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



Board of Governors

RubinBrown LLP
*Certified Public Accountants
& Business Consultants*

10975 Grandview Drive
Suite 600
Overland Park, KS 66210

T 913.491.4144
F 913.491.6821

W rubinbrown.com
E info@rubinbrown.com

Change InnAccounting Principle

Other Matters

Management's Discussion and Analysis

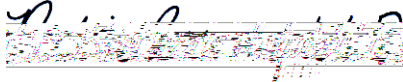
The accompanying management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Board of Governors
University Of Central Missouri
A Component Unit Of The State Of Missouri

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



October 14, 2013

Management's Discussion And Analysis (*Continued*)

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

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

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

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

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

Management's Discussion And Analysis (*Continued*)

Management's Discussion And Analysis (*Continued*)

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

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

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

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

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

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

Management's Discussion And Analysis (*Continued*)

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

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

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

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

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

Management's Discussion And Analysis (*Continued*)

A summary of the University's assets, deferre

Management's Discussion And Analysis (*Continued*)

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

Non-current assets - Total non-current assets decreased approximately \$14.4 million.

Management's Discussion And Analysis *(Continued)*

Management's Discussion And Analysis (*Continued*)

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):

| | 2012 |
|---|---------|
| Tuition and fees | \$ 76.3 |
| Scholarship allowances | (14.9) |
| Net tuition and fees | 61.4 |
| Federal grants and contracts | 1.6 |
| State grants and contracts | 0.1 |
| Auxiliary enterprises | 33.8 |
| Scholarship allowances | (4.3) |
| Net auxiliary enterprises | 29.5 |
| Other | 8.1 |
| | 100.7 |
| | 165.7 |
| | (65.0) |
| State appropriation | 51.2 |
| Federal grants and contracts | 19.3 |
| State grants and contracts | 0.6 |
| Other grants and contracts | 1.2 |
| Gain (loss) on disposal of capital assets | (0.1) |
| Contributions | 2.0 |
| Investment income | 0.2 |
| Interest on capital asset-related debt | (2.8) |
| Other non-operating expenses | (0.3) |
| | 6.3 |
| | 1.3 |

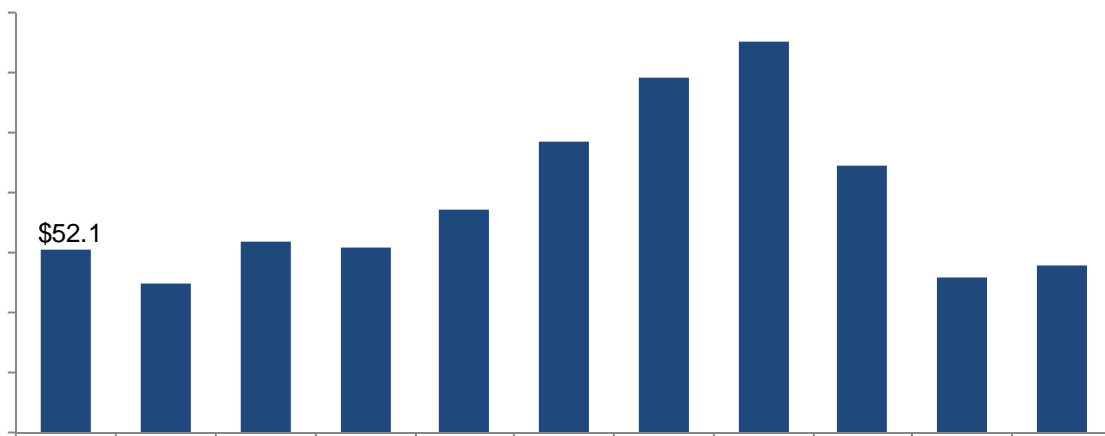
Management's Discussion And Analysis (Continued)

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

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

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

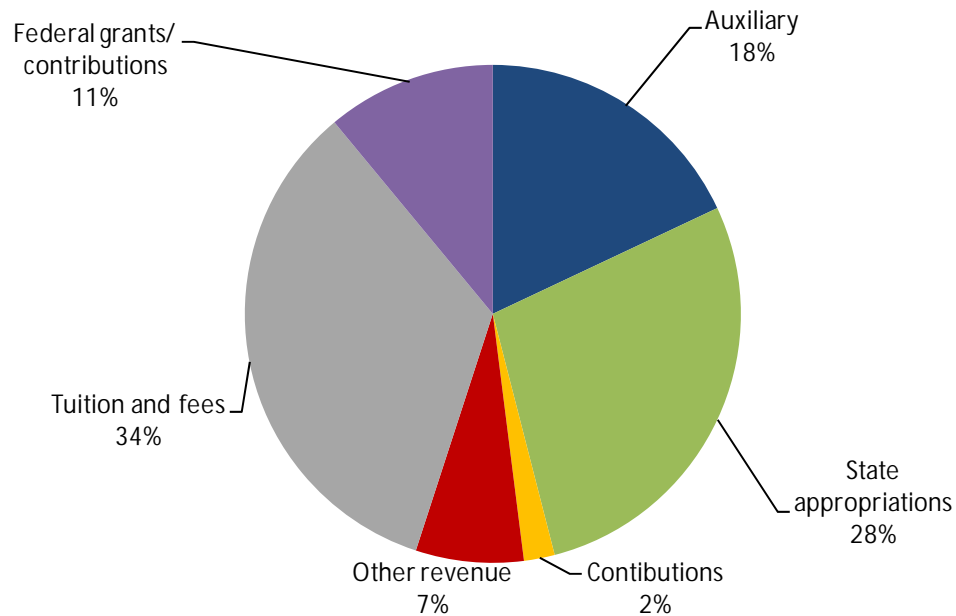
The University's financial position is closely tied to the State of Missouri and the associated general revenue and lottery proceeds appropriated by the Legislature. State appropriation revenue remained almost constant in fiscal year 2013 compared to fiscal year 2012. Following is a historical trend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



Management's Discussion And Analysis (*Continued*)

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

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



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

| | 2012 |
|------------------------------|----------|
| Compensation and benefits | \$ 99.8 |
| Contractual services | 12.3 |
| Supplies and materials | 13.4 |
| Scholarships and fellowships | 7.2 |
| Depreciation | 14.6 |
| Utilities | 5.3 |
| Other | 13.1 |
| | \$ 165.7 |

Management's Discussion And Analysis *(Continued)*

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

| | 2012 |
|--|-----------|
| Operating activities | \$ (53.9) |
| Non-capital financing activities | 73.3 |
| Capital and related financing activities | (18.8) |
| Investing activities | (7.4) |
| | (6.8) |
| | 13.4 |

Management's Discussion And Analysis *(Continued)*

During the year ended June 30, 2012, cash used in operating activities amounted to (\$53.9) million, which resulted from tuition and fees, grants and contracts, sales and

2012

Cash and cash equivalents

2012

Deferred amount on debt refundings

2012

| | | | | | | | | |
|--|----|-----------|----|-------------|----|-----------|----|-----------|
| Gifts | \$ | 252,318 | \$ | 2,002,713 | \$ | 1,653,086 | \$ | 3,908,117 |
| In-kind gifts | | 1,396 | | 314,552 | | — | | 315,948 |
| Other income | | 253 | | 65,588 | | — | | 65,841 |
| Investment income | | 419,470 | | 433,175 | | 6,689 | | 859,334 |
| Net realized and unrealized gain on investments | | (56,671) | | (480,088) | | (10,532) | | (547,291) |
| Net assets released from restrictions | | 3,197,964 | | (3,197,964) | | — | | — |
| | | 3,814,730 | | (862,024) | | 1,649,243 | | 4,601,949 |

| | 2012 |
|---|-----------------|
| Investment income | \$ 200,450 |
| Proceeds from sales and maturities of investments | 33,960,000 |
| Purchases of investments | (41,558,606) |
| | (7,398,156) |
| | (6,739,114) |
| | 13,393,059 |
| | \$ 6,653,945 |
| Adjustments to reconcile changes in net position to net cash used in operating activities: | |
| Operating loss | \$ (64,960,043) |
| Depreciation | 14,574,318 |
| Changes in assets and liabilities: | |
| Increase (decrease) in accounts receivable and student loans | 15,415 |
| Increase in inventory | (187,449) |
| (Increase) decrease in prepaid expenses | (243,904) |
| Increase (decrease) in accounts payable and accrued liabilities | (2,742,606) |
| Increase (decrease) in unearned revenue | (161,420) |
| Increase (decrease) in salaries and benefits | (193,710) |
| Increase (decrease) in student deposits | 18,255 |
| | \$ (53,881,144) |
| Accounts payable incurred for capital asset purchases | \$ 837,808 |
| Capital assets donated | 24,989 |

Notes To Financial Statements (*Continued*)

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

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

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

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

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>2012</u> |
|--|---------------------|
| Interest costs capitalized for projects with no specific borrowings | \$ 155,986 |
| Interest capitalized | 155,986 |
| <u>Interest charged to expense</u> | <u>2,777,416</u> |
| | <u>\$ 2,933,402</u> |

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

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.

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.

Notes To Financial Statements *(Continued)*

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

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

During the years ended June 30, 2013 and 2012, the Foundation provided \$3,018,220 and \$3,268,871, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrator.

Notes To Financial Statements *(Continued)*

| | | | |
|---------------------------|----------------------|----------------------|----------------------|
| U.S. Treasury obligations | \$ 46,030,624 | \$ 26,048,283 | \$ 19,982,341 |
| U.S. agencies obligations | 8,033,514 | 8,033,514 | — |
| | <u>\$ 54,064,138</u> | <u>\$ 34,081,797</u> | <u>\$ 19,982,341</u> |

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

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

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

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

Notes To Financial Statements *(Continued)*

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

| | <u>2012</u> |
|---|----------------------|
| Carrying value | |
| Deposits | \$ 22,731,596 |
| Investments | 54,064,138 |
| | <u>\$ 76,795,734</u> |
| | |
| Included in the following statements of net position captions | |
| Cash and cash equivalents | \$ 6,287,828 |
| Restricted cash and cash equivalents - current | 366,117 |
| Short-term investments | 46,109,448 |
| Noncurrent investments | 24,032,341 |
| | <u>\$ 76,795,734</u> |

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

| | <u>2012</u> |
|---|-------------------|
| Interest and dividend income | \$ 279,941 |
| Net decrease in fair value of investments | (62,063) |
| | <u>\$ 217,878</u> |

Notes To Financial Statements *(Continued)*

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

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

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

Notes To Financial Statements *(Continued)*

Notes To Financial Statements *(Continued)*

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

| | | | |
|----------------|--------------|--------------|------------|
| 2014 | \$ 4,983,750 | \$ 3,989,825 | \$ 993,925 |
| 2015 | 4,434,061 | 3,541,017 | 893,044 |
| 2016 | 3,799,313 | 3,002,515 | 796,798 |
| 2017 | 2,925,753 | 2,194,336 | 731,417 |
| 2018 | 2,844,034 | 2,167,761 | 676,273 |
| 2019 - 2023 | 7,728,983 | 4,950,000 | 2,778,983 |
| 204nq05t- 2023 | | | |

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

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

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

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

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

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

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

Notes To Financial Statements *(Continued)*

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 Tc.3132

Notes To Financial Statements (*Continued*)

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

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

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

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

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2013 and 2012, there was no accrual recorded in the statements of net position related to these matters.

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.

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

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

Notes To Financial Statements (*Continued*)

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

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.

Notes To Financial Statements (Continued)

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

| | <u>2012</u> |
|------------------------|----------------------|
| Unrestricted | \$ 3,492,382 |
| Temporarily restricted | 13,414,793 |
| Permanently restricted | 18,119,155 |
| | <u>\$ 35,026,330</u> |

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

| | <u>2012</u> |
|---|-------------------|
| Due within one year | \$ 209,950 |
| Due in one to five years | 409,188 |
| | <u>619,138</u> |
| Less: | |
| Allowance for uncollectible contributions | 51,021 |
| Unamortized discount | 18,064 |
| | <u>\$ 550,053</u> |

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

| | | | | |
|----------------------------------|---------------------|----------------------|----------------------|----------------------|
| Donor-restricted endowment funds | \$ — | \$ 2,064,296 | \$ 17,720,239 | \$ 19,784,535 |
| Board-designated endowment funds | 3,002,130 | 11,278,095 | — | 14,280,225 |
| | <u>\$ 3,002,130</u> | <u>\$ 13,342,391</u> | <u>\$ 17,720,239</u> | <u>\$ 34,064,760</u> |

Notes To Financial Statements *(Continued)*

Donor-restricted endowment funds —

Required Supplementary Information



| | |
|----------------------|-----------|
| | \$ 65,450 |
| Building rent income | 4,738 |
| Advance ticket sales | 9,078 |
| Season tickets | 18,670 |
| Single game tickets | 30,922 |
| Programs/seats | 1,607 |
| | 324,164 |

UNIVERSITY OF CENTRAL MISSOURI

Apartments (included in blanket figures - continued)

| | | |
|------------------------------------|--------------|-----------|
| Central Village 8-Plex #1 | \$ 1,380,864 | \$ 20,180 |
| Central Village 8-Plex #2 | 956,625 | 20,180 |
| Central Village 8-Plex #3 | 1,380,864 | 20,180 |
| Central Village 8-Plex #4 | 956,267 | 20,180 |
| Central Village 8-Plex #5 | 1,380,864 | 20,180 |
| Central Village 8-Plex #6 | 956,625 | 20,180 |
| Central Village Community Building | 696,735 | 20,340 |
| Central Village 8-Plex #8 | 956,625 | 20,180 |
| Central Village 8-Plex #9 | 956,625 | 20,180 |
| Central Village 8-Plex #10 | 956,625 | 20,180 |
| Central Village 8-Plex #12 | 956,625 | 20,180 |

Stadium

| | | |
|----------------------|-----------|---------|
| Walton Stadium | 2,566,575 | 975,005 |
| Walton Stadium Field | 1,224,000 | |

| | |
|---------------|-------|
| Summer 2012 | |
| Undergraduate | 1,043 |
| Graduate | 665 |
| Fall 2012 | |
| Undergraduate | |
| Graduate | |
| Spring 2013 | |
| Undergraduate | |
| Graduate | |

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

| | 11 - 12 | 12 - 13 | 11 - 12 | 12 - 13 |
|--|---------|---------|---------|---------|
| | 88% | 83% | 92% | 91% |

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

| | |
|------------------|--------|
| Total on-campus | 31.3% |
| Total off-campus | 68.7% |
| Total | 100.0% |

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

| | 2012 |
|--------------------------------|----------|
| Residence halls (per semester) | |
| Single occupancy room | \$ 2,928 |