
UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF
THE STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2016

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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 and its discretely presented component unit, collectively, a component unit of the State of Missouri, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University of Central Missouri'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 of Central Missouri, which statements reflect total assets of \$51,968,638 and \$51,377,527 as of June 30, 2016 and 2015, respectively, and total revenues of \$6,379,466 and \$6,133,843, 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 of Central Missouri as of June 30, 2016 and 2015, 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, other postemployment benefits - schedule of funding progress, schedule of University's proportionate share of the net pension liability and schedule of University's contributions on pages 4 through 19, 67 and 68, 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, which 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, are presented for purposes of additional analysis and are 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 7, 2016, on our consideration of the University of Central Missouri'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 of Central Missouri's internal control over financial reporting and compliance.

RubinBrown LLP

October 7, 2016

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2016 And 2015

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 19:1 student-faculty ratio and a graduate job placement rate above 90 percent, exceeding the national average for 22 consecutive years. The University's 2016 Fall enrollment is 13,988 and students are served by 518 full-time faculty members. Sixty-six 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 2,638 international students contribute to a diverse student body. Students from nearly every county in Missouri, 47 states and 48 countries from around the globe attend the University. Through our International Center, students can study in over 60 countries at a variety of 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.

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 of Central Missouri – Lee's Summit, UCM's main extended campus location in Lee's Summit, Missouri, which serves more than 2,200 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 2016, 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 its region for the eighth consecutive year, and was also ranked by U.S. News & World Report among the nation's best regional institutions in the Midwest category. Released in fall 2016, U.S. News & World Report rankings are included in the 2017 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 156 Midwestern institutions of higher education named in the nationally known education services company's online 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, 2016 and 2015, the Foundation provided support to the University of \$3,960,850 and \$3,294,963, 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, 2016, 2015 and 2014. 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). In addition, the University implemented GASB Statement No. 69, Government Combinations and Disposals of Government Operations.

Effective July 1, 2014, the University implemented GASB Statement No. 68, Accounting and Financial Report for Pensions and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements establish standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expenditures related to pensions.

During Fiscal Year 2016, the University implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for determining a fair value measurement for financial reporting purposes. Additionally, this Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Please see Note 2 of the financial statements for further details.

The U.S. Department of Education (DOE) program review of the University of Central Missouri's administration of Title IV programs from April of 2012 was finalized during Fiscal Year 2016. The review covered financial aid award years of 2009-2010, 2010-2011 and 2011-2012.

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 five major components which include 1.) Assets, 2.) Deferred Outflows of Resources, 3.) Liabilities, 4.) Deferred Inflows of Resources and 5.) 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 applicable to a future reporting period. These balances are attributable to the deferred amount on debt refundings and pension expense.

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.

Deferred Inflows Of Resources - Deferred Inflows are the acquisition of net position applicable to a future reporting period. These balances are attributable to the future period pension liabilities.

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.

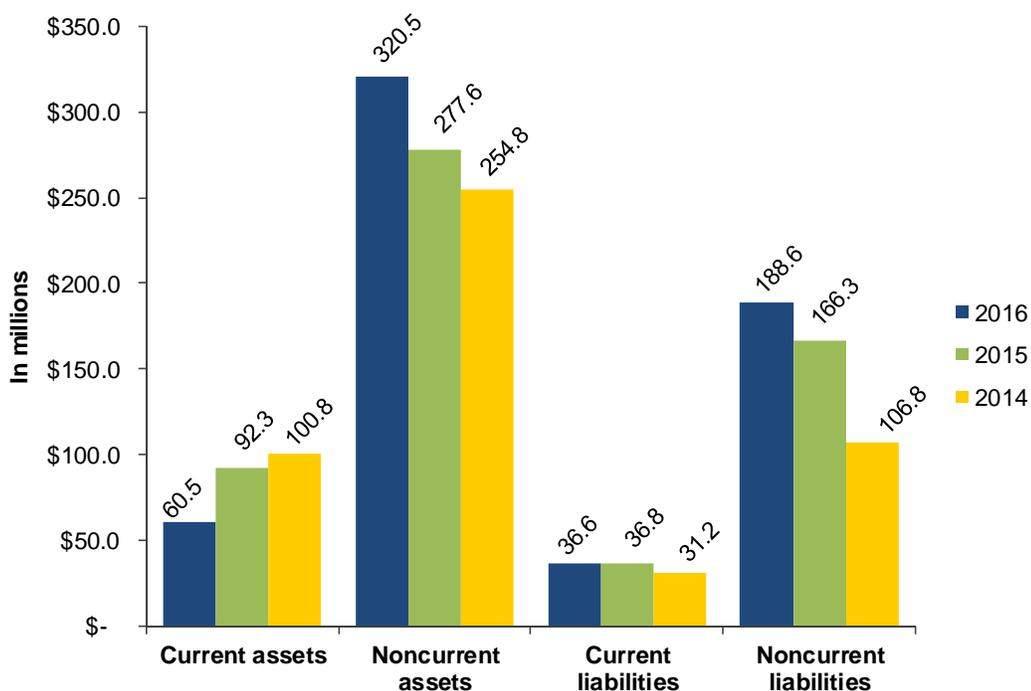
3.) Unrestricted net position represent balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet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

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

Following is a summary of the University's assets, deferred out(in)flows of resources, liabilities and net position at June 30 (in millions):

	2016	2015	2014
Current assets	\$ 60.5	\$ 92.3	\$ 100.8
Noncurrent assets	320.5	277.6	254.8
Total Assets	381.0	369.9	355.6
Deferred outflows of resources	19.4	10.3	0.8
Current liabilities	36.6	36.8	31.2
Noncurrent liabilities	188.6	166.3	106.8
Total Liabilities	225.2	203.1	138.0
Deferred inflows of resources	1.8	18.8	—
Net position			
Net investment in capital assets	139.6	128.9	129.7
Restricted	9.8	9.9	9.6
Unrestricted	24.0	19.5	79.1
Total Net Position	\$ 173.4	\$ 158.3	\$ 218.4



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

Comparative Analysis Of Fiscal Years 2016 And 2015

Current Assets - Current assets for Fiscal Year 2016 totaled \$60.5 million which is a decrease of \$31.8 million from Fiscal Year 2015 current assets of \$92.3 million. This decrease is attributed to total cash and short-term investments decreasing \$30.9 million primarily as a result of an increase in long-term investments at year end, bond capital expenditures and a decrease in accounts receivable of \$1.2 million and decrease in federal grant receivable of \$0.9 at year end. In addition, there was an increase in inventories of \$0.4 million, prepaid expenses of \$0.5 million and an increase of \$0.1 million in interest receivable, foundation receivable and loans to students at year end.

Non-Current Assets - Total non-current assets increased approximately \$42.9 million. The increase is primarily due to an increase in the University carrying a larger amount of long term investments at year end, an increase of \$1.3 million in non-current loans to students and an increase in capital assets of approximately \$5.6 million. These capital assets include the Crane Stadium Turf Project, Greenwood Community Building and the Hazardous Materials Storage Facility. Refer to Note 3 for additional information on capital asset activity.

Deferred Outflows Of Resources - Total deferred outflows of resources had an increase of \$9.1 million due to increase of \$9.2 million in deferred pension expense associated with GASB 68 and a decrease of \$0.1 from amortization of advanced refunding of Series 2009 Student Recreation Center bond issuance that capitalized on lower interest rates.

Current Liabilities - Current liabilities totaled \$36.6 million decreasing by approximately \$0.2 million compared to the prior year total of \$36.8 million. This is primarily attributed to a decrease in accounts payable and accrued liabilities of \$1.7 million offset by an increase in current portion of long-term debt of \$1.3 million primarily from the debt payment associated with the 2013-C bonds. In addition, there was an increase in unearned revenue of \$0.3 million and a decrease in accrued compensated absences of \$0.1 million.

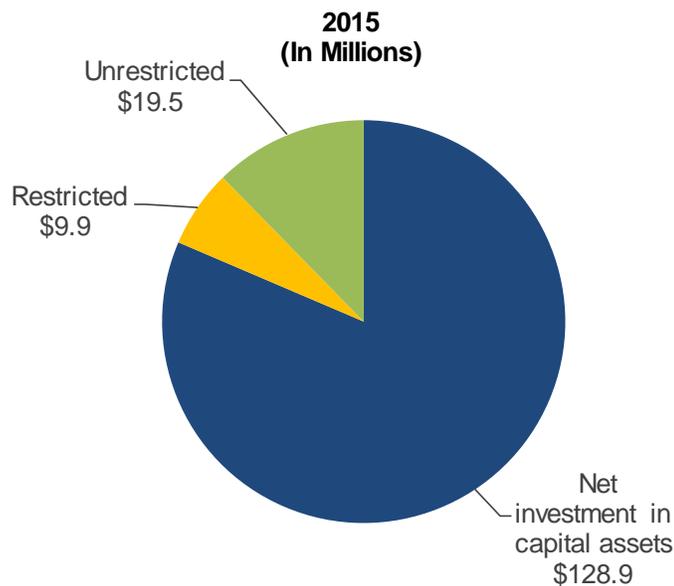
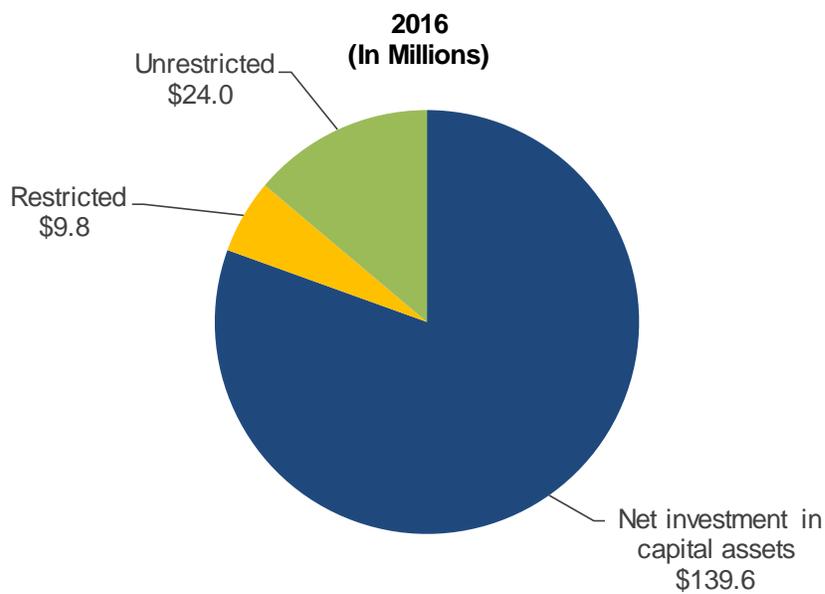
Non-Current Liabilities - Total non-current liabilities increased approximately \$22.3 million. This increase is primarily attributed to the \$26.6 million increase in pension liability. In addition, long-term debt decreased \$4.8 million due to annual debt service payments and continued savings incurred from the advance refunding of debt in 2014. In addition, other long term liability increased by \$0.3 million related to the liability increase in post-employment benefit obligations and an increase in the non-current portion of accrued compensated absences of \$0.2 million.

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

Management's Discussion And Analysis (*Continued*)

Deferred Inflows Of Resources - Total deferred inflows of resources had an decrease of \$17.0 million due to adjustment of the University's proportionate share of MOSERS deferred inflows related GASB Statement No. 68.

Net Position - At June 30, 2016, the University's net position was \$173.4 million. This was comprised of unrestricted - \$24.0 million; net investment in capital assets - \$139.6 million; restricted for loans - \$7.0 million and other restricted - \$2.8 million.



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

Management's Discussion And Analysis (*Continued*)

Comparative Analysis Of Fiscal Years 2015 And 2014

Current Assets - Current assets for Fiscal Year 2015 totaled \$92.3 million which was a decrease of \$8.5 million from Fiscal Year 2014 current assets of \$100.8 million. This decrease was attributed to total cash and short-term investments decreasing \$6 million primarily as a result of bond capital expenditures and a decrease in federal grant receivables of \$2.6 million and a decrease in prepaid expenses of \$0.4 at year end. In addition, there was an increase in accounts receivable of \$0.3 million and an increase of \$0.1 million in both inventories and interest receivable at year end.

Non-Current Assets - Total non-current assets increased approximately \$22.8 million. The increase was primarily due to an increase in capital assets of approximately \$36.6 million primarily resulting from the Southeast School Project, the Walton Stadium Upgrade, Grinstead Improvements, WCM Science Lab, Forbes Center, Residence Hall Window Replacements and construction in progress of The Crossing. Refer to Note 3 for additional information on capital asset activity. This increase was offset by a decrease in investments totaling \$13.8 million due to the usage of bond proceeds on capital projects.

Deferred Outflows Of Resources - Total deferred outflows of resources had an increase of \$9.5 million due to the implementation of GASB Statement No. 68 totaling \$9.6 million of deferred pension expense and a decrease of \$0.1 from advanced refunding of Series 2009 Student Recreation Center bond issuance that capitalized on lower interest rates.

Current Liabilities - Current liabilities totaled \$36.8 million increasing by approximately \$5.6 million compared to the prior year total of \$31.2 million. This was primarily attributed to an increase in accounts payable and accrued liabilities of \$6.0 million due to accrued construction invoices at year end. In addition, there were decreases in unearned revenue of \$0.2 million and long-term debt of \$0.3 million offset by an increase in accrued compensated absences of \$0.1 million.

Non-Current Liabilities - Total non-current liabilities increased approximately \$59.5 million. This increase was primarily attributed to the implementation of GASB 68 – accounting for pensions totaling \$64.6 million pension liability. In addition, long-term debt decreased \$5.7 million due to annual debt service payments and continued savings incurred from the advance refunding of debt in 2014. In addition, other long term liability increased by \$0.5 million related to the liability increase in post-employment benefit obligations and an increase in the non-current portion of accrued compensated absences of \$0.1 million.

Deferred Inflows Of Resources - Total deferred inflows of resources had an increase of \$18.8 million due to the implementation of GASB Statement No. 68.

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

Management's Discussion And Analysis (*Continued*)

Net Position - At June 30, 2015, the University's net position was \$158.3 million. This was comprised of unrestricted - \$19.5 million; net investment in capital assets - \$128.9 million; restricted for loans - \$7.0 million and other restricted - \$2.9 million.

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):

	2016	2015	2014
Operating Revenues			
Tuition and fees	\$ 103.3	\$ 95.5	\$ 88.6
Scholarship allowances	(18.0)	(18.1)	(16.5)
Net tuition and fees	85.3	77.4	72.1
Federal grants and contracts	1.4	1.6	1.9
State grants and contracts	—	—	0.1
Auxiliary enterprises	44.8	41.4	39.6
Scholarship allowances	(5.2)	(4.7)	(4.6)
Net auxiliary enterprises	39.6	36.7	35.0
Other	8.9	10.3	8.6
Total Operating Revenues	135.2	126.0	117.7
Operating Expenses	198.2	186.8	178.6
Operating Loss	(63.0)	(60.8)	(60.9)
Non-Operating Revenues (Expenses)			
State appropriation	55.7	55.0	51.3
Federal grants and contracts	18.0	19.4	19.3
State grants and contracts	0.4	0.5	0.6
Other grants and contracts	1.0	0.9	0.9
Gain (loss) on disposal of capital assets	—	(0.3)	(0.7)
Contributions	2.9	2.7	2.7
Investment income	0.9	0.5	0.3
Interest on capital asset-related debt	(2.4)	(1.3)	(1.5)
Other non-operating expenses	(0.1)	(0.1)	(0.8)
Net Non-Operating Revenues	76.4	77.3	72.1
Increase In Net Position	13.4	16.5	11.2
Capital Grants And Gifts	1.7	0.6	0.3
Special Item - Gain On Sale Of University Operations	—	—	1.6
Increase In Net Position	15.1	17.1	13.1
Net Position - Beginning Of Year, Before Restatement	158.3	218.4	205.3
Cummulative Effect Of Change In Accounting Principle	—	(77.2)	—
Net Position - Beginning Of Year, As Restated	158.3	141.2	205.3
Net Position - End Of Year	\$ 173.4	\$ 158.3	\$ 218.4

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

Management's Discussion And Analysis (*Continued*)

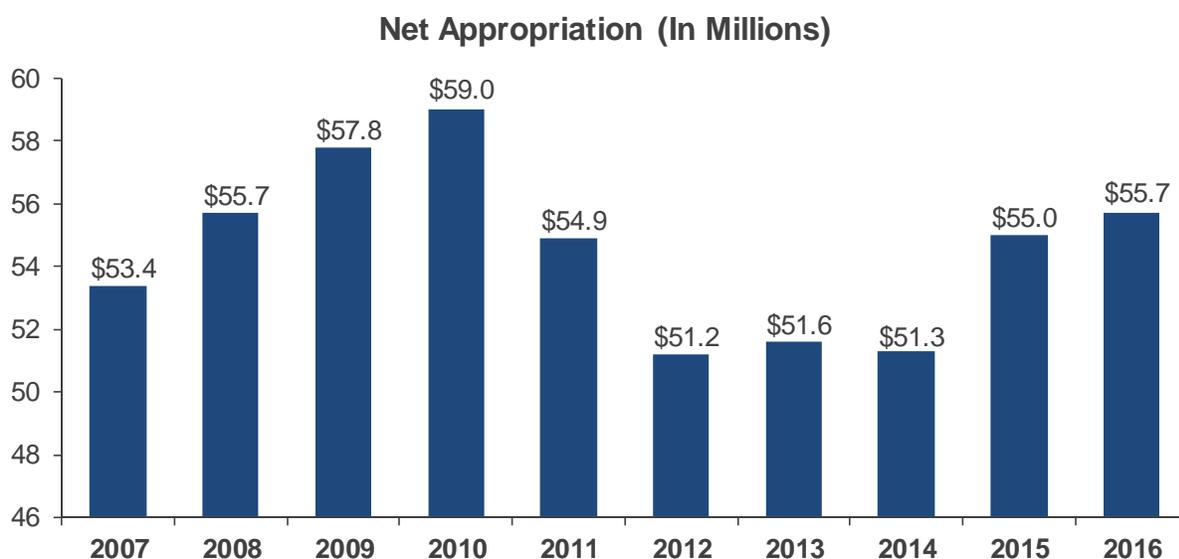
Comparative Analysis Of Fiscal Years 2016 And 2015

Operating Revenues - For the year ended June 30, 2016, tuition and fee revenues (net of scholarship allowances) increased approximately \$7.9 million compared to fiscal year 2015 as a result of increase in enrollment of 7.6% and a 0.8% per credit hour increase in tuition & fees. Fiscal year 2015 tuition and fees were approximately \$5.3 million above the year ended June 30, 2014 as the result of a 6.9% increase in enrollment.

Auxiliary enterprises experienced an increase of \$2.9 million above fiscal year 2015 which is primarily attributed to a room rate increase of 3.0% and board increase of 4.5% for fiscal year 2016.

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 increased by \$0.7 million in fiscal year 2016 compared to fiscal year 2015. Following is a historical trend of the University's state appropriation funding (net of withholdings).

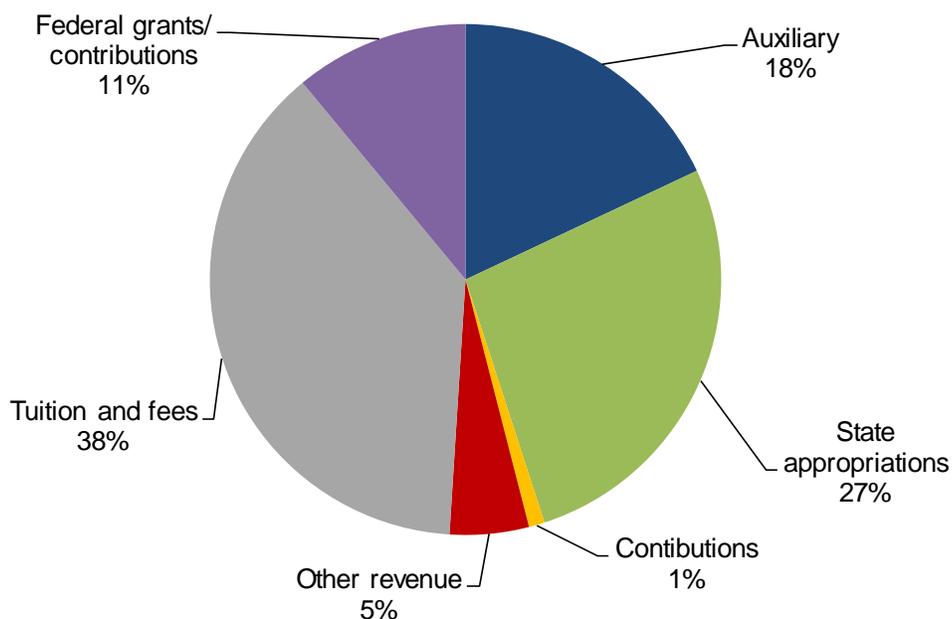


UNIVERSITY OF CENTRAL MISSOURI
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Management's Discussion And Analysis (*Continued*)

Fiscal Year 2016 other operating revenues decreased \$1.4 million over fiscal year 2015 primarily due to the one-time receipt of insurance proceeds in fiscal year 2015. Federal grants and contracts revenue decreased by \$0.2 million over fiscal year 2015 amount of \$1.6 million primarily due to decrease in awarded federal financial aid program revenues.

The following graph summarizes the University's fiscal year 2016 revenue sources:



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

	2016	2015	2014
Compensation and benefits	\$ 113.9	\$ 107.2	\$ 105.8
Contractual services	22.6	18.0	14.5
Supplies and materials	15.4	15.4	15.5
Scholarships and fellowships	6.7	7.1	7.4
Depreciation	15.5	14.8	14.8
Utilities	5.6	5.6	5.7
Other	18.5	18.7	14.9
	\$ 198.2	\$ 186.8	\$ 178.6

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

Management's Discussion And Analysis (*Continued*)

Operating Expenses - Total operating expenses increased \$11.4 million from \$186.8 million in fiscal year 2015 to \$198.2 million in fiscal year 2016.

Fiscal year 2016 Compensation and Benefits increased \$6.7 million from the prior year primarily resulting from an increase in faculty positions to accommodate growth in academic programs and staff positions to support student services coupled with a 1.3% across the board salary increase with a \$600 minimum (\$1.4 million).

Contractual services increased \$4.6 million over fiscal year 2014 primarily due to an increase in food service expenses (\$0.9 million), an increase in maintenance and repair contracts (\$1.3 million), increase in consulting expenses (\$0.6 million), increase in legal expenses (\$0.4 million) and other contracted services increase (\$1.3 million) associated with increased efforts in international student recruitment, increase in transportation costs and an increase in expense related to residential housing facilities Nattinger/Bradshaw and Ellis Hall restroom repairs.

Depreciation expense increased \$0.7 million over fiscal year 2015 primarily due to first year depreciation expense of The Crossing Apartments. The University experienced decreases in scholarships and fellowships (\$0.4 million) and other expenses (\$0.2 million) over fiscal year 2015.

For the year ended June 30, 2015 operating expenses increased by approximately \$8.2 million above the year ended June 30, 2014. This increase was primarily related to increased expenses of \$1.4 million for compensation and benefits resulting from a two percent across the board salary increase (\$1.4 million).

Contractual services increased \$3.5 million primarily due to an increase in food service expenses (\$0.5 million) an increase in maintenance and repair contracts (\$1.3 million), increase in aviation contract services (\$0.3 million), increase in consulting expenses (\$0.3 million), increase in legal expenses (\$0.3 million) and other contracted services increase (\$0.8 million) associated with increased efforts in student recruiting both domestic and international, the Dale Carnegie program and other supportive services.

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

Management's Discussion And Analysis (*Continued*)

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

	<u>2016</u>	2015	2014
Cash Provided By (Used In)			
Operating activities	\$ (51.4)	\$ (48.8)	\$ (48.1)
Non-capital financing activities	78.8	81.0	70.2
Capital and related financing activities	(23.1)	(52.5)	26.0
Investing activities	(21.2)	(9.8)	(8.6)
Increase In Cash And Cash Equivalents	(16.9)	(30.1)	39.5
Cash And Cash Equivalents - Beginning Of Year	27.6	57.7	18.2
Cash And Cash Equivalents - End Of Year	\$ 10.7	\$ 27.6	\$ 57.7

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, 2016, cash used in operating activities amounted to (\$51.4) 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 \$78.8 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 (\$23.1) million. The University had capital expenditures of \$6.5 million including: \$1.1 Crane Stadium Turf Project, \$0.6 million Greenwood Community Building, \$1.7 million WC Morris Science Renovations, \$1.1 million Fitzgerald and Nattinger/Bradshaw Window Replacements, \$0.6 million Skyhaven Airport Improvements, \$1.0 million Lovinger Exterior Improvements. Additional other capital expenditures totaling approximately \$0.6 million include parking lot improvements, various building improvements and capital equipment purchases. Capital related financing included principal and interest on capital debt and leases of \$4.9 million which were partially offset by the University's foundation note for Pertle Springs Renovation of \$2.7 million. Cash and cash equivalents at June 30, 2016, were \$10.7 million, which decreased \$16.9 million from June 30, 2015. This decrease is attributed to University's use of funds related to current construction projects.

During the year ended June 30, 2015, cash used in operating activities amounted to (\$48.8) 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 \$81.0 million included state appropriations, gifts and grants for other than capital purposes and other receipts. Capital and related financing activities was \$52.5 million. This included purchases of capital assets (\$45.5) million, principal and interest on capital debt and leases (\$7.8 million) which were partially offset by debt for capital purposes and proceeds from sale of capital assets of \$0.9 million. Cash and cash equivalents at June 30, 2015, were \$27.6 million, which decreased \$30.1 million from June 30, 2014.

Capital Assets

Information on capital assets can be found in Note 3. Net capital assets totaled \$235,068,047, which consisted of cost of \$463,960,771 and accumulated depreciation of \$228,892,724.

Debt

Information on debt can be found in Note 4. Long-term debt totaled \$106,896,262 at June 30, 2016. The University entered into a note agreement with the University of Central Missouri Foundation (\$2.3 million) and a short-term loan for the purchase of additional airplane for the aviation program (\$0.5 million). Long-term debt decreased in total by \$4,841,454 for 2016, primarily due to scheduled principal repayments.

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

Management's Discussion And Analysis (*Continued*)

Economic Outlook

Management believes that the University is well positioned to maintain its strong financial condition and to continue providing excellent service to its students, the community and the state of Missouri. The University's ongoing efforts toward enrollment growth and operating cost containment coupled with the continuing financial support from the State of Missouri will enable the University to obtain the necessary resources to sustain excellence.

Contact Information

Questions or comments about this report may be addressed to Toni Kreke, Associate Vice President for Finance, at University of Central Missouri, Administration 316K, Warrensburg, MO 64093.

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

STATEMENT OF NET POSITION

June 30, 2016 And 2015

Page 1 Of 2

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,230,302	\$ 17,534,390
Restricted cash and cash equivalents	2,501,845	10,089,347
Short-term investments	34,038,408	48,035,090
Accounts receivable, net of allowance; 2016 - \$6,266,837 2015 - \$6,485,722	5,823,807	7,073,004
Interest receivable	326,354	200,965
Federal and grants receivable	2,000,367	2,959,116
Due from Foundation	230,144	71,392
Inventories	3,803,796	3,412,587
Loans to students, net	1,434,979	1,363,191
Prepaid expenses	2,091,424	1,621,769
Total Current Assets	60,481,426	92,360,851
Noncurrent Assets		
Investments	78,171,740	42,209,396
Loans to students, net	6,910,879	5,571,350
Due from Foundation	359,624	368,547
Capital assets, net	235,068,047	229,510,428
Total Noncurrent Assets	320,510,290	277,659,721
Total Assets	380,991,716	370,020,572
Deferred Outflows Of Resources		
Deferred amount on debt refundings	608,045	725,808
Proportionate share of collective deferred outflows of resources	18,828,957	9,585,915
Total Deferred Outflow Of Resources	19,437,002	10,311,723

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

STATEMENT OF NET POSITION

June 30, 2016 And 2015

Page 2 Of 2

	2016	2015
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 22,009,179	\$ 23,671,113
Accrued compensated absences	1,989,558	2,117,709
Unearned revenue	3,783,840	3,436,760
Interest payable	809,561	851,904
Long-term debt	7,523,108	6,227,185
Accrued settlement	50,000	50,000
Student deposits	478,154	475,010
Total Current Liabilities	36,643,400	36,829,681
Noncurrent Liabilities		
Accrued compensated absences	2,200,901	1,972,103
Accrued settlement	359,624	368,547
Other long-term liability	2,287,026	1,979,308
MOSERS Pension Liability	91,236,621	64,634,510
Long-term debt	92,486,045	97,327,499
Total Noncurrent Liabilities	188,570,217	166,281,967
Total Liabilities	225,213,617	203,111,648
Deferred Inflows Of Resources		
Proportionate share of collective deferred inflows of resources	1,804,524	18,845,826
Net Position		
Net investment in capital assets	139,636,734	128,921,926
Restricted for		
Nonexpendable		
Loans	7,074,141	7,030,622
Expendable		
Scholarships and fellowships	41,208	42,208
Loans	1,186,723	1,180,288
Other	1,517,052	1,657,218
Unrestricted	23,954,719	19,542,559
Total Net Position	\$ 173,410,577	\$ 158,374,821

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2016 And 2015

	2016	2015
Assets		
Cash and cash equivalents	\$ 601,113	\$ 1,323,040
Investments	46,013,639	46,569,586
Contributions receivable, net	1,455,566	2,047,605
Accrued investment income	229,412	139,178
Note receivable	2,389,553	—
Cash surrender value or life insurance	405,922	387,883
Beneficial interest in charitable trusts, net	867,580	902,878
Prepaid expenses	5,853	7,357
Total Assets	\$ 51,968,638	\$ 51,377,527
Liabilities		
Annuities payable	\$ 1,454,073	\$ 1,469,468
Accrued expenses/due to University	167,444	349,679
Deferred revenue	11,882	11,882
Total Liabilities	1,633,399	1,831,029
Net Assets		
Unrestricted	6,408,031	6,116,138
Temporarily restricted	19,487,603	20,551,570
Permanently restricted	24,439,605	22,878,790
Total Net Assets	50,335,239	49,546,498
	\$ 51,968,638	\$ 51,377,527

**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, 2016 And 2015
Page 1 Of 2**

	2016	2015
Operating Revenues		
Tuition and fees, net of scholarship allowances; 2016 - \$18,010,767; 2015 - \$18,064,096	\$ 85,289,322	\$ 77,371,125
Federal grants and contracts	1,400,772	1,592,782
Interest on student receivables	776,421	740,269
Sales and services of educational activities	1,861,226	2,051,185
Auxiliary enterprises		
Housing, net of scholarship allowances; 2016 - \$5,233,151; 2015 - \$4,724,972	23,178,227	20,955,614
Bookstore	6,054,024	6,204,814
Other auxiliary enterprises	10,350,919	9,555,653
Other operating revenues	6,257,086	7,502,929
Total Operating Revenues	135,167,997	125,974,371
Operating Expenses		
Compensation and benefits	114,021,002	107,188,629
Contractual services	22,603,230	18,004,464
Supplies and services	15,453,727	15,415,876
Scholarships and fellowships	6,685,090	7,061,784
Depreciation	15,495,973	14,800,507
Utilities	5,585,320	5,604,251
Other	18,496,470	18,745,647
Total Operating Expenses	198,340,812	186,821,158
Operating Loss	(63,172,815)	(60,846,787)

**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, 2016 And 2015
Page 2 Of 2**

	2016	2015
Nonoperating Revenues (Expenses)		
State appropriations	\$ 55,677,472	\$ 55,021,303
Federal grants and contracts	18,058,469	19,395,631
State grants and contracts	369,555	508,335
Other grants and contracts	1,021,724	845,038
Contributions	2,951,081	2,749,659
Loss on disposal of capital assets	53,409	(255,818)
Investment income	858,209	449,268
Interest on capital asset - related debt	(2,446,355)	(1,277,015)
Other nonoperating expenses	(58,146)	(68,914)
Net Nonoperating Revenues	76,485,418	77,367,487
 Income Before Other Revenues And Expenses, Gains Or Losses	 13,312,603	 16,520,700
 Capital Grants And Gifts	 1,723,153	 589,757
Increase In Net Position	15,035,756	17,110,457
 Net Position - Beginning Of Year, Before Restatement	 158,374,821	 218,416,815
Cummulative Effect Of Change In Accounting Principle	—	(77,152,451)
Net Position - Beginning Of Year, As Restated	158,374,821	141,264,364
Net Position - End Of Year	\$ 173,410,577	\$ 158,374,821

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2016

	Unrestricted	Temporarily Unrestricted	Permanently Unrestricted	Total
Revenue And Other Support				
Gifts	\$ 237,651	\$ 3,387,606	\$ 1,321,335	\$ 4,946,592
In-kind gifts	918,030	361,228	—	1,279,258
Other income	13,893	106,115	—	120,008
Investment income	206,627	816,959	—	1,023,586
Net realized and unrealized gain (loss) on investments and beneficial interests in trusts	34,309	(971,612)	(52,675)	(989,978)
Net assets released from restrictions	3,876,372	(3,876,372)	—	—
Total Revenue And Other Support	5,286,882	(176,076)	1,268,660	6,379,466
Expenses				
Foundation expenses				
General administrative expenses	602,092	—	—	602,092
Fundraising expenses	953,020	—	—	953,020
Contributions to the University for the following purposes				
Program expenses:				
Scholarships	1,149,039	—	—	1,149,039
Academic support - TV/Radio	335,810	—	—	335,810
Student services - athletics	620,690	—	—	620,690
Instruction and other departmental	416,361	—	—	416,361
Support services				
Institutional support - plant facilities	1,387,922	—	—	1,387,922
Total Expenses	5,464,934	—	—	5,464,934
Increase (Decrease) In Net Assets Before Other Changes	(178,052)	(176,076)	1,268,660	914,532
Other Changes				
Adjustments to actuarial liability of annuities payable	—	(95,032)	(35,012)	(130,044)
Other	469,945	(792,859)	327,167	4,253
Total Other Changes	469,945	(887,891)	292,155	(125,791)
Increase In Net Assets	291,893	(1,063,967)	1,560,815	788,741
Net Assets - June 30, 2015	6,116,138	20,551,570	22,878,790	49,546,498
Net Assets - June 30, 2016	\$ 6,408,031	\$ 19,487,603	\$ 24,439,605	\$ 50,335,239

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Unrestricted</u>	<u>Total</u>
Revenue And Other Support				
Gifts	\$ 357,264	\$ 2,788,672	\$ 617,027	\$ 3,762,963
In-kind gifts	757,182	588,395	—	1,345,577
Other income	13,226	71,470	—	84,696
Investment income	193,704	760,257	—	953,961
Net realized and unrealized gain on investments and beneficial interests in trusts	(77,311)	(24,659)	88,616	(13,354)
Net assets released from restrictions	3,468,488	(3,468,488)	—	—
Total Revenue And Other Support	4,712,553	715,647	705,643	6,133,843
Expenses				
Foundation expenses				
General administrative expenses	519,444	—	—	519,444
Fundraising expenses	736,009	—	—	736,009
Contributions to the University for the following purposes				
Program expenses:				
Scholarships	1,123,069	—	—	1,123,069
Academic support - TV/Radio	398,879	—	—	398,879
Student services - athletics	730,183	—	—	730,183
Instruction and other departmental	483,143	—	—	483,143
Support services				
Institutional support - plant facilities	769,451	—	—	769,451
Total Expenses	4,760,178	—	—	4,760,178
Increase (Decrease) In Net Assets Before Other Changes	(47,625)	715,647	705,643	1,373,665
Other Changes				
Adjustments to actuarial liability of annuities payable	—	143,656	323,893	467,549
Other	869,555	(949,966)	73,949	(6,462)
Total Other Changes	869,555	(806,310)	397,842	461,087
Increase (Decrease) In Net Assets	821,930	(90,663)	1,103,485	1,834,752
Net Assets - June 30, 2014	5,294,208	20,642,233	21,775,305	47,711,746
Net Assets - June 30, 2015	\$ 6,116,138	\$ 20,551,570	\$ 22,878,790	\$ 49,546,498

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

STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2016 And 2015
Page 1 Of 2

	2016	2015
Cash Flows From Operating Activities		
Tuition and fees	\$ 86,885,599	\$ 76,862,670
Grants and contracts	1,400,772	1,592,782
Sales and services of educational activities	1,861,226	2,051,185
Payments to suppliers	(42,687,427)	(33,162,052)
Payments for utilities	(5,585,320)	(5,604,251)
Payments to employees	(113,294,870)	(109,833,304)
Payments for scholarships and fellowships	(6,685,090)	(7,061,784)
Loans issued to students	(1,360,472)	(1,537,447)
Collection of loans to students	725,576	2,277,716
Sales and services of auxiliary enterprises	39,586,314	36,759,759
Other payments	(12,239,384)	(11,242,718)
Net Cash Used In Operating Activities	(51,393,076)	(48,897,444)
Cash Flows From Noncapital Financing Activities		
State appropriations	55,677,472	55,021,303
Gifts and grants for other than capital purposes	23,359,578	26,089,632
Other payments	(207,975)	(77,354)
Net Cash Provided By Noncapital Financing Activities	78,829,075	81,033,581
Cash Flows From Capital And Related Financing Activities		
Proceeds from issuance of capital debt	2,738,820	518,502
Proceeds from sale of capital assets	154,619	362,479
Purchase of capital assets	(17,332,900)	(45,522,398)
Principal paid on capital debt and leases	(4,954,596)	(6,600,527)
Interest paid on capital debt and leases	(3,700,690)	(1,226,717)
Net Cash Used In Capital And Related Financing Activities	(23,094,747)	(52,468,661)

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

STATEMENT OF CASH FLOWS
For The Years Ended June 30, 2016 And 2015
Page 2 Of 2

	2016	2015
Cash Flows From Investing Activities		
Investment income	\$ 767,158	\$ 245,571
Proceeds from sales and maturities of investments	48,000,000	24,000,000
Purchases of investments	(70,000,000)	(34,018,371)
Proceeds from sale of University operations	—	—
Net Cash Used In Investing Activities	(21,232,842)	(9,772,800)
Net Decrease In Cash And Cash Equivalents	(16,891,590)	(30,105,324)
Cash And Cash Equivalents - Beginning Of Year	27,623,737	57,729,061
Cash And Cash Equivalents - End Of Year	\$ 10,732,147	\$ 27,623,737
Reconciliation Of Operating Loss To Net Cash Used In Operating Activities		
Adjustments to reconcile operating loss to net cash used in operating activities:		
Operating loss	\$ (63,172,815)	\$ (60,846,787)
Depreciation	15,495,973	14,800,507
Changes in deferred amounts related to pension	(26,284,344)	(3,258,030)
Changes in assets and liabilities:		
Increase in accounts receivable and student loans	(162,120)	(412,736)
Increase in inventory	(391,209)	(103,863)
(Increase) decrease in prepaid expenses	(469,655)	360,219
Increase (decrease) in accounts payable and accrued liabilities	(3,769,606)	1,932
Increase (decrease) in unearned revenue	347,080	(167,933)
Increase in salaries and benefits	408,365	685,569
Increase in pension liability	26,602,111	—
Increase in student deposits	3,144	43,678
Net Cash Used In Operating Activities	\$ (51,393,076)	\$ (48,897,444)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 2,098,749	\$ 6,024,338
Capital assets donated	—	80,115

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 And 2015

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 ended June 30, 2016, the University implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This statement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement also provides guidance for determining a fair value measurement for financial reporting purposes. Additionally, this statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Implementation of GASB 72 did not have significant impact on the financial statements.

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, 2016 and 2015, 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 Inflows And Deferred Outflows Of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The University's deferred outflows includes deferred amounts on debt refundings incurred as a result of revenue bond refundings that have been deferred and are being amortized over the life of the bonds using the straight-line method. Total amortization was \$117,467 and \$96,822 for the years ended June 30, 2016 and 2015, respectively. The University also reports deferred outflows of resources related to pensions as described in Note 6.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then. The University's deferred inflows of resources include deferred inflows of resources related to pensions as described in Note 6.

Inventories

Inventories include bookstore merchandise, golf equipment and consumable supplies. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Loans To Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$980,308 and \$991,381 for the years ended June 30, 2016 and 2015, respectively.

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

Notes To Financial Statements (Continued)

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

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>2016</u>	<u>2015</u>
Interest costs capitalized for projects with no specific borrowings	\$ 123,033	\$ 495,896
Interest capitalized	961,036	1,937,789
Interest charged to expense	2,446,355	1,277,015
	<u>\$ 3,407,391</u>	<u>\$ 3,214,804</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.

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

Notes To Financial Statements (*Continued*)

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.

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
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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, 2016 and 2015 were \$18,010,767 and \$18,064,096, respectively. The scholarship allowances on housing for the years ended June 30, 2016 and 2015 were \$5,233,151 and \$4,724,792, 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, 2016 and 2015 of \$409,624 and \$418,547, 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
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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, 2016 and 2015, the Foundation provided \$3,960,850 and \$3,294,963, 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.

Pensions

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

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

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

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, the 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, 2016 and 2015, the University's bank balances were \$65,301,947 and \$55,636,330, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2016 or 2015.

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.

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Notes To Financial Statements (*Continued*)

At June 30, 2016 and 2015, the University had the following investments and maturities:

Type	2016		
	Fair Value	Less Than 1 Year	1 - 5 Years
U.S. Treasury obligations	\$ 68,132,432	\$ 22,035,012	\$ 46,097,420
U.S. agencies obligations	2,002,716	2,002,716	—
	<u>\$ 70,135,148</u>	<u>\$ 24,037,728</u>	<u>\$ 46,097,420</u>

Type	2015		
	Fair Value	Less Than 1 Year	1 - 5 Years
U.S. Treasury obligations	\$ 62,084,842	\$ 34,010,310	\$ 28,074,532
U.S. agencies obligations	2,007,816	—	2,007,816
	<u>\$ 64,092,658</u>	<u>\$ 34,010,310</u>	<u>\$ 30,082,348</u>

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

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University's policy to limit its investments in corporate bonds to "A", "AA" and "AAA" as rated by Standard & Poor's and Moody's Investors Services. At June 30, 2016 and 2015, the University had no investments in corporate bonds. At June 30, 2016, the University had one Federal Home Loan Bank security that was rated AAA by Standard & Poor's. At June 30 2016, the University was not exposed to credit risk.

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, 2016 and 2015, are held in the University's name.

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

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.

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>2016</u>	<u>2015</u>
Carrying value		
Deposits	\$ 52,807,147	\$ 53,775,565
Investments	70,135,148	64,092,658
	\$ 122,942,295	\$ 117,868,223
Included in the following statements of net position captions		
Cash and cash equivalents	\$ 8,230,302	\$ 17,534,390
Restricted cash and cash equivalents - current	2,501,845	10,089,347
Short-term investments	34,038,408	48,035,090
Noncurrent investments	78,171,740	42,209,396
	\$ 122,942,295	\$ 117,868,223

Investment Income

Investment income for the years ended June 30, 2016 and 2015 consisted of:

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 828,390	\$ 407,457
Net increase in fair value of investments	29,819	41,811
	\$ 858,209	\$ 449,268

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Notes To Financial Statements (*Continued*)

Fair Value Measurements

GASB Statement No. 72 (GASB 72), *Fair Value Measurements and Application*, sets forth the framework for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

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

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of June 30, 2016:

Investments	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. treasury securities	\$ 68,132,432	\$ —	\$ —	\$ 68,132,432
Federal home loan bank security	2,002,716	—	—	2,002,716
Total investments at fair value	\$ 70,135,148	\$ —	\$ —	\$ 70,135,148

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Notes To Financial Statements (*Continued*)

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of June 30, 2015:

Investments	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. treasury securities	\$ 62,084,842	\$ —	\$ —	\$ 62,084,842
Federal home loan bank security	2,007,816	—	—	2,007,816
Total investments at fair value	\$ 64,092,658	\$ —	\$ —	\$ 64,092,658

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, 2016 and 2015:

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Student Housing System, Series 2009A	\$ 855,000	\$ —	\$ 855,000	\$ —	\$ —
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	1,676,048	—	550,836	1,125,212	557,898
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	1,883,952	—	619,164	1,264,788	627,102
Education Facility, Series 2007 Advance Refunding of Student Recreation Center, Series 2009 Bond Issue, Series 2013A	354,612	—	137,515	217,097	144,336
Stadium Facility, Series 2013B-1	14,845,000	—	1,500,000	13,345,000	1,535,000
Stadium Facility, Series 2013B-2	2,155,000	—	215,000	1,940,000	220,000
Student Housing System, Mixed Use Faculty, Series 2013C-1	3,770,000	—	—	3,770,000	—
Student Housing System, Mixed Use Faculty, Series 2013C-2	16,640,000	—	—	16,640,000	1,900,000
Total Revenue Bonds	32,650,000	—	—	32,650,000	—
Capital Lease Obligations	74,829,612	—	3,877,515	70,952,097	4,984,336
Note Payable - Foundation	27,556,944	—	2,279,971	25,276,973	2,300,911
Notes Payable - Airplanes	—	2,389,552	—	2,389,552	119,337
Unamortized Premium On Bonds Payable	518,502	349,268	93,033	774,737	118,524
Total Long-Term Debt	102,905,058	2,738,820	6,250,519	99,393,359	7,523,108
Other Noncurrent Liabilities	649,626	—	33,832	615,794	—
Accrued compensated absences	4,089,812	2,317,271	2,216,624	4,190,459	1,989,558
Accrued settlement	418,547	—	8,923	409,624	50,000
Other long-term liability	1,979,308	307,718	—	2,287,026	—
Total Other Noncurrent Liabilities	6,487,667	2,624,989	2,225,547	6,887,109	2,039,558
Total Long-Term Debt And Other Obligations	\$ 110,042,351	\$ 5,363,809	\$ 8,509,898	\$ 106,896,262	\$ 9,562,666

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

	2015				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Student Housing System, Series 2009A	\$ 1,965,000	\$ —	\$ 1,110,000	\$ 855,000	\$ 855,000
Stadium Facility, Series 1999 Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	320,000	—	320,000	—	—
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	2,222,176	—	546,128	1,676,048	550,836
Education Facility, Series 2007 Advance Refunding of Student Recreation Center, Series 2009 Bond Issue, Series 2013A	2,497,824	—	613,872	1,883,952	619,164
Stadium Facility, Series 2013B-1	485,629	—	131,017	354,612	137,515
Stadium Facility, Series 2013B-2	16,310,000	—	1,465,000	14,845,000	1,500,000
Student Housing System, Mixed Use Faculty, Series 2013C-1	2,365,000	—	210,000	2,155,000	215,000
Student Housing System, Mixed Use Faculty, Series 2013C-2	3,770,000	—	—	3,770,000	—
Total Revenue Bonds	16,640,000	—	—	16,640,000	—
	32,650,000	—	—	32,650,000	—
	79,225,629	—	4,396,017	74,829,612	3,877,515
Capital Lease Obligations	29,761,454	518,502	2,204,510	28,075,446	2,349,670
	108,987,083	518,502	6,600,527	102,905,058	6,227,185
Unamortized Premium On Bonds Payable	682,477	—	32,851	649,626	—
Total Long-Term Debt	109,669,560	518,502	6,633,378	103,554,684	6,227,185
Other Noncurrent Liabilities					
Accrued compensated absences	3,929,331	2,216,625	2,056,144	4,089,812	2,117,709
Accrued settlement	427,191	—	8,644	418,547	50,000
Other long-term liability	1,454,220	525,088	—	1,979,308	—
Total Other Noncurrent Liabilities	5,810,742	2,741,713	2,064,788	6,487,667	2,167,709
Total Long-Term Debt And Other Obligations	\$ 115,480,302	\$ 3,260,215	\$ 8,698,166	\$ 110,042,351	\$ 8,394,894

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

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.

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 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.

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

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 continue until October 1, 2023. The bonds are secured by the net revenues available for debt service of the housing system of the University.

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 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.

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

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.

The debt service requirements as of June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Total To</u>	<u>Principal</u>	<u>Interest</u>
	<u>Be Paid</u>		
2017	\$ 7,684,571	\$ 5,222,197	\$ 2,462,374
2018	7,616,468	5,272,816	2,343,652
2019	6,334,535	4,097,460	2,237,075
2020	6,336,765	4,195,107	2,141,658
2021	6,344,611	4,303,010	2,041,601
2022 - 2026	27,931,952	18,999,014	8,932,938
2027 - 2031	22,295,599	16,631,780	5,663,819
2032 - 2036	16,969,892	15,395,002	1,574,890
<u>Total</u>	<u>\$ 101,514,393</u>	<u>\$ 74,116,386</u>	<u>\$ 27,398,007</u>

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, 2016 and 2015 totaled \$25,273,475 and \$28,337,052, respectively, net of accumulated depreciation of \$12,955,311 and \$10,863,391, 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, 2016:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 3,128,581
2018	3,128,580
2019	3,128,580
2020	3,128,580
2021	3,128,580
2022 - 2026	14,078,606
Total minimum lease payments	29,721,507
Less amount representing interest	4,444,534
<u>Present value of future minimum lease payments</u>	<u>\$ 25,276,973</u>

5. Related Party Transactions

At June 30, 2016 and 2015, the University had a receivable from the Foundation in the amount of \$589,768 and \$439,939, respectively.

The University pays payroll expenses for some employees that are subsequently reimbursed by the Foundation. The total amount of wages paid by the University on behalf of the Foundation was \$304,867 and \$209,286 for the years ended June 30, 2016 and 2015, respectively. In addition, University employees provided services to the Foundation valued at \$918,030 and \$757,095 for the years ended June 30, 2016 and 2015, 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, 2016. Included in accounts receivable at June 30, 2016 and 2015 were receivables from the Foundation for reimbursements due of \$38,432 and \$23,180, respectively, for wages and benefits.

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

The University also has receivables from the Foundation at June 30, 2016 and 2015 of \$141,712 and \$302,656, respectively, for miscellaneous services performed on behalf of the Foundation.

The University entered into a loan agreement with the Foundation on July 31, 2015 in the amount of \$2,389,552 at 4% interest with a 15-year maturity for the renovation of the Mules National Golf Course. The first installment payment including principal and interest of \$214,919 is due on July 31, 2016.

6. Pension Plans

MOSERS

University of Central Missouri benefit eligible employees are provided with pensions through MOSERS - a cost-sharing multiple-employer defined benefit pension plan. Chapter 104.320 of the Revised Statutes of Missouri grants the authority to establish a defined benefit plan for eligible state and other related agency employees. MOSERS issues an annual Comprehensive Annual Financial Report (CAFR), a publicly available financial report that can be obtained at www.mosers.org.

MOSERS provides retirement, disability and life insurance benefits to eligible employees. The base retirement benefits are calculated by multiplying the employee's final average pay by a specific factor multiplied by the years of credited service. The factor is based on the specific plan in which the employee participates, which is based on the employee's hire date. Information on the three plans administered by MOSERS (MSEP, MSEP 2000 and MSEP 2011 retirement plans) and how eligibility and the benefit amount are determined for each plan may be found in the Notes to the Financial Statements of MOSERS' CAFR starting on page 30.

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A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Per Chapter 104.436 of the Revised Statutes of Missouri, contribution requirements of the active employees and the participating employers are established and may be amended by the MOSERS Board. Employees in the MSEP2011 Plan are required to contribute 4.0 percent of their annual pay. The University's required contribution rate for the year ended June 30, 2016, was 16.97 percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contribution rate for the MOSERS plan year ended June 30, 2015 was 16.97 percent, which is the year of measurement for the net pension liability. Contributions to the pension plan from UCM were \$9,333,841 for the year ended June 30, 2015.

At June 30, 2016, the University reported a liability of \$91,236,621 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The University's proportion of the net pension liability was based on the University's actual share of contributions to the pension plan relative to the actual contributions of all participating employers for MOSERS plan year ended June 30, 2015. At June 30, 2015, the University's proportion was 2.841 percent, an increase from its proportion measured using 2.741 percent as of June 30, 2014, measurement date.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2015, that affected the measurement of total pension liability.

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

Notes To Financial Statements (*Continued*)

For the year ended June 30, 2016, the University recognized pension expense of \$9,714,779. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 170,438	\$ 590,244
Changes of assumptions	—	1,214,280
Net difference between projected and actual earnings on pension plan investments	7,005,430	—
Changes in proportion and differences between University contributions and proportionate share of contributions	2,255,858	—
University contributions subsequent to the measurement date of 6/30/15	9,397,231	—
	<u>\$ 18,828,957</u>	<u>\$ 1,804,524</u>

The amount of \$9,397,231 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the University's fiscal year following MOSERS' fiscal year as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 777,755
2017	766,973
2018	668,503
2019	5,413,971
	<u>\$ 7,627,202</u>

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

Notes To Financial Statements (*Continued*)

The total pension liability in the June 30, 2015 actuarial valuation, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions	
Inflation	2.5 percent, approximate
Salary increases	0.0 percent for fiscal year 2016 and 3.0 percent annually, average, including inflation thereafter
Investment rate of return	8.0 percent per year, compounded annually, net after investment expenses and including inflation

Mortality rates were based on the RP-2000 combined healthy mortality table projected to 2016 with Scale AA. The pre-retirement mortality rates used were 100% of the post-retirement mortality rates for males and 80% of the post-retirement mortality for females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The change in assumptions recorded as deferred inflows of resources was related to a change in wage assumptions. For June 30, 2015, valuation, wage inflation is assumed to be 0% in the first year and 3% thereafter. This is a one-time change based on the pay freeze enacted for fiscal year ending June 30, 2016. Previously, salary increases were assumed to be 3.0% to 5.9% annually on average, including inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2011. As a result of the 2011 actuarial experience study, the MOSERS Board made various demographic assumption changes to more closely reflect actual experience. The most significant change was lowering the assumed annual investment rate of return from 8.5 percent to 8 percent. MOSERS is conducting an experience study, and the results of that study are expected to be finalized prior to June 30, 2016, which will be used by the actuarial firm to conduct the valuation report for MOSERS' FY2016's valuation which impacts the University's FY2018 payroll.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in MOSERS target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Policy Allocation	Long-Term Expected Real Rate Of Return*	Weighted Average Long-Term Expected Real Rate Of Return
Beta Balanced	80.0%	5.7%	4.6%
Illiquids**	20.0%	7.3%	1.5%
	<u>100.0%</u>		<u>6.1%</u>

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

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

The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7.0 percent) or one-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
University's proportionate share of the net pension liability	\$ 128,580,271	\$ 91,236,621	\$ 59,873,692

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

As of June 30, 2016, the University had payables of \$451,835 to MOSERS due to end of fiscal year processing.

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 2016 and 2015, the University contributed 5.87 percent and 6.16 percent, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2016, 2015 and 2014, were \$1,198,082, \$1,071,666 and \$956,947, 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
A COMPONENT UNIT OF THE STATE OF MISSOURI

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 \$8,065,661 for the year ended June 30, 2015.

Effective January 1, 2016, the University's amended the modified cost-plus health insurance contract to implement an alternative funding arrangement. As part of this agreement, the University continues to maintain a balance of \$1,205,414 in the 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.

Under the amended agreement, the University, in essence, is operating in a self-insured capacity for employee health and welfare benefits through internally maintained funds. Claims and expenses are reported when it is probable that a claim has occurred and the amount of the expense can be reasonably estimated. The expense includes an estimate of claims that have been incurred but not reported.

The total reported liability for insurance obligations for the year ended June 30, 2016 is as follows:

Balance at beginning of plan year (January 1, 2016)	\$	—
Claims incurred (including fees)		6,415,926
Claim payments		<u>5,822,763</u>
Balance, June 30, 2016	\$	<u>593,163</u>

Other Postemployment Benefit Obligations

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

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

At June 30, 2016 and 2015, 84 and 91 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.

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	\$ 359
Amortization payment	1,141,118
Annual required contribution (ARC)	<u>1,141,477</u>
Interest on normal cost and amortization payment	67,526
Adjustment to ARC	<u>412,856</u>
Annual OPEB cost	796,147
Less contributions made	<u>(488,429)</u>
Increase in net OPEB obligation	307,718
Net OPEB obligation - beginning of year	<u>1,929,308</u>
Net OPEB obligation - end of year	<u><u>\$ 2,237,026</u></u>

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

Notes To Financial Statements (*Continued*)

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage Of Annual OPEB Cost	Net OPEB Obligation
6/30/2014	\$ 944,865	71.00%	\$ 1,404,220
6/30/2015	895,818	41.40%	1,929,308
6/30/2016	796,147	61.30%	2,237,026

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

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$5,152,208 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,152,208. The covered payroll (annual payroll of active employees covered by the plan) was \$57,233,525, and the ratio of the UAAL to the covered payroll was 9.0%.

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.

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

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 6 years

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, 2016 and 2015, there was no accrual recorded in the statement 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 \$13,607,726 related to construction contracts at June 30, 2016.

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

Notes To Financial Statements (*Continued*)

Department Of Education Review

The U.S. Department of Education (DOE) conducted a program review of the University 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.

In April 2013, the DOE issued a preliminary program review report of findings of noncompliance 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. The University has received the final report from the DOE and has made full restitution in the amount of \$348,289.

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
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Notes To Financial Statements (*Continued*)

Perkins Loan Program

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2015, the Department of Education has stipulated that new loans may not be disbursed under the program (some limited exceptions to continue to award new loans have been made, but are not expected to be applicable for the University). Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for this program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program, while not certain or determinable at this point, could result in the University recording an obligation to refund previous Federal contributions received under this program to the DOE.

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.

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

Notes To Financial Statements (*Continued*)

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, 2016 and 2015 is composed of the following:

	Fair Value	
	2016	2015
Domestic equity	\$ 18,606,988	\$ 21,297,132
International equity	3,916,420	4,949,433
Fixed income	19,265,907	15,928,210
Alternative	3,476,581	3,372,100
Real estate investment trust	433,743	708,711
Real estate held as an investment	314,000	314,000
	<u>\$ 46,013,639</u>	<u>\$ 46,569,586</u>

FASB ASC 820, *Fair Value Measurements and Disclosures*, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to significant unobservable inputs (Level 3 measurements).

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

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

Notes To Financial Statements (*Continued*)

Level 2 - Inputs to the valuation methodology include:

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

Level 3 - Inputs to the valuation methodology are unobserved and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobserved inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at June 30, 2016 and 2015.

Beneficial Interest In Charitable Trusts, Net

Valued based on the fair value of the underlying trust assets less a payment liability. The payment liability is determined by calculating the present value of the expected future distributions, using published life expectancy tables and 7% to 7.5% rates of return.

Cash Surrender Value Of Life Insurance

Represents life insurance policies for which the Foundation is the beneficiary and, as such, the carrying values approximate fair value.

The proceeding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Notes To Financial Statements (*Continued*)

The following table set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Domestic equity mutual funds	\$ 8,514,933	\$ —	\$ —	\$ 8,514,933
International equity mutual funds	3,885,084	—	—	3,885,084
Common stock				
Domestic	5,668,758	—	—	5,668,758
International	31,336	—	—	31,336
Exchange traded funds				
Domestic	4,423,297	—	—	4,423,297
Fixed income investments				
Mortgage	—	851,100	—	851,100
Credit	39,504	10,940,025	—	10,979,529
U.S. Treasuries	1,628,418	—	—	1,628,418
Agencies	—	1,349,516	—	1,349,516
Asset-backed securities	—	1,354,106	—	1,354,106
Taxable municipal bonds	—	1,610,570	—	1,610,570
Diversified taxable mutual funds	217,043	—	—	217,043
Taxable high-yield funds	833,177	—	—	833,177
Emerging markets	317,645	—	—	317,645
Tax-exempt general obligations	—	71,966	—	71,966
Tax-exempt revenues	—	52,837	—	52,837
Alternative investments				
Hedge funds	2,979,289	—	—	2,979,289
Infrastructure	497,292	—	—	497,292
Traded real estate	415,868	—	—	415,868
Real estate investment trust	—	17,875	—	17,875
Real estate held as an investment	—	—	314,000	314,000
Total Investments	29,451,644	16,247,995	314,000	46,013,639
Beneficial Interests In Trusts				
	—	—	867,580	867,580
	\$ 29,451,644	\$ 16,247,995	\$ 1,181,580	\$ 46,881,219

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

Notes To Financial Statements (*Continued*)

The following table sets forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Domestic equity mutual funds	\$ 8,525,551	\$ —	\$ —	\$ 8,525,551
International equity mutual funds	4,910,152	—	—	4,910,152
Common stock				
Domestic	5,723,034	—	—	5,723,034
International	39,280	—	—	39,280
Exchange traded funds				
Domestic	7,048,547	—	—	7,048,547
Fixed income investments				
Mortgage	—	757,566	—	757,566
Credit	38,172	9,568,026	—	9,606,198
U.S. Treasuries	427,405	—	—	427,405
Agencies	—	745,423	—	745,423
Asset-backed securities	—	1,363,010	—	1,363,010
Taxable municipal bonds	—	1,583,981	—	1,583,981
Diversified taxable mutual funds	110,818	—	—	110,818
Taxable high-yield funds	731,736	—	—	731,736
Emerging markets	474,495	—	—	474,495
Tax-exempt general obligations	—	72,990	—	72,990
Tax-exempt revenues	—	54,588	—	54,588
Alternative investments				
Hedge funds	2,147,644	—	—	2,147,644
Infrastructure	1,224,456	—	—	1,224,456
Real estate investment trust	677,370	31,342	—	708,712
Real estate held as an investment	—	—	314,000	314,000
Total Investments	32,078,660	14,176,926	314,000	46,569,586
Beneficial Interests In Trusts				
	—	—	902,878	902,878
	\$ 32,078,660	\$ 14,176,926	\$ 1,216,878	\$ 47,472,464

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

Notes To Financial Statements (*Continued*)

The table below sets forth a summary of changes in the fair value of the Foundations Level 3 assets for the years ended June 30, 2016 and 2015:

	<u>Real Estate</u>	<u>Beneficial Interest</u>	<u>Total</u>
Fair Value - July 1, 2014	\$ 305,000	\$ 961,065	\$ 1,266,065
Transfers into Level 3	—	—	—
Total gains or losses (realized and unrealized)	9,000	(58,187)	(49,187)
Contributions	—	—	—
Purchases	—	—	—
Sales	—	—	—
Fair Value - June 30, 2015	314,000	902,878	1,216,878
Transfers into Level 3	—	—	—
Total gains or losses (realized and unrealized)	—	(35,298)	(35,298)
Contributions	—	—	—
Purchases	—	—	—
Sales	—	—	—
Fair Value - June 30, 2016	\$ 314,000	\$ 867,580	\$ 1,181,580

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

	<u>Fair Value</u>	
	<u>2016</u>	<u>2015</u>
Unrestricted	\$ 5,857,861	\$ 5,748,661
Temporarily restricted	17,814,468	19,316,766
Permanently restricted	22,341,310	21,504,159
	\$ 46,013,639	\$ 46,569,586

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

Notes To Financial Statements (*Continued*)

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, 2016 and 2015 is as follows:

	June 30,	
	2016	2015
Due within one year	\$ 189,996	\$ 541,151
Due in one to five years	1,331,484	1,595,529
Due in more than five years	7,993	10,553
	1,529,473	2,147,233
Less:		
Allowance for uncollectible promises	29,107	43,053
Discount to net present value	44,800	56,575
	\$ 1,455,566	\$ 2,047,605

Net Assets

Endowment net assets at June 30, 2016 and 2015 by type of fund consisted of the following:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,147,364	\$ 22,634,432	\$ 24,781,796
Board-designated endowment funds	3,067,142	11,105,099	—	14,172,241
	\$ 3,067,142	\$ 13,252,463	\$ 22,634,432	\$ 38,954,037

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 1,792,277	\$ 21,427,282	\$ 23,219,559
Board-designated endowment funds	3,266,937	12,855,069	—	16,122,006
	\$ 3,266,937	\$ 14,647,346	\$ 21,427,282	\$ 39,341,565

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

Notes To Financial Statements (*Continued*)

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2016 and 2015:

	June 30, 2016		June 30, 2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 5,498,649	\$ 20,768,966	\$ 5,294,721	\$ 19,309,427
TV/radio institutional support	148,481	—	162,065	—
Student services - athletes	310,371	78,082	328,637	60,296
Instruction and other departmental	6,583,537	3,552,312	6,015,513	3,468,822
Institutional support - plant facilities	3,339,231	40,245	3,083,711	40,245
Net accumulated earnings in excess of approved payout	3,607,334	—	5,666,923	—
	<u>\$ 19,487,603</u>	<u>\$ 24,439,605</u>	<u>\$ 20,551,570</u>	<u>\$ 22,878,790</u>

Required Supplementary Information

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

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

June 30, 2016

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)
7/1/2011	—	\$ 3,670,229	\$ 3,670,229	—	\$ 52,902,908	6.9%
7/1/2013	—	5,166,613	5,166,613	—	55,732,561	9.3%
7/1/2015	—	5,152,205	5,152,208	—	57,233,525	9.0%

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

**SCHEDULES OF SELECTED PENSION INFORMATION
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM
June 30, 2016**

Schedule Of University's Proportionate Share Of The Net Pension Liability

	2016	2015
University's proportion of the net pension liability	2.8410%	2.7413%
University's proportionate share of the net pension liability	\$ 91,236,621	\$ 64,634,510
University's covered-employee payroll	55,002,021	50,573,280
University's proportionate share of net pension liability as a percentage of its covered-employee payroll	165.88%	127.80%
Plan fiduciary net position as a percentage of the total pension liability	72.62%	79.49%

Schedule Of University's Contributions

Required contribution	\$ 9,333,841	\$ 8,946,847
Contributions in relation to the required contribution	9,333,841	8,946,847
Contribution deficiency	\$ —	\$ —
University's covered-employee payroll	\$ 55,002,021	\$ 50,573,280
Contributions as a percentage of covered-employee payroll	16.97%	17.69%

Notes:

Above schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Information provided is based on a measurement date and actuarial valuation as of the end of the preceding fiscal year.

Changes Of Benefit Terms Or Assumptions

There were no changes to benefit terms in the plan for the year ended June 30, 2015.

There were no changes to assumptions in valuation reports for the year ended June 30, 2015, other than the assumption that there would be no pay increases for fiscal year ending June 30, 2016 only.

Supplementary Information

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

**STADIUM BONDS - SERIES 1999 AND SERIES 2013B
June 30, 2016**

Revenues

Foundation Suite Revenue (Chart F)	\$ 41,613
Walton Stadium	
Building rent income	17,780
Men's Football	
Advance ticket sales	21,379
Season tickets	12,793
Single game tickets	37,306
Programs/seats	1,396
General Fund Transfer For Walton Stadium	
Bond Payment (Series 2013B)	268,805
Bond Payment (Series 1999, October 1, 2014 final payment)	165,019

**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, 2016**

Operating Revenues	
Housing, net of bad debt expense	\$ 27,718,885
Bookstore, net of bad debt expense	6,031,095
University union fee	2,870,517
Tuition and fees	6,768
Other auxiliary enterprises	10,402
Other operating revenues	1,635,043
Total Operating Revenue	<u>38,272,710</u>
Operating Expenses	
Compensation and benefits	3,937,068
Contractual services	11,655,277
Supplies and services	5,739,744
Scholarships	3,052
Utilities	2,289,083
Debt service	2,494,344
Other	10,615,360
Total Operating Expenses	<u>36,733,928</u>
Operating Gain/Loss	1,538,782
Nonoperating Revenues (Expenses)	
Other nonoperating expenses	<u>(48,884)</u>
Income Before Other Revenues And Expenses, Gains Or Losses	1,489,898
Add Back Debt Service Payments	
Student housing	1,954,772
University Store	108,251
Student union	431,322
Total Debt Service Payments	<u>2,494,345</u>
Add Back Capital Improvent Transfers	3,529,976
Net Operating Revenue Before Debt Service Payments	7,514,219
Net Operating Revenue As A % Of Debt Service	301%

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 and pension 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, 2016

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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, 2016:

1. Lexington Insurance Company, Policy No. 066095351, (75%); Zurich, Policy No. ERP-0174168-01, 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 \$7,315,925 aggregate through the Midwestern Higher Education Compact (MHEC).
2. Lexington Insurance Company, Policy No. 66095363: furnishes the secondary layer of shared coverage, which is \$400,000,000 excess of the \$100,000,000 layer.
3. Zurich, Policy No. XPP0017444801, (50%); Swiss Re Corporate Solutions, Westport Insurance Corp., Policy No. NAP 045321401, (25%); RSUI Indemnity Company, Policy No. NHD393088, (10%); and Specialty Lines, Policy No. SLSTPTY10759915, (15%): furnishes the third layer of shared 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, 2016

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	<u>Amount Of Coverage</u>	
	<u>Building</u>	<u>Contents</u>
Residential complex (included in blanket figures)		
Diemer Hall	\$ 6,323,594	\$ 134,897
South Ellis Hall	10,521,922	172,025
East Ellis Hall	12,383,599	189,351
North Ellis Hall	13,403,528	231,430
Foster Knox Hall	8,650,541	305,686
Fraternity Hall	11,441,147	450,484
Hudson Hall	11,313,238	1,285,663
University Conference Center	12,651,508	370,040
Hosey Hall	7,493,637	335,387
Nattinger-Bradshaw Hall	19,626,508	665,825
Nickerson Hall	9,791,538	269,796
Panhellenic Hall	10,362,515	394,792
South Todd Hall	2,760,537	142,322
Todd Hall	8,429,247	403,456
South Yeater Hall	15,023,545	419,544
Yeater Hall	9,061,632	269,796
Knox Hall	7,272,978	233,904
Houts Hall	7,802,749	376,228
Fitzgerald Hall	15,748,361	478,949
Apartments (included in blanket figures)		
Greenwood 4-Plex #2	510,005	9,901
Greenwood 4-Plex #3	510,005	9,901
Greenwood 4-Plex #4	510,005	9,901
Greenwood 4-Plex #6	510,005	9,901
Greenwood 4-Plex #8	510,005	9,901
Greenwood 4-Plex #10	510,005	9,901
Greenwood 4-Plex #12	510,005	9,901

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

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

June 30, 2016

Page 3 Of 3

	Amount Of Coverage	
	Building	Contents
<i>Apartments (included in blanket figures - continued)</i>		
Greenwood 4-Plex #13	\$ 510,005	\$ 9,901
Greenwood 4-Plex #14	510,005	9,901
Greenwood 4-Plex #16	510,005	10,663
Greenwood Handicap Unit	278,826	4,950
Greenwood VIP Unit	258,911	76,732
Greenwood Community Center	613,800	21,039
Central Village 8-Plex #1	1,458,167	21,039
Central Village 8-Plex #2	1,010,178	21,039
Central Village 8-Plex #3	1,458,167	21,039
Central Village 8-Plex #4	1,009,800	21,039
Central Village 8-Plex #5	1,458,167	21,039
Central Village 8-Plex #6	1,010,178	21,039
Central Village Community Building	735,739	21,206
Central Village 8-Plex #8	1,010,178	21,039
Central Village 8-Plex #9	1,010,178	21,039
Central Village 8-Plex #10	1,010,178	21,039
Central Village 8-Plex #12	1,010,178	21,039
The Crossing	47,058,000	3,030,000
<i>Stadium</i>		
Walton Stadium	10,225,908	2,046,704
Walton Stadium Field	1,292,521	—
<i>Other (included in blanket figures)</i>		
University Union	28,925,264	3,917,703
Ellis Mechanical Building	262,372	1,070,889
Greenwood Morton Building	158,249	—
<i>Liability insurance</i>		
<i>Covered under the state legal expense fund</i>		
<i>(Statutory limit)</i>		
Per person	300,000	—
Per occurrence	2,000,000	—
Crime	1,000,000	—

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

**ENROLLMENT AND OCCUPANCY STATISTICS
STUDENT HOUSING SYSTEM BONDS
June 30, 2016**

	Headcount	Full-time Equivalent	Semester Credit Hours
Summer 2015			
Undergraduate	3,135	2,113	15,847
Graduate	3,151	3,456	20,734
Fall 2015			
Undergraduate	10,001	8,479	127,194
Graduate	4,394	2,487	29,823
Spring 2016			
Undergraduate	9,945	7,848	117,727
Graduate	4,574	2,710	32,517

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

Residence Halls		Apartments	
14 - 15	15 - 16	14 - 15	15 - 16
83%	89%	96%	95%

The following information sets forth the living choices of undergraduate students for the Fall 2015 semester:

Total on-campus	34.7%
Total off-campus	65.3%
Total	100.0%

Room and board charges for the fiscal years ended June 30, 2016 and 2015 are as follows:

	Rate	
	2016	2015
Residence halls (per semester)		
Single occupancy room	\$ 3,193	\$ 3,117
Double occupancy room	2,593	2,517
Apartments (per month)		
Central Village - one-bedroom	571	554
Central Village - two-bedroom	689	669
Central Village - three-bedroom	824	800
Foster/Knox	699	679
Greenwood Park	753	731
Nickerson	699	679
Todd - one-bedroom	699	679
Todd - two-bedroom	861	836
The Crossing 2 BR	1,300	—
The Crossing 4 BR	2,200	—
The Crossing 4 BR · 2 story	2,800	—
Basic meal plan (per semester)	1,458	1,397

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

	2016	2015
University Union Fee		
Per credit hour (<9 credit hours)	\$ 7	\$ 7
Flat rate (9+ credit hours)	111	110