government operations. GASB 69 also requires disposals of government operations to be reported as a special item in the statement of revenues, expenses and changes in net position. Additional information on the impact of implementing GASB 69 can be found in Note 11 Disposal of University Operations.

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, 2014 and 2013, 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 \$99,261 and \$56,767 for the years ended June 30, 2014 and 2013, respectively.

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 \$991,381 and \$980,308 for the years ended June 30, 2014 and 2013, respectively.

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>2014</u>	<u>2013</u>
Interest costs capitalized for projects with no specific borrowings	\$ 319,213	\$ 114,446
Interest capitalized	1,394,626	114,446
Interest charged to expense	1,538,076	2,112,739
	<u>\$ 2,932,702</u>	<u>\$ 2,227,185</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, 2014 and 2013 were \$16,524,979 and \$15,729,002, respectively. The scholarship allowances on housing for the years ended June 30, 2014 and 2013, were \$4,558,764 and \$4,542,913, 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, 2014 and 2013, of \$427,191 and \$441,813, 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, 2014 and 2013, the Foundation provided \$2,868,455 and \$3,018,220, 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.

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 safekept 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, 2014 and 2013, the University's bank balances were \$83,140,378 and \$34,374,422, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2014 or 2013.

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, 2014 and 2013, the University had the following investments and maturities:

Type	2014		
	Fair Value	Less Than 1	1 - 5
U.S. Treasury obligations	\$ 56,007,963	\$ 18,016,951	\$ 37,991,012
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	—
	\$ 56,081,397	\$ 48,083,507	\$ 7,997,890

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

Notes To Financial Statements (*Continued*)

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, 2014 and 2013, the University had no investments in corporate bonds. At June 30, 2014, the University was not exposed to credit risk. 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, 2014 and 2013, 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>2014</u>	<u>2013</u>
Carrying value		
Deposits	\$ 81,856,183	\$ 32,367,028
Investments	56,007,963	56,081,397
	<u>\$137,864,146</u>	<u>\$ 88,448,425</u>
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 10,442,949	\$ 16,767,793
Restricted cash and cash equivalents - current	47,286,112	1,496,849
Short-term investments	24,044,074	56,110,893
Noncurrent investments	56,091,011	14,072,890
	<u>\$ 137,864,146</u>	<u>\$ 88,448,425</u>

Investment Income

Investment income for the years ended June 30, 2014 and 2013 consisted of:

	<u>2014</u>	<u>2013</u>
Interest and dividend income	\$ 257,886	\$ 207,471
Net increase (decrease) in fair value of investments	42,377	(5,549)
	<u>\$ 300,263</u>	<u>\$ 201,922</u>

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, 2014 and 2013:

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Student Housing System, Series 2009A	\$ 3,580,000	\$ —	\$ 1,615,000	\$ 1,965,000	\$ 1,110,000
Stadium Facility, Series 1999	625,000	—	305,000	320,000	320,000
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	2,761,242	—	539,066	2,222,176	546,128
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	3,103,758	—	605,934	2,497,824	613,872
Education Facility, Series 2007	610,454	—	124,825	485,629	131,017
Student Recreation Center, Series 2009	18,200,000	—	18,200,000	—	—
Advance Refunding of Student Recreation Center, Series 2009 Bond Issue, Series 2013A	—	16,310,000	—	16,310,000	1,465,000
Stadium Facility, Series 2013B-1	—	2,365,000	—	2,365,000	210,000
Stadium Facility, Series 2013B-2	—	3,770,000	—	3,770,000	—
Student Housing System, Mixed Use Faculty, Series 2013C-1	—	16,640,000	—	16,640,000	—
Student Housing System, Mixed Use Faculty, Series 2013C-2	—	32,650,000	—	32,650,000	—
Total Revenue Bonds	28,880,454	71,735,000	21,389,825	79,225,629	4,396,017
Capital Lease Obligations	31,893,017	—	2,131,563	29,761,454	2,134,157
	60,773,471	71,735,000	23,521,388	108,987,083	6,530,174
Unamortized Discount On Bonds Payable	8,318	703,069	28,910	682,477	—
Total Long-Term Debt	60,781,789	72,438,069	23,550,298	109,669,560	6,530,174
Other Noncurrent Liabilities					
Accrued compensated absences	3,822,746	2,162,974	2,056,389	3,929,331	2,056,144
Accrued settlement	441,813	—	14,622	427,191	50,000
Other long-term liability	1,179,827	274,393	—	1,454,220	—
Total Other Noncurrent Liabilities	5,444,386	2,437,367	2,071,011	5,810,742	2,106,144
Total Long-Term Debt And Other Obligations	\$ 66,226,175	\$ 74,875,436	\$ 25,621,309	\$ 115,480,302	\$ 8,636,318

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

	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 Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	—	—	—	—	—
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
Student Housing System, Energy Savings Program, Series 2002	—	—	—	—	—
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

Revenue Bonds Payable

On December 10, 2013, the University issued \$16,310,000 of Educational Facilities Revenue Bonds, Series 2013A with an average interest rate of 2.32% to advance refund \$17.4 million of outstanding 2009 Series bonds with interest rates ranging from 3.0% to 5.05%. The net proceeds of \$16.1 million (after payment of \$178,510 in underwriting fees and other issuance costs) plus an additional \$2.0 million of issuer funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2009 Series bonds. As a result, the 2009 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general ledger.

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

Notes To Financial Statements (*Continued*)

The University advance refunded the 2009 Series bonds to reduce its total debt service payments over the next 16 years by approximately \$6.6 million and to obtain an economic gain (difference between present values of the debt service payments on the old and new debt) of \$2.5 million.

On December 10, 2013, the University issued \$2,365,000 of Educational Facilities Revenue Bonds, Series 2013B-1. The bonds bear interest, payable semiannually, at a rate of 2.63%, which began April 1, 2014. Proceeds from the issuance of these private placement bonds are being used to finance renovation and equipping of Walton Stadium, including the lower level thereof, demolition of the existing stadium “horseshoe” seating, and replacement with turf-grass landscape, construction of new visitor grandstands with permanent concessions and restrooms, and construction of a new ticket booth and installation of upgraded perimeter fencing. Principal maturities begin October 1, 2014, and continue until October 1, 2023. 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 December 10, 2013, the University issued \$3,770,000 of Educational Facilities Revenue Bonds Series, 2013B-2. The bonds bear interest, payable semiannually, at rates of 4.0% to 4.625%, which began April 1, 2014. Proceeds from the issuance of these bonds are being used to finance renovation and equipping of Walton Stadium, including the lower level thereof, demolition of the existing stadium “horseshoe” seating, and replacement with turf-grass landscape, construction of new visitor grandstands with permanent concessions and restrooms, and construction of a new ticket booth and installation of upgraded perimeter fencing. Principal maturities begin October 1, 2014, and continue until October 1, 2034. 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 December 10, 2013, the University issued \$16,640,000 of Educational Facilities Revenue Bonds, Series 2013C-1. The bonds bear interest, payable semiannually, at a rate of 2.53%, which began April 1, 2014. Proceeds from the issuance of these private placement bonds are being used to finance construction of a new combined residential and retail (mixed use) facility. Principal maturities begin October 1, 2014, and continue until October 1, 2023. The bonds are secured by the net revenues available for debt service of the housing system of the University.

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

Notes To Financial Statements (*Continued*)

On December 10, 2013, the University issued \$32,650,000 of Educational Facilities Revenue Bonds, Series 2013C-2. The bonds bear interest, payable semiannually, at rates of 3.795% to 5.0% which began April 1, 2014. Proceeds from the issuance of these bonds are being used to finance construction of a new combined residential and retail (mixed use) facility. Principal maturities begin October 1, 2014, and continue until October 1, 2034. The bonds are secured by the net revenues available for debt service of the housing system of the University.

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.

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 remaining bonds were defeased during fiscal year 2014 by the Series 2013A 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.

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

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.

The debt service requirements as of June 30, 2014 are as follows:

Year Ending June 30,	Totals To Be Paid	Principal	Interest
2015	\$ 7,075,226	\$ 4,396,017	\$ 2,679,209
2016	6,447,012	3,877,515	2,569,497
2017	7,446,710	4,984,336	2,462,374
2018	7,371,413	5,027,761	2,343,652
2019	6,082,075	3,845,000	2,237,075
2020 - 2024	30,364,947	20,675,000	9,689,947
2025 - 2029	21,107,524	14,355,000	6,752,524
2030 - 2034	21,214,088	17,925,000	3,289,088
2034+	4,242,703	4,140,000	102,703
Totals	\$ 111,351,698	\$ 79,225,629	\$ 32,126,069

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

Notes To Financial Statements (*Continued*)

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital lease at June 30, 2014 and 2013, totaled \$30,778,182 and \$33,886,975, respectively, net of accumulated depreciation of \$8,338,341 and \$5,839,918, 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, 2014:

<u>Year Ending June 30,</u>	
2015	\$ 3,185,702
2016	3,185,702
2017	3,128,580
2018	3,128,580
2019	3,128,580
2020 - 2024	15,642,897
2025 - 2028	<u>4,692,869</u>
Total minimum lease payments	36,092,910
Less amount representing interest	<u>6,331,456</u>
Present value of future minimum lease payments	<u>\$ 29,761,454</u>

5. Related Party Transactions

At June 30, 2014 and 2013, the University had a receivable from the Foundation in the amount of \$431,499 and \$449,029, respectively, to fund accrued settlement charges related to a trust held by the Foundation.

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

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 \$259,361 and \$304,559 for the years ended June 30, 2014 and 2013, respectively. In addition, University employees provided services to the Foundation valued at \$620,865 and \$629,208 for the years ended June 30, 2014 and 2013, respectively, which were not reimbursed by the Foundation. 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, 2014. 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. Included in accounts receivable at June 30, 2014 and 2013, were receivables from the Foundation for reimbursements due of \$22,140 and \$31,769, respectively, for wages and benefits.

The University also has receivables from the Foundation at June 30, 2014 and 2013 of \$295,787 and \$183,652, 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 single-employer, defined benefit public employees' retirement system administered by the State of Missouri. Participation in MOSERS is available to employees of all state departments, agencies, and public institutions of higher education. As such, the University considers its participation in MOSERS as substantially equivalent to that of a cost-sharing, multiple employer public employees' retirement system. The operations and management of MOSERS are generally prescribed in the Missouri Revised Statutes and supervised by MOSERS Board of Trustees. 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
A COMPONENT UNIT OF THE STATE OF MISSOURI

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 16.98% and 14.45% of annual covered payroll for 2014 and 2013, respectively. The University made 100% of the required contributions of \$8,869,243, \$8,002,485 and \$7,516,111 in 2014, 2013 and 2012, respectively. The MOSERS funded status ratio was 72.7% and 73.2% as of June 30, 2014 and 2013, 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, 2012, do not contribute to MOSERS. Employees hired after January 1, 2012, 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 2014 and 2013, the University contributed 6.38% and 6.80%, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2014, 2013 and 2012, were \$956,947, \$1,063,587 and \$929,711 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.

UNIVERSITY OF CENTRAL MISSOURI
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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 \$7,437,324 and \$6,460,046 for the years ended June 30, 2014 and 2013, 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, accounted for by the University as restricted cash, 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, 2014 and 2013, 119 and 143 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.

UNIVERSITY OF CENTRAL MISSOURI
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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	\$ 2,853
Amortization payment	<u>1,144,308</u>
Annual required contribution (ARC)	1,147,161
Interest on normal cost and amortization payment	39,557
Adjustment to ARC	<u>241,853</u>
Annual OPEB cost	944,865
Less contributions made	<u>(670,847)</u>
Increase in net OPEB obligation	274,018
Net OPEB obligation - beginning of year	<u>1,130,202</u>
Net OPEB obligation - end of year	<u>\$ 1,404,220</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014 and the two preceding years were as follows:

<u>Fiscal Year</u> <u>End</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage Of</u> <u>Annual OPEB</u> <u>Cost</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2012	649,424	117.40%	937,790
6/30/2013	669,314	71.20%	1,130,202
6/30/2014	944,865	71.00%	1,404,220

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

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

As of July 1, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$5,166,613 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,166,613. The covered payroll (annual payroll of active employees covered by the plan) was \$55,732,561, and the ratio of the UAAL to the covered payroll was 9.3%.

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)	3.50%
Healthcare cost trend rate	7.00% decreasing to 5.00% 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, 2014 and 2013, 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 \$38,590,000 related to construction contracts at June 30, 2014.

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.

UNIVERSITY OF CENTRAL MISSOURI
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 10, 2014, 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, 2014 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, 2014 and 2013 is composed of the following:

	Fair Value	
	2014	2013
Domestic equity	\$ 19,395,721	\$ 20,026,715
International equity	5,756,977	586,571
Fixed income	15,931,720	16,096,655
Alternative	2,672,153	2,029,013
Real estate investment trust	1,977,021	589,618
Real estate held as an investment	305,000	50,000
	<u>\$ 46,038,592</u>	<u>\$ 39,378,572</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	
	2014	2013
Unrestricted	\$ 5,108,551	\$ 3,595,888
Temporarily restricted	19,918,352	16,438,887
Permanently restricted	21,011,689	19,343,797
	\$ 46,038,592	\$ 39,378,572

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, 2014 and 2013 is as follows:

	June 30,	
	2014	2013
Due within one year	\$ 249,370	\$ 202,500
Due in one to five years	1,449,936	1,273,500
Due in more than five years	13,064	—
	1,712,370	1,476,000
Less:		
Allowance for uncollectible promises	45,306	34,416
Discount to net present value	68,320	57,149
	\$ 1,598,744	\$ 1,384,435

Net Assets

Endowment net assets at June 30, 2014 and 2013 by type of fund consisted of the following:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 1,953,369	\$ 18,530,117	\$ 20,483,486
Board-designated endowment funds	3,209,640	13,267,274	—	16,476,914
	\$ 3,209,640	\$ 15,220,643	\$ 18,530,117	\$ 36,960,400

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

	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
	<u>\$ 3,002,130</u>	<u>\$ 13,342,391</u>	<u>\$ 17,720,239</u>	<u>\$ 34,064,760</u>

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2014 and 2013:

	June 30, 2014		June 30, 2013	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 4,811,436	\$ 17,462,196	\$ 4,877,709	\$ 16,347,474
TV/Radio institutional support	278,832	—	247,846	—
Student services - athletes	262,048	60,296	129,684	60,296
Instruction and other departmental	6,169,994	4,242,568	5,955,307	3,937,336
Institutional support - plant facilities	2,382,388	10,245	1,349,950	10,245
Net accumulated earnings in excess of approved payout	6,737,535	—	4,738,037	—
	<u>\$ 20,642,233</u>	<u>\$ 21,775,305</u>	<u>\$ 17,298,533</u>	<u>\$ 20,355,351</u>

11. Disposal Of University Operations

On December 17, 2013, the University sold the licensing and ownership rights comprising KTBG-FM Radio, a Public Broadcasting Entity. As a result of the sale, the University recognized a gain of \$1,650,020 on the disposal of KTBG-FM Radio as a special item. The University incurred no material revenues or expenses related to the operations of KTBG-FM Radio during the fiscal year 2013-2014.

Required Supplementary Information

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

**OTHER POSTEMPLOYMENT BENEFITS –
SCHEDULE OF FUNDING PROGRESS**

June 30, 2014

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)
7/1/2009	\$ —	\$ 5,556,294	\$ 5,556,294	0%	\$ 54,497,362	10.2%
7/1/2011	—	3,670,229	3,670,229	0%	52,902,908	6.9%
7/1/2013	—	5,166,613	5,166,613	0%	55,732,561	9.3%

Supplementary Information

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

STADIUM BONDS – SERIES 1999 AND SERIES 2013B

June 30, 2014

Revenues

Foundation Suite Revenue (Chart F)	\$ 56,188
 Walton Stadium	
Building rent income	3,784
Single Game Tickets (Mule Relays)	3,133
 Men's Football	
Advance ticket sales	8,162
Season tickets	17,331
Single game tickets	35,312
Programs/seats	1,379
 General Fund Transfer For Walton Stadium	
Bond Payment (Series 1999)	326,110
Bond Payment (Series 2013B)	70,232
Bond Payment (Series 1999, October 1, 2014 final payment)	327,200

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, 2014

Operating revenues	\$ 33,804,943
Operating expenses	<u>30,314,953</u>
Operating income	3,489,990
Nonoperating revenues and transfers	—
Nonoperating expenses and transfers	<u>55,774</u>
Change in net position	3,434,216
Net Position	
Beginning of year	<u>14,718,037</u>
End of year	<u><u>\$ 18,152,253</u></u>
Change in net position	3,434,216
Add Back: Debt Service Payments	
Student housing	\$ 1,554,790
Student union	<u>809,958</u>
Total debt service payments	2,364,748
Add Back: Capital Improvements	<u>2,080,700</u>
Net Operating Revenue Before Debt Service Payments	7,879,664
Net Operating Revenue As A Percentage Of Debt Service	333%

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, 2014

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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, 2014:

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 \$7,262,603 aggregate through the Midwestern Higher Education Compact (MHEC).
2. Lexington Insurance Company, Policy No. 66095363: furnishes the secondary layer of \$400,000,000 excess of the Lexington's \$100,000,000 layer.
3. Arch Insurance Company, Policy No. PRP0050774-01; One Beacon, Policy No. YSP6194; Maiden Special, Policy No. S1LPY0299402S; Libery Mutual, Policy No. MQ2-L9L-438236023; RSUI Indemnity, Policy No. NHD383097; Swiss Re, Policy No. 31-3-76360; QBE Specialty, Policy No. CFE3971017; Tokio Marine, Policy No. LCP6480783-00; Chubb Custom, Policy No. 44732524-01; Starr Surplus, Policy No. SLSTPTY10601313; and General Security Co. of AZ, Policy No. T0234451300834; 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, 2014

Page 2 Of 3

	<u>Amount Of Coverage</u>	
	<u>Building</u>	<u>Contents</u>
Residential complex (included in blanket figures)		
Diemer Hall	\$ 6,068,843	\$ 130,943
South Ellis Hall	10,083,685	166,982
East Ellis Hall	11,867,823	183,800
North Ellis Hall	12,845,272	224,646
Foster Knox Hall	8,290,247	296,724
Fraternity Hall	10,964,624	437,278
Hudson Hall	10,842,043	1,247,974
University Conference Center	12,124,574	359,192
Hosey Hall	7,181,527	325,555
Nattinger-Bradshaw Hall	18,809,066	646,307
Nickerson Hall	9,383,721	261,887
Panhellenic Hall	9,930,917	383,219
South Todd Hall	2,645,561	138,150
Todd Hall	8,078,170	391,629
South Yeater Hall	14,397,816	407,245
Yeater Hall	8,684,216	261,887
Knox Hall	6,970,059	227,047
Houts Hall	7,477,765	365,199
Fitzgerald Hall	15,092,444	464,909
Apartments (included in blanket figures)		
Greenwood 4-Plex #2	488,764	9,611
Greenwood 4-Plex #3	488,764	9,611
Greenwood 4-Plex #4	488,764	9,611
Greenwood 4-Plex #6	488,764	9,611
Greenwood 4-Plex #8	488,764	9,611
Greenwood 4-Plex #10	488,764	9,611
Greenwood 4-Plex #12	488,764	9,611
Greenwood 4-Plex #13	488,764	9,611
Greenwood 4-Plex #14	488,764	9,611
Greenwood 4-Plex #16	488,764	10,351
Greenwood Handicap Unit	267,213	4,805
Greenwood VIP Unit	248,127	74,482

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

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

June 30, 2014

Page 3 Of 3

	Amount Of Coverage	
	Building	Contents
Apartments (included in blanket figures - continued)		
Central Village 8-Plex #1	\$ 1,397,434	\$ 20,422
Central Village 8-Plex #2	968,105	20,422
Central Village 8-Plex #3	1,397,434	20,422
Central Village 8-Plex #4	967,742	20,422
Central Village 8-Plex #5	1,397,434	20,422
Central Village 8-Plex #6	968,105	20,422
Central Village Community Building	705,096	20,584
Central Village 8-Plex #8	968,105	20,422
Central Village 8-Plex #9	968,105	20,422
Central Village 8-Plex #10	968,105	20,422
Central Village 8-Plex #12	968,105	20,422
Stadium		
Walton Stadium	6,500,000	986,705
Walton Stadium First Floor	3,300,000	1,000,000
Walton Stadium Field	1,238,688	—
Builder's Risk - The Crossing	20,000,000	—
Other (included in blanket figures)		
University Union	27,720,530	3,802,857
Ellis Mechanical Building	251,445	1,039,496
Greenwood Morton Building	151,658	—
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, 2014

	<u>Headcount</u>	<u>Full-time Equivalent</u>	<u>Semester Credit Hours</u>
Summer 2013			
Undergraduate	3,013	2,089	15,682
Graduate	1,771	1,544	9,258
Fall 2013			
Undergraduate	9,974	8,484	127,253
Graduate	2,539	1,382	16,580
Spring 2014			
Undergraduate	9,742	7,888	118,318
Graduate	3,122	1,795	21,537

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

<u>Residence Halls</u>		<u>Apartments</u>	
<u>12 - 13</u>	<u>13 - 14</u>	<u>12 - 13</u>	<u>13 - 14</u>
83%	83%	91%	96%

The following information sets forth the living choices of undergraduate students for the Fall 2013 semester:

Total on-campus	44.3%
Total off-campus	<u>55.7%</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>2014</u>	<u>2013</u>
Residence halls (per semester)		
Single occupancy room	\$ 3,117	\$ 3,044
Double occupancy room	2,517	2,444
Apartments (per month)		
Central Village - one-bedroom	554	554
Central Village - two-bedroom	669	669
Central Village - three-bedroom	800	800
Foster/Knox	679	659
Greenwood Park	731	731
Nickerson	679	659
Todd - one-bedroom	679	659
Todd - two-bedroom	836	812
Basic meal plan (per semester)	1,350	1,285

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

	<u>2014</u>	<u>2013</u>
University Union Fee		
Per credit hour (<9 credit hours)	\$ 7	\$ 7
Flat rate (9+ credit hours)	110	108