
UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF
THE STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2017

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Independent Auditors' 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, 2017 and 2016, 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 \$55,949,840 and \$51,968,638 as of June 30, 2017 and 2016, respectively, and total revenues of \$9,691,656 and \$6,379,466, 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, 2017 and 2016, 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 of Central Missouri's proportionate share of the net pension liability and schedule of University of Central Missouri'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 of Central Missouri'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 16, 2017, 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 16, 2017

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2017 And 2016

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 23 consecutive years. The University's 2017 Fall enrollment is 12,333 and students are served by 521 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 944 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 2,000 students in the Kansas City metropolitan area. Many undergraduate courses and programs also are offered online. Including its airport and other special facilities, the University occupies more than 1,500 acres.

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

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

Awards And Accomplishments

In 2017, 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 2017, U.S. News & World Report rankings are included in the 2018 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 158 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, 2017 and 2016, the Foundation provided support to the University of \$3,821,269 and \$3,960,850, 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, 2017, 2016 and 2015. 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.

Effective July 1, 2015, 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.

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

Management's Discussion And Analysis (*Continued*)

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.

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 refunding 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.

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

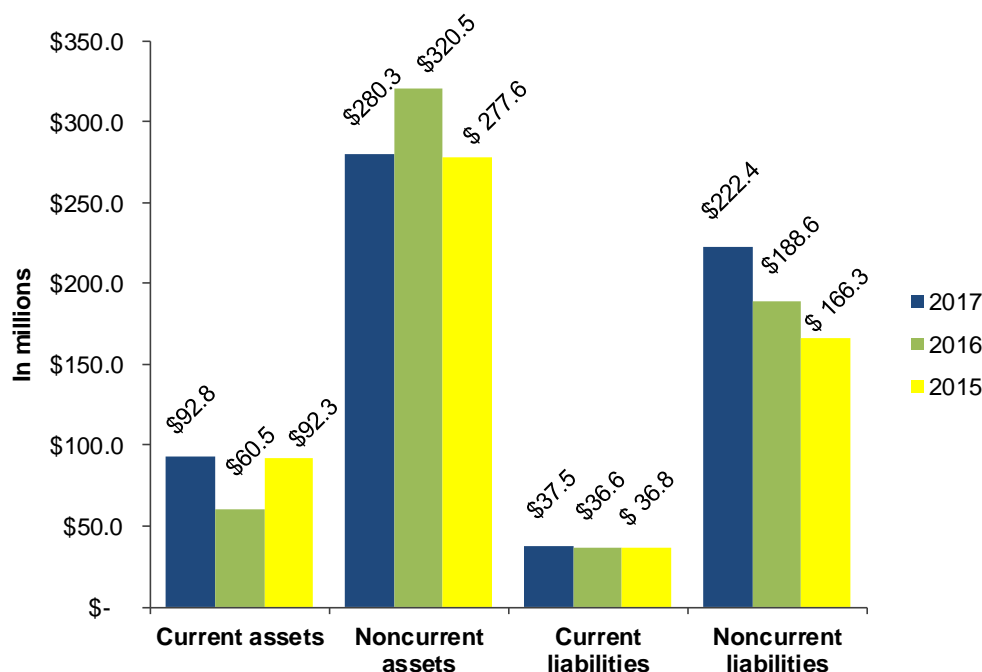
3.) Unrestricted net position represent balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet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

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

	2017	2016	2015
Current assets	\$ 92.8	\$ 60.5	\$ 92.3
Noncurrent assets	280.3	320.5	277.6
Total assets	373.1	381.0	369.9
Deferred outflows of resources	48.9	19.4	10.3
Current liabilities	37.5	36.6	36.8
Noncurrent liabilities	222.4	188.6	166.3
Total liabilities	259.9	225.2	203.1
Deferred inflows of resources	1.2	1.8	18.8
Net position			
Net investment in capital assets	153.4	139.6	128.9
Restricted	10.1	9.8	9.9
Unrestricted	(2.5)	24.0	19.5
Total Net Position	\$ 161.0	\$ 173.4	\$ 158.3

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



Comparative Analysis Of Fiscal Years 2017 And 2016

Current Assets - Current assets for Fiscal Year 2017 totaled \$92.8 million which is an increase of \$32.3 million from Fiscal Year 2016 current assets of \$60.5 million. This increase is attributed to a decrease in total cash of \$5.2 million offset by an increase in short-term investments of \$25.9 million primarily as a result of a decrease in long-term investments at year end, bond capital expenditures and an increase in accounts receivable of \$12.5 million due to a State Appropriation Receivable for the W.C Morris Renovation of \$11.6 million and an increase in federal grant receivable of \$0.5 million at year end. In addition, there was a decrease in inventories of \$0.7 million, prepaid expenses of \$0.4 million and an increase of \$0.5 million in interest receivable, foundation receivable and loans to students at year end.

Non-Current Assets - Total non-current assets decreased approximately \$40.2 million. The decrease is primarily due to the increase in short term investments, a decrease of \$1.5 million in non-current loans to students and an increase in capital assets of approximately \$5.5 million. These capital assets include the Mules National Golf Course, Fitzgerald Window Replacement and Westside Parking Project. Refer to Note 3 for additional information on capital asset activity.

Deferred Outflows Of Resources - Total deferred outflows of resources had an increase of \$29.4 million due to increase of \$29.5 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.

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

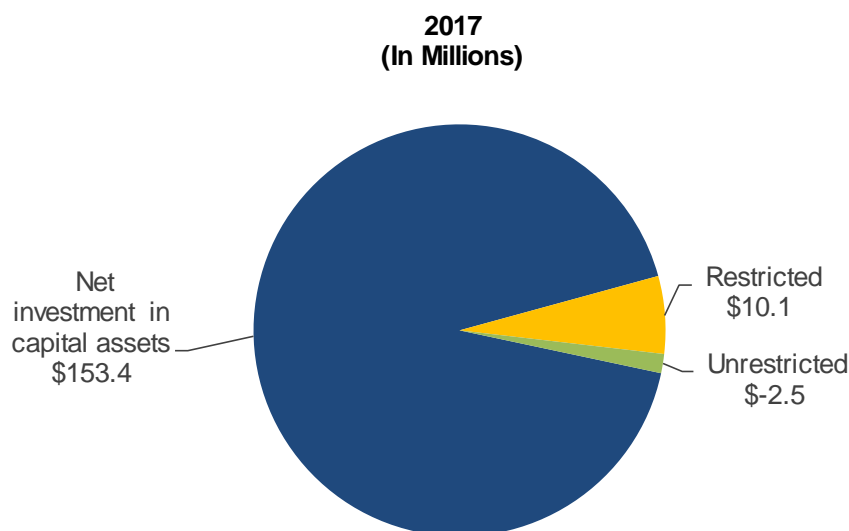
Management's Discussion And Analysis (*Continued*)

Current Liabilities - Current liabilities totaled \$37.5 million increasing by approximately \$0.9 million compared to the prior year total of \$36.6 million. This is primarily attributed to an increase in accounts payable and accrued liabilities of \$0.3 million and an increase in the current portion of long-term debt of \$0.1 million primarily from the debt payment associated with the 2013-C bonds. In addition, there was a decrease in unearned revenue of \$0.1 million and an increase in accrued compensated absences of \$0.5 million.

Non-Current Liabilities - Total non-current liabilities increased approximately \$33.8 million. This increase is primarily attributed to the \$41.4 million increase in pension liability. In addition, long-term debt decreased \$7.7 million due to annual debt service payments and continued savings incurred from the advance refunding of debt in fiscal year 2014. In addition, other long term liability increased by \$0.5 million related to the liability increase in post-employment benefit obligations and a decrease in the non-current portion of accrued compensated absences of \$0.4 million.

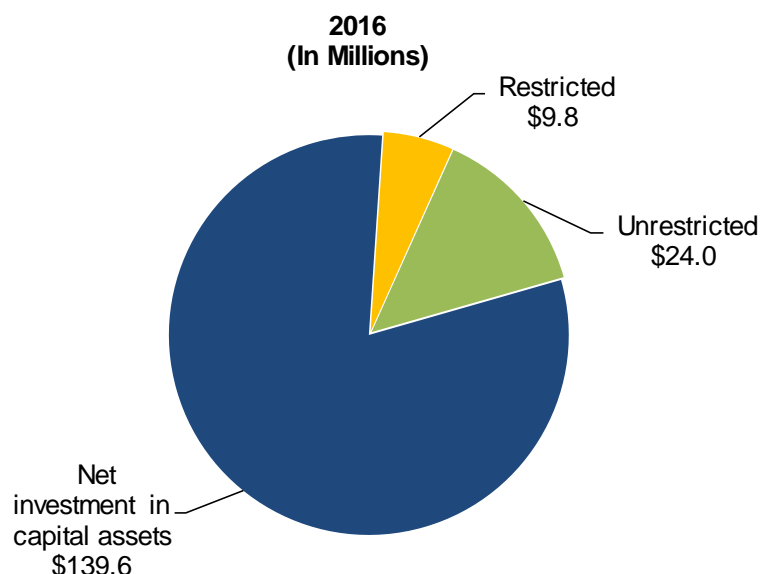
Deferred Inflows Of Resources - Total deferred inflows of resources had a decrease of \$0.6 million due to adjustment of the University's proportionate share of MOSERS deferred inflows related to GASB Statement No. 68.

Net Position - At June 30, 2017, the University's net position was \$161.0 million. This was comprised of unrestricted - \$(2.5) million; net investment in capital assets - \$153.4 million; restricted for loans - \$8.3 million and other restricted - \$1.8 million.



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

Management's Discussion And Analysis (*Continued*)



Comparative Analysis Of Fiscal Years 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 million 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 million from amortization of advanced refunding of Series 2009 Student Recreation Center bond issuance that capitalized on lower interest rates.

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

Management's Discussion And Analysis (*Continued*)

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.

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*)

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):

	2017	2016	2015
Operating Revenues			
Tuition and fees	\$ 92.4	\$ 103.3	\$ 95.5
Scholarship allowances	(18.0)	(18.0)	(18.1)
Net tuition and fees	74.4	85.3	77.4
Federal grants and contracts	2.0	1.4	1.6
Auxiliary enterprises	42.9	44.8	41.4
Scholarship allowances	(5.0)	(5.2)	(4.7)
Net auxiliary enterprises	37.9	39.6	36.7
Other	9.7	8.9	10.3
Total Operating Revenues	124.0	135.2	126.0
Operating Expenses	220.7	198.2	186.8
Operating Loss	(96.7)	(63.0)	(60.8)
Non-Operating Revenues (Expenses)			
State appropriation	53.8	55.7	55.0
Federal grants and contracts	16.3	18.0	19.4
State grants and contracts	0.7	0.4	0.5
Other grants and contracts	0.9	1.0	0.9
Loss on disposal of capital assets	—	—	(0.3)
Contributions	3.3	2.9	2.7
Investment income	0.5	0.9	0.5
Interest on capital asset-related debt	(3.2)	(2.4)	(1.3)
Other non-operating expenses	(0.8)	(0.1)	(0.1)
Net Non-Operating Revenues	71.5	76.4	77.3
Increase (Decrease) In Net Position	(25.2)	13.4	16.5
Capital Grants And Gifts	12.8	1.7	0.6
Increase (Decrease) In Net Position	(12.4)	15.1	17.1
Net Position - Beginning Of Year Before Restatement	173.4	158.3	218.4
Cummulative Effect Of Change In Accounting Principle	—	—	(77.2)
Net Position - Beginning Of Year, As Restated	173.4	158.3	141.2
Net Position - End Of Year	\$ 161.0	\$ 173.4	\$ 158.3

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

Management's Discussion And Analysis (*Continued*)

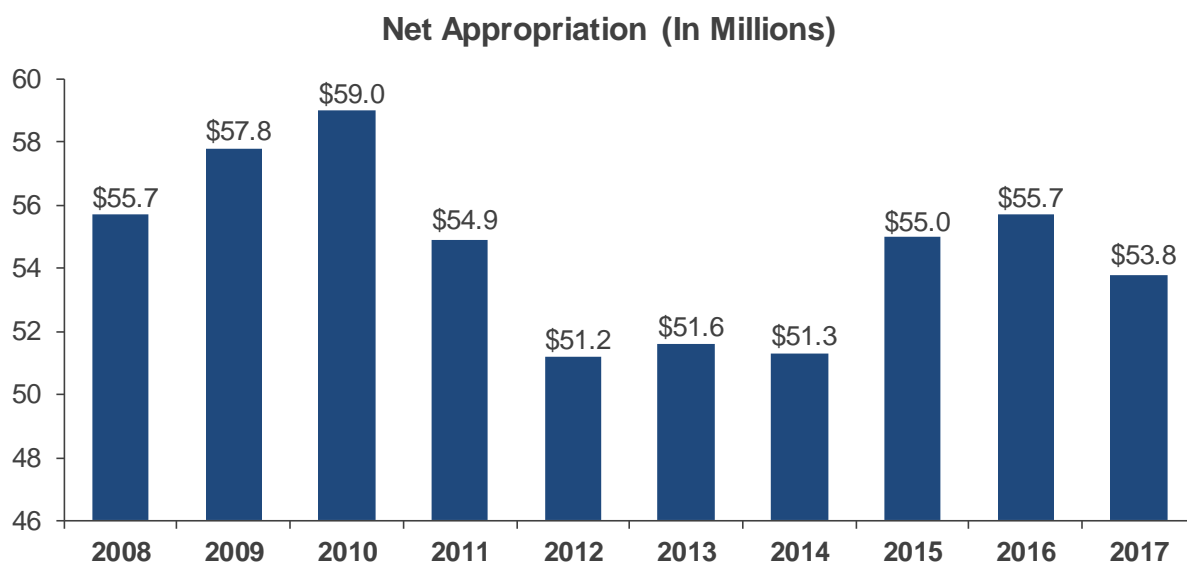
Comparative Analysis Of Fiscal Years 2017 And 2016

Operating Revenues - For the year ended June 30, 2017, tuition and fee revenues (net of scholarship allowances) decrease approximately \$10.9 million compared to fiscal year 2016 mostly as a result of a decrease in international enrollment. Fiscal year 2016 tuition and fees were approximately \$7.9 million above the year ended June 30, 2015 as the result of a 7.6% increase in enrollment.

Auxiliary enterprises experienced a decrease of \$1.9 million below fiscal year 2016 which is primarily attributed to a reduction in enrollment for fiscal year 2017.

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 decreased by \$1.9 million in fiscal year 2017 compared to fiscal year 2016. Following is a historical trend of the University's state appropriation funding (net of withholdings).

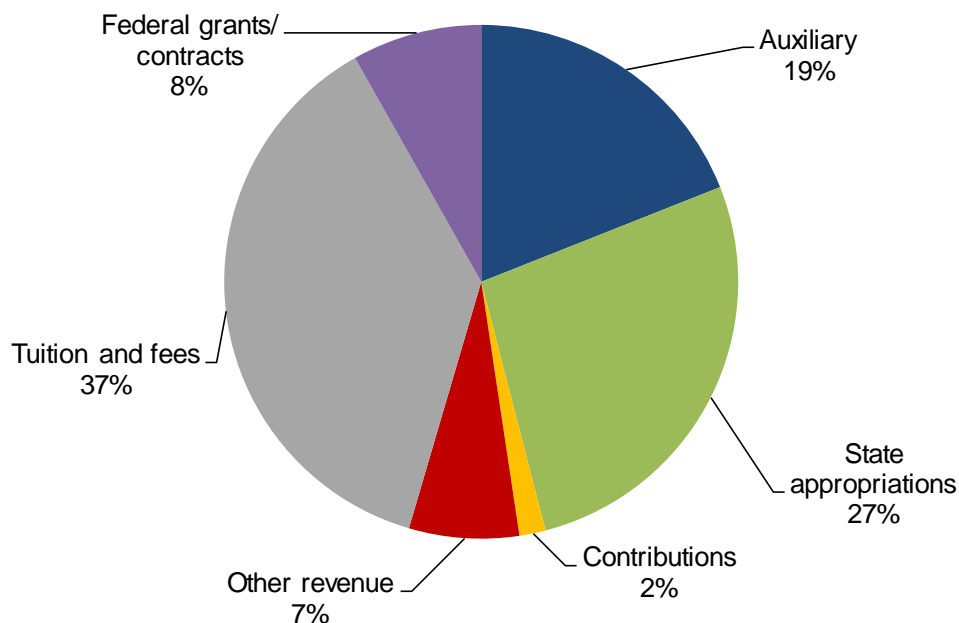


Fiscal Year 2017 other operating revenues increased \$0.9 million over fiscal year 2016 primarily due to \$0.5 million increase in conference revenue. Federal grants and contracts revenue increased by \$0.6 million over fiscal year 2016 amount of \$1.4 million primarily due to an increase in awarded federal financial aid program revenues.

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

The following graph summarizes the University's fiscal year 2017 revenue sources:



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

	2017	2016	2015
Compensation and benefits	\$ 133.9	\$ 113.9	\$ 107.2
Contractual services	23.0	22.6	18.0
Supplies and materials	16.7	15.4	15.4
Scholarships and fellowships	7.3	6.7	7.1
Depreciation	16.5	15.5	14.8
Utilities	5.8	5.6	5.6
Other	17.5	18.5	18.7
	\$ 220.7	\$ 198.2	\$ 186.8

Operating Expenses - Total operating expenses increased \$22.5 million from \$220.7 million in fiscal year 2016 to \$198.2 million in fiscal year 2017.

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

Fiscal year 2017 Compensation and Benefits increased \$20.0 million from the prior year primarily resulting from an increase in MOSERS accrual of \$11.2 million, the voluntary retirement incentive of \$3.1 million, and an increase in faculty positions to accommodate growth in academic programs and staff positions to support student services coupled with a 2% across the board salary increase with a \$600 minimum (\$2.6 million).

Contractual services increased \$0.4 million over fiscal year 2016 primarily due to an increase in food service expenses (\$0.1 million), an increase in architect/engineering (\$0.3million), increase in information systems and technology (\$0.2 million) and a decrease in aviation contracted services (\$0.1 million) as well a (\$0.1 million) decrease in non-capital improvements.

Depreciation expense increased \$1.0 million over fiscal year 2016 primarily due to first year depreciation expense of Mules National Golf Course and first full year of The Crossing. The University experienced an increase in scholarships and fellowships \$0.6 million and other expenses \$1.0 million over fiscal year 2016.

For the year ended June 30, 2016 operating expenses increased by approximately \$11.4 million above the year ended June 30, 2015. This increase was primarily related to an increase of \$6.7 million 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 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.

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>2017</u>	<u>2016</u>	<u>2015</u>
Cash Provided By (Used In)			
Operating activities	\$ (68.4)	\$ (51.4)	\$ (48.8)
Non-capital financing activities	73.4	78.8	81.0
Capital and related financing activities	(28.8)	(23.1)	(52.5)
Investing activities	18.6	(21.2)	(9.8)
Decrease In Cash And Cash Equivalents	(5.2)	(16.9)	(30.1)
Cash And Cash Equivalents - Beginning Of Year	10.7	27.6	57.7
Cash And Cash Equivalents - End Of Year	\$ 5.5	\$ 10.7	\$ 27.6

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

During the year ended June 30, 2017, cash used in operating activities amounted to (\$68.4) 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 \$73.4 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 (\$28.8) million. The University had capital expenditures of \$9.6 million including: \$1.1 West Side Parking 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 \$7.4 million which were partially offset by the University's foundation note for Pertle Springs Renovation of \$2.3 million. Cash and cash equivalents at June 30, 2017, were \$5.5 million, which decreased \$5.2 million from June 30, 2016. This decrease is attributed to a reduction in tuition revenue and state appropriations.

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 included state appropriations, gifts and grants for other than capital purposes and other receipts. Capital and related financing activities was \$23.1 million. This included purchases of capital assets (\$23.1) million, principal and interest on capital debt and leases (\$4.9 million) which were partially offset by the University's foundation note for Pertle Springs Renovation of \$2.3 million. Cash and cash equivalents at June 30, 2016, were \$10.7 million, which decreased \$16.9 million from June 30, 2014.

Capital Assets

Information on capital assets can be found in Note 3. Net capital assets totaled \$240,592,761, which consisted of a cost of \$482,741,462 and accumulated depreciation of \$242,148,701.

Debt

Information on debt can be found in Note 4. Long-term debt totaled \$99,952,856 at June 30, 2017. In 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 \$6,943,406 for 2017, 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

Page 1 Of 2

June 30, 2017 And 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,540,571	\$ 7,237,484
Restricted cash and cash equivalents	3,994,803	3,494,663
Short-term investments	59,903,134	34,038,408
Accounts receivable, net of allowance; 2017 - \$5,306,967; 2016 - \$6,266,837	5,881,828	5,823,807
Interest receivable	510,477	326,354
State appropriation receivable	11,616,905	—
Federal and grants receivable	2,483,590	2,000,367
Due from foundation	551,429	230,144
Inventories	3,089,203	3,803,796
Loans to students, net	1,476,909	1,434,979
Prepaid expenses	1,729,375	2,091,424
Total Current Assets	92,778,224	60,481,426
Noncurrent Assets		
Investments	34,040,000	78,171,740
Loans to students, net	5,379,110	6,910,879
Due from foundation	351,450	359,624
Capital assets, net	240,592,761	235,068,047
Total Noncurrent Assets	280,363,321	320,510,290
Total Assets	373,141,545	380,991,716
Deferred Outflows Of Resources		
Deferred amount on debt refundings	490,577	608,045
Proportionate share of collective deferred outflows of resources - pension	48,426,326	18,828,957
Total Deferred Outflows Of Resources	48,916,903	19,437,002

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

STATEMENT OF NET POSITION

Page 2 Of 2

June 30, 2017 And 2016

	2017	2016
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 22,295,957	\$ 22,009,179
Accrued compensated absences	2,535,716	1,989,558
Unearned revenue	3,671,261	3,783,840
Interest payable	763,669	809,561
Long-term debt	7,651,453	7,523,108
Accrued settlement	50,000	50,000
Student deposits	487,304	478,154
Total Current Liabilities	37,455,360	36,643,400
Noncurrent Liabilities		
Accrued compensated absences	1,818,095	2,200,901
Accrued settlement	351,450	359,624
Other long-term liability	2,745,351	2,287,026
MOSERS pension liability	132,717,900	91,236,621
Long-term debt	84,800,791	92,486,045
Total Noncurrent Liabilities	222,433,587	188,570,217
Total Liabilities	259,888,947	225,213,617
Deferred Inflows Of Resources		
Proportionate share of collective deferred inflows of resources - pension	1,185,491	1,804,524
Net Position		
Net investment in capital assets	153,401,928	139,636,734
Restricted for		
Nonexpendable		
Loans	7,016,637	7,074,141
Expendable		
Scholarships and fellowships	49,696	41,208
Loans	1,287,091	1,186,723
Other	1,743,600	1,517,052
Unrestricted	(2,514,942)	23,954,719
Total Net Position	\$ 160,984,010	\$ 173,410,577

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2017 And 2016

	2017	2016
Assets		
Cash and cash equivalents	\$ 1,263,412	\$ 601,113
Investments	49,295,748	46,013,639
Contributions receivable, net	1,502,358	1,455,566
Accrued investment income	233,674	229,412
Note receivable	2,270,215	2,389,553
Cash surrender value or life insurance	424,997	405,922
Beneficial interest in charitable trusts, net	937,846	867,580
Prepaid expenses	21,590	5,853
Total Assets	\$ 55,949,840	\$ 51,968,638
Liabilities		
Annuities payable	\$ 1,432,416	\$ 1,454,073
Accrued expenses/due to University	244,288	167,444
Deferred revenue	11,882	11,882
Total Liabilities	1,688,586	1,633,399
Net Assets		
Unrestricted	6,648,562	6,408,031
Temporarily restricted	21,311,447	19,487,603
Permanently restricted	26,301,245	24,439,605
Total Net Assets	54,261,254	50,335,239
	\$ 55,949,840	\$ 51,968,638

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

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Page 1 Of 2

For The Years Ended June 30, 2017 And 2016

	2017	2016
Operating Revenues		
Tuition and fees, net of scholarship allowances; 2017 - \$17,999,989; 2016 - \$18,010,767	\$ 74,447,372	\$ 85,289,322
Federal grants and contracts	1,974,234	1,400,772
Interest on student receivables	761,803	776,421
Sales and services of educational activities	1,980,498	1,861,226
Auxiliary enterprises		
Housing, net of scholarship allowances; 2017 - \$4,990,922; 2016 - \$5,233,151	23,042,010	23,178,227
Bookstore	5,377,799	6,054,024
Other auxiliary enterprises	9,476,902	10,350,919
Other operating revenues	6,997,359	6,257,086
Total Operating Revenues	124,057,977	135,167,997
Operating Expenses		
Compensation and benefits	133,878,651	114,021,002
Contractual services	22,962,463	22,603,230
Supplies and services	16,711,340	15,453,727
Scholarships and fellowships	7,324,569	6,685,090
Depreciation	16,496,792	15,495,973
Utilities	5,839,170	5,585,320
Other	17,514,492	18,496,470
Total Operating Expenses	220,727,477	198,340,812
Operating Loss	(96,669,500)	(63,172,815)

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

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Page 2 Of 2

For The Years Ended June 30, 2017 And 2016

	<u>2017</u>	<u>2016</u>
Nonoperating Revenues (Expenses)		
State appropriations	\$ 53,770,433	\$ 55,677,472
Federal grants and contracts	16,344,885	18,058,469
State grants and contracts	764,859	369,555
Other grants and contracts	917,971	1,021,724
Contributions	3,264,934	2,951,081
Gain (loss) on disposal of capital assets	(59,263)	53,409
Investment income	544,698	858,209
Interest on capital asset - related debt	(3,209,076)	(2,446,355)
Other nonoperating expenses	(851,309)	(58,146)
Net Nonoperating Revenues	71,488,132	76,485,418
Income (Loss) Before Other Revenues And Expenses, Gains Or Losses	(25,181,368)	13,312,603
Capital Grants And Gifts	12,754,801	1,723,153
Increase (Decrease) In Net Position	(12,426,567)	15,035,756
Net Position - Beginning Of Year	173,410,577	158,374,821
Net Position - End Of Year	\$ 160,984,010	\$ 173,410,577

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2017

	Unrestricted	Temporarily Unrestricted	Permanently Unrestricted	Total
Revenue And Other Support				
Gifts	\$ 386,159	\$ 1,759,345	\$ 1,605,503	\$ 3,751,007
In-kind gifts	877,655	683,365	—	1,561,020
Other income	12,962	107,012	—	119,974
Investment income	156,229	924,908	—	1,081,137
Net realized and unrealized gain on investments and beneficial interests in trusts	285,730.00	2,823,168	69,620	3,178,518
Net assets released from restrictions	4,124,796	(4,124,796)	—	—
Total Revenue And Other Support	5,843,531	2,173,002	1,675,123	9,691,656
Expenses				
Foundation expenses				
General administrative expenses	712,744	—	—	712,744
Fundraising expenses	1,200,229	—	—	1,200,229
Contributions to the University for the following purposes				
Program expenses:				
Scholarships	1,265,857	—	—	1,265,857
Academic support - TV/Radio	340,363	—	—	340,363
Student services - athletics	868,881	—	—	868,881
Instruction and other departmental	863,730	—	—	863,730
Support services				
Institutional support - plant facilities	680,453	—	—	680,453
Total Expenses	5,932,257	—	—	5,932,257
Increase (Decrease) In Net Assets Before Other Changes				
	(88,726)	2,173,002	1,675,123	3,759,399
Other Changes				
Adjustments to actuarial liability of annuities payable	—	53,363	119,332	172,695
Other	329,257	(402,521)	67,185	(6,079)
Total Other Changes	329,257	(349,158)	186,517	166,616
Increase In Net Assets	240,531	1,823,844	1,861,640	3,926,015
Net Assets - June 30, 2016	6,408,031	19,487,603	24,439,605	50,335,239
Net Assets - June 30, 2017	\$ 6,648,562	\$ 21,311,447	\$ 26,301,245	\$ 54,261,254

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Unrestricted</u>	<u>Total</u>
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 (Decrease) 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
A COMPONENT UNIT OF THE STATE OF MISSOURI

STATEMENT OF CASH FLOWS

Page 1 Of 2

For The Years Ended June 30, 2017 And 2016

	2017	2016
Cash Flows From Operating Activities		
Tuition and fees	\$ 74,276,772	\$ 86,885,599
Grants and contracts	1,974,234	1,400,772
Sales and services of educational activities	1,980,498	1,861,226
Payments to suppliers	(41,109,591)	(42,687,427)
Payments for utilities	(5,839,170)	(5,585,320)
Payments to employees	(121,992,097)	(113,294,870)
Payments for scholarships and fellowships	(7,324,569)	(6,685,090)
Loans issued to students	(595,643)	(1,360,472)
Collection of loans to students	2,847,285	725,576
Sales and services of auxiliary enterprises	37,905,861	39,586,314
Other payments	(10,517,133)	(12,239,384)
Net Cash Used In Operating Activities	(68,393,553)	(51,393,076)
Cash Flows From Noncapital Financing Activities		
State appropriations	53,770,433	55,677,472
Gifts and grants for other than capital purposes	20,809,426	23,359,578
Other payments	(1,164,420)	(207,975)
Net Cash Provided By Noncapital Financing Activities	73,415,439	78,829,075
Cash Flows From Capital And Related Financing Activities		
Capital appropriations - state	(11,616,905)	—
Proceeds from issuance of capital debt	—	2,738,820
Proceeds from sale of capital assets	30,397	154,619
Purchase of capital assets	(6,565,331)	(17,332,900)
Principal paid on capital debt and leases	(7,523,237)	(4,954,596)
Interest paid on capital debt and leases	(3,171,172)	(3,700,690)
Net Cash Used In Capital And Related Financing Activities	(28,846,248)	(23,094,747)

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

STATEMENT OF CASH FLOWS

Page 2 Of 2

For The Years Ended June 30, 2017 And 2016

	2017	2016
Cash Flows From Investing Activities		
Investment income	\$ 627,589	\$ 767,158
Proceeds from sales and maturities of investments	34,000,000	48,000,000
Purchases of investments	(16,000,000)	(70,000,000)
Net Cash Provided By (Used In) Investing Activities	18,627,589	(21,232,842)
Net Decrease In Cash And Cash Equivalents	(5,196,773)	(16,891,590)
Cash And Cash Equivalents - Beginning Of Year	10,732,147	27,623,737
Cash And Cash Equivalents - End Of Year	\$ 5,535,374	\$ 10,732,147
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	\$ (96,669,500)	\$ (63,172,815)
Depreciation	16,496,792	15,495,973
Changes in deferred amounts related to pension	(30,216,402)	(26,284,344)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable and student loans	1,431,818	(162,120)
(Increase) decrease in inventory	714,593	(391,209)
(Increase) decrease in prepaid expenses	362,049	(469,655)
Decrease in accounts payable and accrued liabilities	(2,512,430)	(3,769,606)
Increase (decrease) in unearned revenue	(112,579)	347,080
Increase in accrued salaries and benefits	621,677	408,365
Increase in pension liability	41,481,279	26,602,111
Increase in student deposits	9,150	3,144
Net Cash Used In Operating Activities	\$ (68,393,553)	\$ (51,393,076)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 2,791,034	\$ 2,098,749

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017 And 2016

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*)

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, 2017 and 2016, 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.

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.

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

Notes To Financial Statements (*Continued*)

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 \$117,468 and \$117,467 for the years ended June 30, 2017 and 2016, 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 for the years ended June 30, 2017 and 2016.

Capital Assets

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

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

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

Notes To Financial Statements (*Continued*)

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

	<u>2017</u>	<u>2016</u>
Interest costs capitalized for projects with no specific borrowings	<u>\$ 363,811</u>	<u>\$ 123,033</u>
Interest costs capitalized for projects with specific borrowings	—	961,036
Interest charged to expense	<u>3,209,076</u>	<u>2,446,355</u>
	<u>\$ 3,209,076</u>	<u>\$ 3,407,391</u>

Compensated Absences

University policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

Unearned Revenue

Unearned revenue represents unearned student fees and advances on grants and contract awards for which the University has not met all of the applicable eligibility requirements.

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

Notes To Financial Statements (*Continued*)

Net Position

The University classifies its net position into four components:

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

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

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

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

Classification Of Revenues

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

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

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

Notes To Financial Statements (*Continued*)

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

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 2017 and 2016 were \$17,999,989 and \$18,010,767, respectively. The scholarship allowances on housing for the years ended June 30, 2017 and 2016 were \$4,990,922 and \$5,233,151, 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, 2017 and 2016 of \$401,450 and \$409,624, respectively, which represents the present value of the future annuity obligations under the settlement agreement. The liability has been determined using a discount rate of 3.6% and applicable mortality tables. This liability is to be funded by proceeds of the estate which are held by University of Central Missouri Foundation (Note 5).

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

Notes To Financial Statements (*Continued*)

Foundation

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

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

During the years ended June 30, 2017 and 2016, the Foundation provided \$4,019,284 and \$3,960,850, 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
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (*Continued*)

Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 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, 2017 and 2016, the University's bank balances were \$44,583,368 and \$65,301,947, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2017 or 2016.

Investments

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

At June 30, 2017 and 2016, the University had the following investments and maturities:

<u>Type</u>	<u>2017</u>		
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>
U.S. Treasury obligations	\$ 55,843,134	\$ 43,903,134	\$ 11,940,000

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

Notes To Financial Statements (*Continued*)

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	—
	\$ 70,135,148	\$ 24,037,728	\$ 46,097,420

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, 2017 and 2016, 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 2017, 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, 2017 and 2016, are held in the University's name.

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

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

Notes To Financial Statements (Continued)

Summary Of Carrying Values

The carrying values of deposits and investments shown below are included in the statement of net position as follows:

	<u>2017</u>	<u>2016</u>
Carrying value		
Deposits	\$ 43,635,374	\$ 52,807,147
Investments	55,843,134	70,135,148
	<u>\$ 99,478,508</u>	<u>\$ 122,942,295</u>

Included in the following statement of net position captions

Cash and cash equivalents	\$ 1,540,571	\$ 8,230,302
Restricted cash and cash equivalents - current	3,994,803	2,501,845
Short-term investments	59,903,134	34,038,408
Noncurrent investments	34,040,000	78,171,740
	<u>\$ 99,478,508</u>	<u>\$ 122,942,295</u>

Investment Income

Investment income for the years ended June 30, 2017 and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 544,698	\$ 828,390
Net increase in fair value of investments	—	29,819
	<u>\$ 544,698</u>	<u>\$ 858,209</u>

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.

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 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, 2017:

Investments	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. Treasury obligations	\$ 55,843,134	\$ —	\$ —	\$ 55,843,134

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 obligations	\$ 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

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

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, 2017 and 2016:

	2017				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	\$ 1,125,212	\$ —	\$ 557,898	\$ 567,314	\$ 567,314
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	1,264,788	—	627,102	637,686	637,686
Education Facility, Series 2007	217,097	—	144,336	72,761	72,761
Advance Refunding of Student Recreation Center, Series 2009 Bond Issue, Series 2013A	13,345,000	—	1,535,000	11,810,000	1,575,000
Stadium Facility, Series 2013B-1	1,940,000	—	220,000	1,720,000	225,000
Stadium Facility, Series 2013B-2	3,770,000	—	—	3,770,000	—
Student Housing System, Mixed Use Faculty, Series 2013C-1	16,640,000	—	1,900,000	14,740,000	1,950,000
Student Housing System, Mixed Use Faculty, Series 2013C-2	32,650,000	—	—	32,650,000	—
Total Revenue Bonds	70,952,097	—	4,984,336	65,967,761	5,027,761
Capital Lease Obligations	25,276,973	—	2,300,911	22,976,062	2,378,636
Note Payable - Foundation	2,389,552	—	119,337	2,270,215	124,110
Notes Payable - Airplanes	774,737	—	118,653	656,084	120,946
	99,393,359	—	7,523,237	91,870,122	7,651,453
Unamortized Premium On Bonds Payable	615,794	80	33,752	582,122	—
Total Long-Term Debt	100,009,153	80	7,556,989	92,452,244	7,651,453
Other Noncurrent Liabilities					
Accrued compensated absences	4,190,459	546,158	382,806	4,353,811	2,535,716
Accrued settlement	409,624	—	8,174	401,450	50,000
Other long-term liability	2,287,026	458,325	—	2,745,351	—
Total Other Noncurrent Liabilities	6,887,109	1,004,483	390,980	7,500,612	2,585,716
Total Long-Term Debt And Other Obligations	\$ 106,896,262	\$ 1,004,563	\$ 7,947,969	\$ 99,952,856	\$ 10,237,169

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

Notes To Financial Statements (*Continued*)

	2016				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Student Housing System, Series 2009A	\$ 855,000	\$ —	\$ 855,000	\$ —	\$ —
Stadium Facility, Series 1999 Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	—	—	—	—	—
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	1,676,048	—	550,836	1,125,212	557,898
Education Facility, Series 2007	1,883,952	—	619,164	1,264,788	627,102
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
Note 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*)

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
A COMPONENT UNIT OF THE STATE OF MISSOURI

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, 2017 are as follows:

<u>Year Ending June 30,</u>	<u>Total To</u>	<u>Principal</u>	<u>Interest</u>
	<u>Be Paid</u>		
2018	\$ 7,719,844	\$ 5,272,817	\$ 2,447,027
2019	6,430,506	4,097,460	2,333,046
2020	6,425,088	4,195,107	2,229,981
2021	6,425,031	4,303,010	2,122,021
2022	6,418,692	4,406,196	2,012,496
2023 - 2027	25,975,073	17,644,465	8,330,608
2028 - 2032	22,079,038	17,150,133	4,928,905
2033 - 2037	12,724,513	11,824,872	899,641
<u>Total</u>	<u>\$ 94,197,785</u>	<u>\$ 68,894,060</u>	<u>\$ 25,303,725</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, 2017 and 2016 totaled \$22,976,062 and \$25,273,475, respectively, net of accumulated depreciation of \$15,503,897 and \$12,955,311, 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, 2017:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 3,128,580
2019	3,128,580
2020	3,128,580
2021	3,128,580
2022	3,128,580
2023 - 2027	10,950,027
Total minimum lease payments	26,592,927
Less amount representing interest	3,616,865
<u>Present value of future minimum lease payments</u>	<u>\$ 22,976,062</u>

5. Related Party Transactions

At June 30, 2017 and 2016, the University had receivables from the Foundation in the amount of \$902,879 and \$589,768, 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 \$302,655 and \$304,867 for the years ended June 30, 2017 and 2016, respectively. In addition, University employees provided services to the Foundation valued at \$877,655 and \$918,030 for the years ended June 30, 2017 and 2016, 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, 2017. Included in accounts receivable at June 30, 2017 and 2016 were receivables from the Foundation for reimbursements due of \$36,200 and \$38,432, 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, 2017 and 2016 of \$465,229 and \$141,712, 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 was paid 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 28.

UNIVERSITY OF CENTRAL MISSOURI
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, 2017, 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, 2016 was 16.97 percent, which is the year of measurement for the net pension liability. Contributions to the pension plan from UCM were \$9,690,708 for the year ended June 30, 2017.

At June 30, 2017, the University reported a liability of \$132,717,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016. The University's proportion for the plan year ended June 30, 2016 was 2.8591 percent, an increase from its proportion of 2.841 percent as of the June 30, 2015 measurement date.

There were no changes in benefit terms during the MOSERS plan year ended June 30, 2016, that affected the measurement of total pension liability.

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

For the year ended June 30, 2017, the University recognized pension expense of \$20,954,853. At June 30, 2017, 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	\$ 1,366,859	\$ 387,764
Changes of assumptions	13,818,510	797,727
Net difference between projected and actual earnings on pension plan investments	21,684,761	—
Changes in proportion and differences between University contributions and proportionate share of contributions	1,865,488	—
University contributions subsequent to the measurement date of 6/30/16	9,690,708	—
	<u>\$ 48,426,326</u>	<u>\$ 1,185,491</u>

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>

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

Notes To Financial Statements (*Continued*)

The amount of \$9,690,708 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, 2018. 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>
2018	\$ 10,121,969
2019	10,023,469
2020	13,612,292
2021	3,792,397
	<u>\$ 37,550,127</u>

The total pension liability in the June 30, 2016 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:

<u>Actuarial Assumptions</u>	
Inflation	2.5 percent, approximate
Salary increases	3.25 to 8.75 percent for fiscal year 2017 and 3.0 percent annually, average, including inflation thereafter
Investment rate of return	7.65 percent per year, compounded annually, net after investment expenses and including inflation

Mortality rates for post-retirement mortality are based on the RP-2014 Healthy Annuitant mortality table, projected to 2026 with Scale MP-2015 and scaled by 120%. The pre-retirement mortality table used is the RP-2014 Employee mortality table, projected to 2026 with Scale MP-2015 and scaled by 95% for males and 90% for females.

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

Notes To Financial Statements (*Continued*)

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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. As a result of this actuarial experience study, the MOSERS Board made various demographic and economic assumption changes to more closely reflect actual experience. The most significant changes included lowering the assumed annual investment rate of return from 8 percent to 7.65 percent and the adoption of the above mortality tables. The changes in assumptions recorded as deferred inflows and outflows of resources were due to these changes from the actuarial experience study.

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, 2016 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%

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Notes To Financial Statements (*Continued*)

The discount rate used to measure the total pension liability was 7.65 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.

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 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 (6.65 percent) or one-percentage-point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	\$174,757,809	\$ 132,717,900	\$ 97,471,070

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

As of June 30, 2017 and 2016, the University had payables of \$512,002 and \$451,835, respectively, to MOSERS due to end of fiscal year processing.

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

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 2017 and 2016, the University contributed 5.67 percent and 5.89 percent, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2017, 2016 and 2015, were \$1,241,098, \$1,198,082 and \$1,071,666, 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.

Termination Benefits

During the 2016-17 fiscal year, the University approved a one-time voluntary retirement incentive benefit plan. To be eligible, employees were required to have been a benefits-eligible faculty or staff employee, eligible for MOSERS retirement prior to May 31, 2018 or a CURP participant whose age plus years of service equal 70 on or before May 31, 2018. Under the plan, employees who took advantage of this incentive receive one of the following options:

- One-time payment of one week of base pay for each year of benefits-eligible year of service up to a maximum 25 weeks of pay and \$7,500 insurance benefits payment for employees who were a current participant in the University's health insurance plan at time of program application.
- One-time payment of one week of base pay for each year of benefits-eligible year of service up to a maximum 25 weeks of pay.

During fiscal year 2018, payments to retired employees under this plan are estimated to be \$3,355,398 for retirement compensation. This amount reflects the total cost of this program and is included in accounts payable at June 30, 2017.

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

7. Health Care Benefits

Employee Health And Welfare Benefits

The University obtains employee health and welfare insurance through commercial insurers. The coverage is fully insured and the University neither assumes nor discharges claims for its participating members or their dependents.

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 \$1,206,379 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, 2017 is as follows:

Beginning Balance, July 1, 2016	\$ 1,731,204
Claims incurred (including fees)	12,445,092
Claim payments	<u>12,158,989</u>
Balance, June 30, 2017	<u><u>\$ 2,017,307</u></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, 2017 and 2016, 69 and 84 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	78,296
Adjustment to ARC	<u>478,705</u>
Annual OPEB cost	741,068
Less contributions made	<u>(282,743)</u>
Increase in net OPEB obligation	458,325
Net OPEB obligation - beginning of year	<u>2,237,026</u>
Net OPEB obligation - end of year	<u>\$ 2,695,351</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 2017 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage Of Annual OPEB Cost	Net OPEB Obligation
6/30/2015	\$ 895,818	41.40%	\$ 1,929,308
6/30/2016	796,147	61.30%	2,237,026
6/30/2017	741,068	38.20%	2,695,351

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
A COMPONENT UNIT OF THE STATE OF MISSOURI

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, 2017 and 2016, 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 \$4,217,462 related to construction contracts at June 30, 2017.

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

Notes To Financial Statements (*Continued*)

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.

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 (DOE) stipulated that new loans may not be disbursed under the program; however, the Perkins Loan Extension Act of 2015 was passed in December 2015 extending the date for which Perkins Loans may be disbursed to September 30, 2017. Therefore, effective October 1, 2017 new loans may not be awarded under the program and will ultimately result in the closure of the program. If students receive a disbursement of a Perkins Loan after June 30, 2017 and before October 1, 2017 for the 2017-2018 award year, the student may receive any subsequent disbursements of that Perkins Loan. Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for the program as revenue (and related restricted net position) in the period that funds were received. The closure of this program will result in the University recording an expense when refunding previous Federal contributions received under this program to the DOE.

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

As part of the program, each year an Excess Liquid Cash calculation is made by the DOE to calculate any required amounts to be returned to the DOE. The University's cash restricted for the program for which a portion could be required to be returned totaled approximately \$1,819,474 at June 30, 2017, and will change in future years based upon the activity of the program.

9. Risk Management

The University is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to workers' compensation and natural disasters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The State of Missouri self-insures workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

10. University Of Central Missouri Foundation

Financial Statement Presentation

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

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

Notes To Financial Statements (*Continued*)

Investments

The Foundation's investment portfolio at June 30, 2017 and 2016 is composed of the following:

	Fair Value	
	2017	2016
Domestic equity	\$ 20,062,510	\$ 18,606,988
International equity	6,987,399	3,916,420
Fixed income	18,117,791	19,265,907
Alternative	3,532,836	3,476,581
Real estate investment trust	281,212	433,743
Real estate held as an investment	314,000	314,000
	\$ 49,295,748	\$ 46,013,639

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.

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.

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

Notes To Financial Statements (*Continued*)

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, 2017 and 2016.

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, 2017:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Domestic equity mutual funds	\$ 9,508,463	\$ —	\$ —	\$ 9,508,463
International equity mutual funds	6,972,626	—	—	6,972,626
Common stock				
Domestic	6,389,183	—	—	6,389,183
International	—	—	—	—
Exchange traded funds				
Domestic	4,164,863	—	—	4,164,863
International	14,773	—	—	—
Fixed income investments				
Mortgage	—	1,310,657	—	1,310,657
Credit	101,469	9,424,541	—	9,526,010
U.S. Treasuries	1,814,431	—	—	1,814,431
Agencies	—	1,470,956	—	1,470,956
Asset-backed securities	—	1,041,721	—	1,041,721
Taxable municipal bonds	—	1,703,244	—	1,703,244
Diversified taxable mutual funds	326,355	—	—	326,355
Taxable high-yield funds	657,182	—	—	657,182
Emerging markets	216,522	—	—	216,522
Tax-exempt revenues	—	50,715	—	50,715
Alternative investments				
Hedge funds	2,739,331	—	—	2,739,331
Infrastructure	793,504	—	—	793,504
Traded real estate	281,212	—	—	281,212
Real estate held as an investment	—	—	314,000	314,000
Total Investments	33,979,914	15,001,834	314,000	49,295,748
Beneficial Interests In Trusts				
	—	—	937,846	937,846
	\$ 33,979,914	\$ 15,001,834	\$ 1,251,846	\$ 50,233,594

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, 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
Real estate investment trust	415,868	—	—	415,868
Real estate held as an investment	—	17,875	314,000	331,875
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 table below sets forth a summary of changes in the fair value of the Foundations Level 3 assets for the years ended June 30, 2017 and 2016:

	<u>Real Estate</u>	<u>Beneficial Interest</u>	<u>Total</u>
Fair Value - July 1, 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
Transfers into Level 3	—	—	—
Total gains or losses (realized and unrealized)	—	70,266	70,266
Contributions	—	—	—
Purchases	—	—	—
Sales	—	—	—
Fair Value - June 30, 2017	\$ 314,000	\$ 937,846	\$ 1,251,846

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

	<u>Fair Value</u>	
	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 6,138,879	\$ 5,857,861
Temporarily restricted	19,304,496	17,814,468
Permanently restricted	23,852,373	22,341,310
	\$ 49,295,748	\$ 46,013,639

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, 2017 and 2016 is as follows:

	June 30,	
	2017	2016
Due within one year	\$ 150,634	\$ 189,996
Due in one to five years	1,330,341	1,331,484
Due in more than five years	99,238	7,993
	1,580,213	1,529,473
Less:		
Allowance for uncollectible promises	42,669	29,107
Discount to net present value	35,186	44,800
	\$ 1,502,358	\$ 1,455,566

Net Assets

Endowment net assets at June 30, 2017 and 2016 by type of fund consisted of the following:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 2,324,885	\$ 24,069,428	\$ 26,394,313
Board-designated endowment funds	3,301,279	13,195,083	—	16,496,362
	\$ 3,301,279	\$ 15,519,968	\$ 24,069,428	\$ 42,890,675
	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

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

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2017 and 2016:

	June 30, 2017		June 30, 2016	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 5,629,154	\$ 22,258,802	\$ 5,498,649	\$ 20,768,966
TV/radio institutional support	152,943	3,906,795	148,481	—
Student services - athletes	269,916	83,332	310,371	78,082
Instruction and other departmental	6,609,963	12,071	6,583,537	3,552,312
Institutional support - plant facilities	2,878,441	40,245	3,339,231	40,245
Net accumulated earnings in excess of approved payout	5,771,030	—	3,607,334	—
	<u>\$ 21,311,447</u>	<u>\$ 26,301,245</u>	<u>\$ 19,487,603</u>	<u>\$ 24,439,605</u>

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

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

June 30, 2017

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	—	5,152,208	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, 2017**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
University's proportion of the net pension liability	2.8591%	2.8410%	2.7413%
University's proportionate share of the net pension liability	\$ 132,717,900	\$ 91,236,621	\$ 64,634,510
University's covered payroll	55,002,021	50,573,280	52,233,469
University's proportionate share of net pension liability as a percentage of its covered payroll	239.69%	165.88%	127.80%
Plan fiduciary net position as a percentage of the total pension liability	63.60%	72.62%	79.49%

Schedule Of University's Contributions

Required contribution	\$ 9,690,708	\$ 9,333,841	\$ 8,946,847
Contributions in relation to the required contribution	9,690,708	9,333,841	8,946,847
Contribution deficiency	—	—	—
University's covered payroll	56,998,231	55,002,021	50,573,280
Contributions as a percentage of covered payroll	16.97%	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, 2017.

Changes to assumptions in the valuation reports for the plan year ended June 30, 2016 include the assumption that there would be no pay increases for fiscal year ending June 30, 2017 only, the investment rate of return was lowered from 8.00% to 7.65%, and the adoption of new mortality tables.

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

**STADIUM BONDS - SERIES 1999 AND SERIES 2013B
June 30, 2017**

Revenues

Foundation Suite Revenue (Chart F)	\$ 40,738
Walton Stadium	
Building rent income	12,726
Men's Football	
Advance ticket sales	22,705
Season tickets	18,625
Single game tickets	32,487
Programs/seats	1,406
General Fund Transfer For Walton Stadium	
Bond Payment (Series 2013B)	433,776

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, 2017

Operating Revenues	
Housing, net of bad debt expense	\$ 27,726,125
Bookstore, net of bad debt expense	5,363,492
University union fee	2,488,558
Tuition and fees	7,440
Other auxiliary enterprises	7,409
Other operating revenues	1,479,122
Total Operating Revenue	<u>37,072,146</u>
Operating Expenses	
Compensation and benefits	3,788,069
Contractual services	10,479,986
Supplies and services	5,423,904
Scholarships	5,000
Utilities	2,436,329
Debt service	4,375,006
Other	8,154,089
Total Operating Expenses	<u>34,662,383</u>
Operating Gain	2,409,763
Nonoperating Revenues (Expenses)	
Other nonoperating expenses	<u>(45,598)</u>
Income Before Other Revenues And Expenses, Gains Or Losses	2,364,165
Add Back Debt Service Payments (Net)	
Student housing	3,919,114
University Store	412,224
Student union	43,668
Total Debt Service Payments	<u>4,375,006</u>
Add Back Capital Improvent Transfers	998,829
Net Operating Revenue Before Debt Service Payments	7,738,000
Net Operating Revenue As A % Of Debt Service	174%

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**

**Page 1 Of 3
June 30, 2017**

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, 2017:

1. Lexington Insurance Company, Policy No. 066095351, (60%); Zurich, Policy No. ERP-0174168-02, 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 \$7,850,693 aggregate through the Midwestern Higher Education Compact (MHEC).
2. Lexington Insurance Company, Policy No. 66095363 (60%) and Zurich Policy No. ERP 019811500 (40%): furnishes the esecundary layer of shared coverage, which is \$400,000,000 excess of the \$100,000,000 layer.
3. Zurich, Policy No. XPP00174448-02, (20%); AIG, Policy No. 25030902 (60%), Westport Insurance Corp., Policy No. NAP 0453214-02 (20%): 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**

**Page 2 Of 3
June 30, 2017**

	Amount Of Coverage	
	Building	Contents
Residential complex (included in blanket figures)		
Diemer Hall	\$ 6,370,590	\$ 136,246
South Ellis Hall	10,585,054	173,745
East Ellis Hall	12,457,900	191,245
North Ellis Hall	13,483,949	233,744
Foster Knox Hall	8,702,445	308,742
Fraternity Hall	11,509,794	454,989
Hudson Hall	11,381,117	1,298,520
University Conference Center	12,727,417	373,740
Hosey Hall	7,538,598	338,741
Nattinger-Bradshaw Hall	19,744,267	672,483
Nickerson Hall	9,850,287	272,494
Panhellenic Hall	10,424,690	398,740
South Todd Hall	2,777,101	143,746
Todd Hall	8,479,822	407,491
South Yeater Hall	15,113,686	423,739
Yeater Hall	9,116,002	272,494
Knox Hall	7,316,616	236,243
Houts Hall	7,849,565	379,991
Fitzgerald Hall	15,842,852	483,738
Apartments (included in blanket figures)		
Greenwood 4-Plex #2	513,065	10,000
Greenwood 4-Plex #3	513,065	10,000
Greenwood 4-Plex #4	513,065	10,000
Greenwood 4-Plex #6	513,065	10,000
Greenwood 4-Plex #8	513,065	10,000
Greenwood 4-Plex #10	513,065	10,000
Greenwood 4-Plex #12	513,065	10,000

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

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

**Page 3 Of 3
June 30, 2017**

	Amount Of Coverage	
	Building	Contents
<i>Apartments (included in blanket figures - continued)</i>		
Greenwood 4-Plex #13	\$ 513,065	\$ 10,000
Greenwood 4-Plex #14	513,065	10,000
Greenwood 4-Plex #16	513,065	10,770
Greenwood Handicap Unit	280,499	5,000
Greenwood VIP Unit	260,464	77,499
Greenwood Community Center	617,483	10,000
Central Village 8-Plex #1	1,466,916	21,249
Central Village 8-Plex #2	1,016,239	21,249
Central Village 8-Plex #3	1,466,916	21,249
Central Village 8-Plex #4	1,015,859	21,249
Central Village 8-Plex #5	1,466,916	21,249
Central Village 8-Plex #6	1,016,239	21,249
Central Village Community Building	740,154	21,418
Central Village 8-Plex #8	1,016,239	21,249
Central Village 8-Plex #9	1,016,239	21,249
Central Village 8-Plex #10	1,016,239	21,249
Central Village 8-Plex #12	1,016,239	21,249
The Crossing	47,340,348	3,060,300
 Stadium		
Walton Stadium	10,287,263	2,067,171
Walton Stadium Field	1,300,277	—
 Other (included in blanket figures)		
University Union	29,098,816	3,956,880
Ellis Mechanical Building	263,947	1,081,598
Greenwood Morton Building	159,199	—
 Liability insurance		
Covered under the state legal expense fund (Statutory limit)		
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, 2017

	Headcount	Full-time Equivalent	Semester Credit Hours
Summer 2016			
Undergraduate	3,176	2,104	15,778
Graduate	3,697	4,327	25,961
Fall 2016			
Undergraduate	9,786	8,222	123,335
Graduate	4,202	2,285	27,424
Spring 2017			
Undergraduate	9,819	7,628	114,415
Graduate	3,316	1,653	19,840

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

Residence Halls		Apartments	
15 - 16	16 - 17	15 - 16	16 - 17
89%	86%	95%	93%

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

Total on-campus	33.6%
Total off-campus	66.4%
Total	100.0%

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

	Rate	
	2017	2016
Residence halls (per semester)		
Single occupancy room	\$ 3,244	\$ 3,193
Double occupancy room	2,644	2,593
Apartments (per month)		
Central Village - one-bedroom	582	571
Central Village - two-bedroom	703	689
Central Village - three-bedroom	840	824
Foster/Knox	713	699
Greenwood Park	768	753
Nickerson	713	699
Todd - one-bedroom	713	699
Todd - two-bedroom	878	861
The Crossing 2 BR, per person	663	650
The Crossing 4 BR, per person	567	550
The Crossing 4 BR - 2 story, per person	714	700
Basic meal plan (per semester)	1,515	1,458

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

	2017	2016
University Union Fee		
Per credit hour (<9 credit hours)	\$ 7	\$ 7
Flat rate (9+ credit hours)	111	111

Required Supplementary Information

Supplementary Information

University of Central Missouri
Toni Kreke
102 South Street
Administration Building 316B
Warrensburg, Missouri 64093

Dear Toni:

Enclosed are your copies of the financial statements for University of Central Missouri as of June 30, 2017.

We appreciate the opportunity to be of continued service to you. If we may furnish you with any additional information, please feel free to contact us.

Very truly yours,

RubinBrown LLP

Kaleb J. Lilly
Partner
Direct Dial Number: 816.859.7917
E-mail: kaleb.lilly@rubinbrown.com

KJL:lk

Enclosures