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

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RubinBrown LLP  
Certified Public Accountants  
& Business Consultants

1200 Main Street  
Suite 1000  
Kansas City, MO 64105

T 816.472.1122  
F 816.472.1065

W [rubinbrown.com](http://rubinbrown.com)  
E [info@rubinbrown.com](mailto:info@rubinbrown.com)

## 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*.



*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

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**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 wa

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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.

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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.

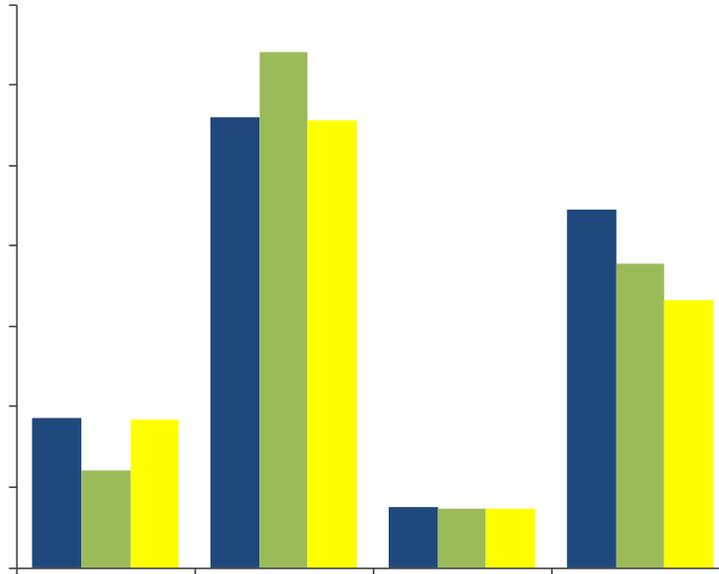
*Liabilities* - Current liabilities are those anticipated to be recognized within one year or less and include items such as accounts payable and accrued liabilities, accrued



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Management's Discussion And Analysis (*Continued*)



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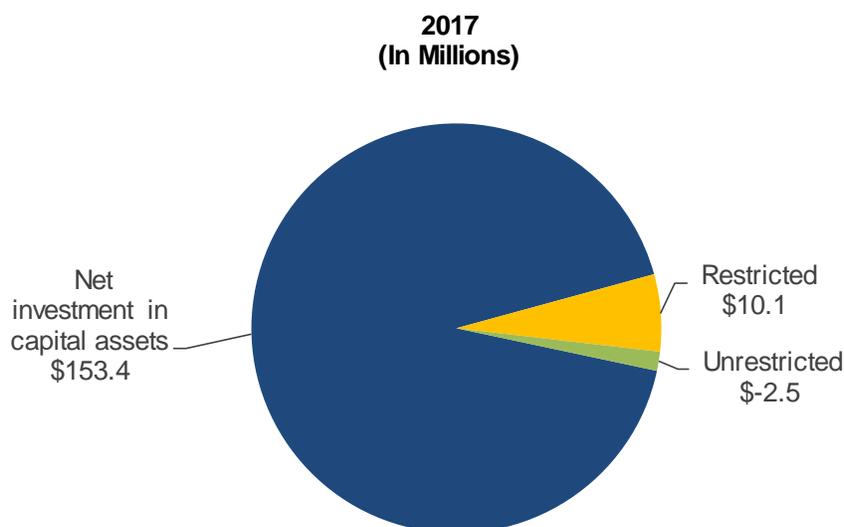
Management's Discussion And Analysis (*Continued*)

*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.



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Management's Discussion And Analysis *(Continued)*

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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.

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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):

|  | <b>2017</b>   | 2016     | 2015    |
|--|---------------|----------|---------|
| <b>Operating Revenues</b>                |               |          |         |
| Tuition and fees                         | \$ 92.4       | \$ 103.3 | \$ 95.5 |
| Scholarship allowances                   | <b>(18.0)</b> | (18.0)   | (18.1)  |
| Net tuition and fees                     | <b>74.4</b>   | 85.3     | 77.4    |
| Federal grants and contracts             | <b>2.0</b>    | 1.4      | 1.6     |
| Auxiliary enterprises                    | <b>42.9</b>   | 44.8     | 41.4    |
| Scholarship allowances                   | <b>(5.0)</b>  | (5.2)    | (4.7)   |
| Net auxiliary enterprises                | <b>37.9</b>   | 39.6     | 36.7    |
| Other                                    | <b>9.7</b>    | 8.9      | 10.3    |
| <b>Total Operating Revenues</b>          | <b>124.0</b>  | 135.2    | 126.0   |
| <b>Operating Expenses</b>                | <b>220.7</b>  | 198.2    | 186.8   |
| <b>Operating Loss</b>                    | <b>(96.7)</b> | (63.0)   | (60.8)  |
| <b>Non-Operating Revenues (Expenses)</b> |               |          |         |
| State appropriation                      | <b>53.8</b>   | 55.7     | 55.0    |
| Federal grants and contracts             | <b>16.3</b>   | 18.0     | 19.4    |
| State grants and contracts               | <b>0.7</b>    | 0.4      | 0.5     |
| Other grants and contracts               | <b>0.9</b>    | 1.0      | 0.9     |
| Loss on disposal of capital assets       |               | —        | (0.3)   |
| Contributions                            | <b>3.3</b>    | 2.9      | 2.7     |
| Investment income                        | <b>0.5</b>    | 0.9      | 0.5     |
| Interest on capital asset-related debt   | <b>(3.2)</b>  | (2.4)    | (1.3)   |

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Management's Discussion And Analysis (*Continued*)

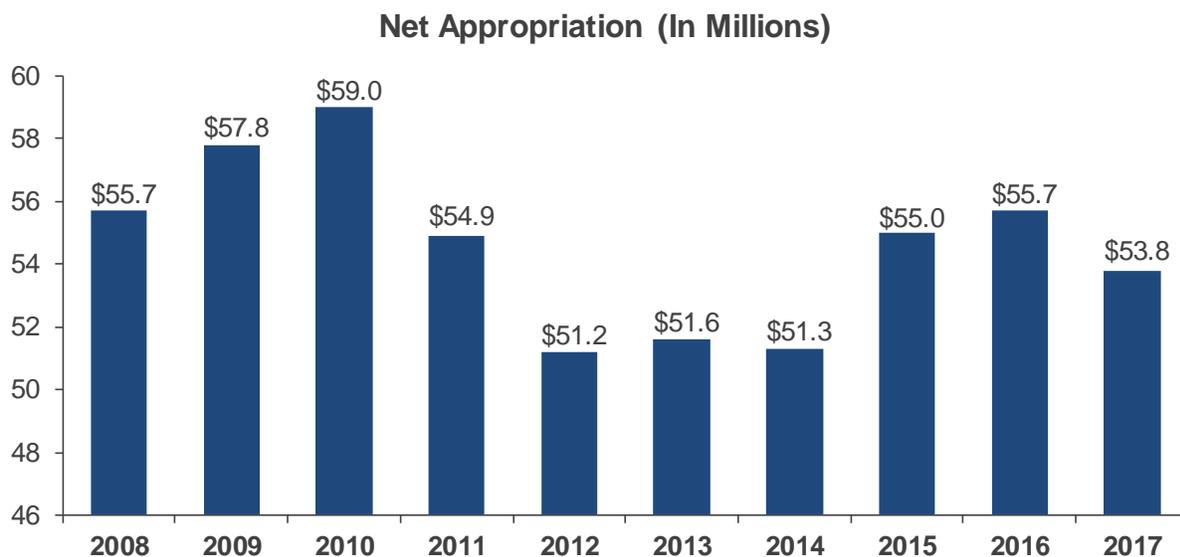
**Comparative Analysis Of Fiscal Years 2017 And 2016**

*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).

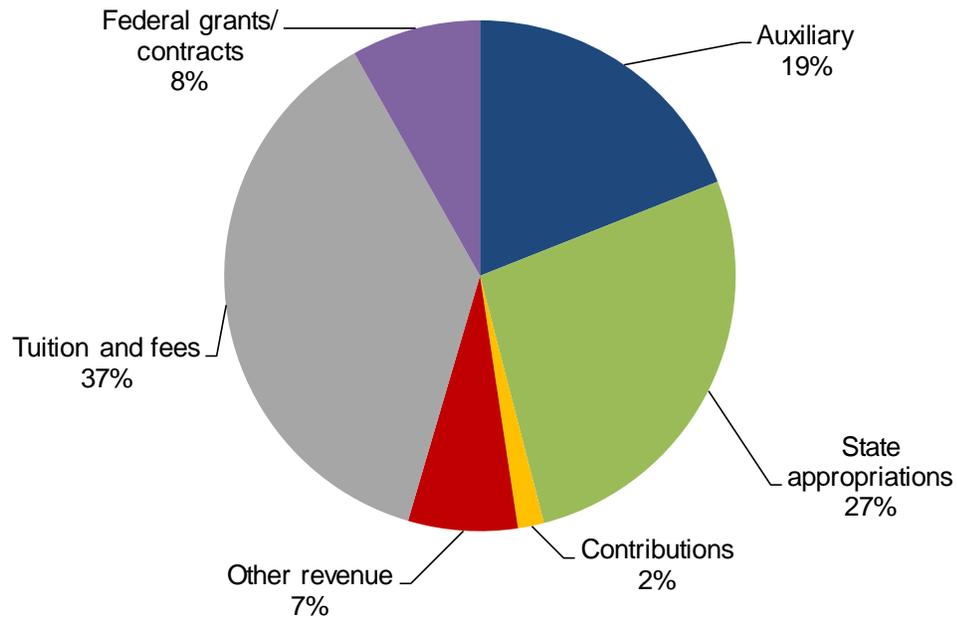


Fiscal Year 2017 other operating revenues increased \$0.9 million over fiscal year 2016 primarily due to \$0.5 million increase in conference revenue. Federal grants and contracts revenue increased by \$0.6 million over fiscal year 2016 amount of \$1.4 million primarily due to an increase in awarded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

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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            |
|                              | <b>\$ 220.7</b> | <b>\$ 198.2</b> | <b>\$ 186.8</b> |

**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.

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Management's Discussion And Analysis *(Continued)*

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**UNIVERSITY OF CENTRAL MISSOURI**  
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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**  
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**STATEMENT OF NET POSITION**

**Page 1 Of 2**

**June 30, 2017 And 2016**

|  | 2017               | 2016               |
|--|--------------------|--------------------|
| <b>Assets</b>  |                    |                    |
| <b>Current Assets</b>  |                    |                    |
| 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;<br>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          |
| <b>Total Current Assets</b>  | <b>92,778,224</b>  | <b>60,481,426</b>  |
| <b>Noncurrent Assets</b>   |                    |                    |
| 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        |
| <b>Total Noncurrent Assets</b>   | <b>280,363,321</b> | <b>320,510,290</b> |
| <b>Total Assets</b>  | <b>373,141,545</b> | <b>380,991,716</b> |
| <b>Deferred Outflows Of Resources</b>  |                    |                    |
| Deferred amount on debt refundings   | 490,577            | 608,045            |
| Proportionate share of collective<br>deferred outflows of resources - pension    | 48,426,326         | 18,828,957         |
| <b>Total Deferred Outflows Of Resources</b>                                      | <b>48,916,903</b>  | <b>19,437,002</b>  |

**UNIVERSITY OF CENTRAL MISSOURI**  
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**STATEMENT OF NET POSITION**

**Page 2 Of 2**

**June 30, 2017 And 2016**

|  | <b>2017</b>          | 2016          |
|--|----------------------|---------------|
| <b>Liabilities</b>                       |                      |               |
| <b>Current Liabilities</b>               |                      |               |
| Accounts payable and accrued liabilities | \$ <b>22,295,957</b> | \$ 22,009,179 |
| Accrued compensated absences             | <b>2,535,716</b>     | 1,989,558     |
| Unearned revenue                         | <b>3,671,261</b>     | 3,783,840     |
| Interest payable                         | <b>763,669</b>       | 809,561       |
| Long-term debt                           | <b>7,651,453</b>     | 7,523,108     |
| Accrued settlement                       | <b>50,000</b>        | 50,000        |
| Student deposits                         | <b>487,304</b>       | 478,154       |
| <b>Total Current Liabilities</b>         | <b>37,455,360</b>    | 36,643,400    |
| <b>Noncurrent Liabilities</b>            |                      |               |

# UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

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## STATEMENT OF FINANCIAL POSITION

June 30, 2017 And 2016

|                           | 2017              |    | 2016    |
|---------------------------|-------------------|----|---------|
| <b>Assets</b>             |                   |    |         |
| Cash and cash equivalents | \$ 1,263,412      | \$ | 601,113 |
| Investments               | <b>49,295,748</b> |    |         |

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

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**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION**

**Page 1 Of 2**

**For The Years Ended June 30, 2017 And 2016**

|  | <b>2017</b>       | 2016 |
|--|-------------------|------|
| <b>Operating Revenues</b>  |                   |      |
| Tuition and fees, net of scholarship allowances;<br>2017 - \$17,999,989; 2016 - \$18,010,767 | <b>74,447,372</b> |      |

**UNIVERSITY OF CENTRAL MISSOURI**  
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**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**

**Page 2 Of 2**

**For The Years Ended June 30, 2017 And 2016**

|   | <b>2017</b>          | 2016          |
|---|----------------------|---------------|
| <b>Nonoperating Revenues (Expenses)</b>   |                      |               |
| State appropriations                      | <b>\$ 53,770,433</b> | \$ 55,677,472 |
| Federal grants and contracts              | <b>16,344,885</b>    | 18,058,469    |
| State grants and contracts                | <b>764,859</b>       | 369,555       |
| Other grants and contracts                | <b>917,971</b>       | 1,021,724     |
| Contributions                             | <b>3,264,934</b>     | 2,951,081     |
| Gain (loss) on disposal of capital assets | <b>(59,263)</b>      | 53,409        |
| Investm                                   |                      |               |

# UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

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## STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2017

|                                  | Unrestricted | Temporarily<br>Unrestricted | Permanently<br>Unrestricted | Total |
|----------------------------------|--------------|-----------------------------|-----------------------------|-------|
| <b>Revenue And Other Support</b> |              |                             |                             |       |
| Gifts                            | \$ 386,159   | 1,759,345                   |                             |       |

# UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

## STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2016

|   | Unrestricted | Temporarily<br>Unrestricted | Permanently<br>Unrestricted | Total        |
|---|--------------|-----------------------------|-----------------------------|--------------|
| <b>Revenue And Other Support</b>  |              |                             |                             |              |
| 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)<br>on investments and beneficial interests<br>in trusts | 34,309       | (971,612)                   | (52,675)                    | (989,978)    |
| Net assets released from restrictions   | 3,876,372    | (3,876,372)                 | —                           | —            |
| <b>Total Revenue And Other<br/>Support</b>  | 5,286,882    | (176,076)                   | 1,268,660                   | 6,379,466    |
| <b>Expenses</b>   |              |                             |                             |              |
| Foundation expenses   |              |                             |                             |              |
| General administrative expenses   | 602,092      | —                           | —                           | 602,092      |
| Fundraising expenses  | 953,020      | —                           | —                           | 953,020      |
| Contributions to the University for the<br>following purposes                                   |              |                             |                             |              |
| M935:xI 0373n6rm 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    |
| <b>Total Expenses</b>   | 5,464,934    | —                           | —                           | 5,464,934    |
| <b>Increase (Decrease) In Net Assets</b>  |              |                             |                             |              |
| Revenue   | 6,379,466    |                             |                             |              |
| Other Changes   | (176,076)    |                             |                             |              |
|   | 1,268,660    | 914,532                     |                             |              |
|   | —            | (95,032)                    | (35,012)                    |              |



**UNIVERSITY OF CENTRAL MISSOURI**  
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**STATEMENT OF CASH FLOWS**

**Page 2 Of 2**

**For The Years Ended June 30, 2017 And 2016**

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

**UNIVERSITY OF CENTRAL MISSOURI**  
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**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**  
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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**  
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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

**UNIVERSITY OF CENTRAL MISSOURI**  
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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>         | 2016         |
|--|---------------------|--------------|
| Interest costs capitalized for projects with<br>no specific borrowings | <b>\$ 363,811</b>   | \$ 123,033   |
| Interest costs capitalized for projects<br>with specific borrowings    |                     | 961,036      |
| Interest charged to expense  | <b>3,209,076</b>    | 2,446,355    |
|  | <b>\$ 3,209,076</b> | \$ 3,407,391 |

**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.

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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**

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Notes To Financial Statements (*Continued*)

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

**Scholarship Allowances**

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell Grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30, 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 \$17,999,989 and \$18,010,767, respectively.

**UNIVERSITY OF CENTRAL MISSOURI**



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Notes To Financial Statements *(Continued)*

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

**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 be be

**UNIVERSITY OF CENTRAL MISSOURI**  
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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:

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

Included in the following statement of net position captions

**UNIVERSITY OF CENTRAL MISSOURI**  
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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 a

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

**3. Capital Assets**

Capital assets activity for the years ended June 30, 2017 and 2016 were:

|                                   | <b>2017</b>                  |                     |                   |                  |                           |
|-----------------------------------|------------------------------|---------------------|-------------------|------------------|---------------------------|
|                                   | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Disposals</b>  | <b>Transfers</b> | <b>Ending<br/>Balance</b> |
| Land                              | \$ 14,344,081                | \$ 521,553          | \$ —              | \$ —             | \$ 14,865,634             |
| Collections                       | 2,833,024                    | 77,000              | —                 | —                | 2,910,024                 |
| Infrastructure                    | 28,825,567                   | —                   | —                 | 6,434,412        | 35,259,979                |
| Buildings and improvements        | 360,991,758                  | —                   | —                 | 4,732,390        | 365,724,148               |
| Furniture, fixtures and equipment | 34,708,217                   | 1,759,823           | 2,029,572         | —                | 34,438,468                |
| Library materials                 | 11,955,712                   | 1,160,261           | 1,300,903         | —                | 11,815,070                |
| Construction in progress          | 10,302,412                   | 18,592,529          | —                 | (11,166,802)     | 17,728,139                |
|                                   | <u>463,960,771</u>           | <u>22,111,166</u>   | <u>3,330,475</u>  | <u>—</u>         | <u>482,741,462</u>        |
| Less accumulated depreciation     |                              |                     |                   |                  |                           |
| Infrastructure                    | 17,893,006                   | 1,570,246           | —                 | —                | 19,463,252                |
| Buildings and improvements        | 177,583,800                  | 12,089,704          | —                 | —                | 189,673,504               |
| Furniture, fixtures and equipment | 26,776,418                   | 1,655,335           | 1,939,912         | —                | 26,491,841                |
| Library materials                 | 6,639,500                    | 1,181,507           | 1,300,903         | —                | 6,520,104                 |
|                                   | <u>228,892,724</u>           | <u>16,496,792</u>   | <u>3,240,815</u>  | <u>—</u>         | <u>242,148,701</u>        |
| Net capital assets                | <u>\$ 235,068,047</u>        | <u>\$ 5,614,374</u> | <u>\$ 89,660</u>  | <u>\$ —</u>      | <u>\$ 240,592,761</u>     |
|                                   |                              |                     |                   |                  |                           |
|                                   | <b>2016</b>                  |                     |                   |                  |                           |
|                                   | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Disposals</b>  | <b>Transfers</b> | <b>Ending<br/>Balance</b> |
| Land                              | \$ 14,344,081                | \$ —                | \$ —              | \$ —             | \$ 14,344,081             |
| Collections                       | 2,833,024                    | —                   | —                 | —                | 2,833,024                 |
| Infrastructure                    | 27,458,308                   | —                   | —                 | 1,367,259        | 28,825,567                |
| Buildings and improvements        | 304,901,309                  | —                   | —                 | 56,090,449       | 360,991,758               |
| Furniture, fixtures and equipment | 33,344,418                   | 2,277,604           | 913,805           | —                | 34,708,217                |
| Library materials                 | 12,226,094                   | 1,247,489           | 1,517,871         | —                | 11,955,712                |
| Construction in progress          | 50,154,339                   | 17,629,709          | 23,928            | (57,457,708)     | 10,302,412                |
|                                   | <u>445,261,573</u>           | <u>21,154,802</u>   | <u>2,455,604</u>  | <u>—</u>         | <u>463,960,771</u>        |
| Less accumulated depreciation     |                              |                     |                   |                  |                           |
| Infrastructure                    | 16,603,669                   | 1,289,337           | —                 | —                | 17,893,006                |
| Buildings and improvements        | 166,212,026                  | 11,371,774          | —                 | —                | 177,583,800               |
| Furniture, fixtures and equipment | 25,973,652                   | 1,639,290           | 836,524           | —                | 26,776,418                |
| Library materials                 | 6,961,798                    | 1,195,572           | 1,517,870         | —                | 6,639,500                 |
|                                   | <u>215,751,145</u>           | <u>15,495,973</u>   | <u>2,354,394</u>  | <u>—</u>         | <u>228,892,724</u>        |
| Net capital assets                | <u>\$ 229,510,428</u>        | <u>\$ 5,658,829</u> | <u>\$ 101,210</u> | <u>\$ —</u>      | <u>\$ 235,068,047</u>     |

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Notes To Financial Statements *(Continued)*

**4. Long-Term Liabilities**

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2017 and 2016:

|  | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Deductions</b> | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
|--|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| <b>Revenue Bonds</b>                               |                              |                  |                   |                           |                            |
| Advance Refunding of Library<br>Facility, Se Bonds |                              |                  |                   |                           |                            |

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

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

On December 10, 2013, the University issued \$16,640,000 of Educational Facilities Revenue Bonds, Series 2013C-1. The bonds bear interest, payable semiannually, at a rate of 2.53%, which began April 1, 2014. Proceeds from the issuance of these private placement bonds are being used to finance construction of a new combined residential and retail (mixed use) facility. Principal maturities continue until October 1, 2023. The bonds are secured by the net revenues available for debt service of the housing system of the University.

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

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

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

On January 29, 2009, the University issued \$20,500,000 of revenue bonds. The bonds bear interest, payable semiannually, at rates of 1.5% to 5.05%, which began October 1, 2009. Principal maturities begin October 1, 2010, and continue until 2029. Proceeds from the issuance of these bonds are being used to renovate the Morrow-Garrison Complex and to construct a new student recreation and wellness center. The remaining bonds were defeased during fiscal year 2014 by the Series 2013A bonds.

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

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

The debt service requirements as



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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

**UNIVERSITY OF CENTRAL MISSOURI**  
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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.

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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:

|   | <b>Deferred<br/>Outflows Of<br/>Resources</b> | <b>Deferred<br/>Inflows Of<br/>Resources</b> |
|---|---|--|
| 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<br>on pension plan investments                                   | 21,684,761                                    | —  |
| Changes in proportion and differences between<br>University contributions and proportionate<br>share of contributions | 1,865,488                                     | —  |
| University contributions subsequent to the<br>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:

|   | <b>Deferred<br/>Outflows Of<br/>Resources</b> | <b>Deferred<br/>Inflows Of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 170,438                                    | \$ 590,244                                   |
| Changes of assumptions  | —   | 1,214,280                                    |
| Net difference between projected and actual earnings<br>on pension plan investments                                   | 7,005,430                                     | —  |
| Changes in proportion and differences between<br>University contributions and proportionate<br>share of contributions | 2,255,858                                     | —  |
| University contributions subsequent to the<br>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**

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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, proje



**UNIVERSITY OF CENTRAL MISSOURI**  
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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:

|  | <b>1% Decrease<br/>(6.65%)</b> | <b>Current<br/>Discount Rate<br/>(7.65%)</b> | <b>1% Increase<br/>(8.65%)</b> |
|--|--------------------------------|--|--------------------------------|
| University's proportionate share of<br>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-ti

**UNIVERSITY OF CENTRAL MISSOURI**  
**A COMPONENT UNIT OF THE STATE OF 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                   |    | 12,158,989 |
| Balance, June 30, 2017           | \$ | 2,017,307  |

**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>           |
| <br>   |                            |
| Increase in net OPEB obligation                  | 458,325                    |
| Net OPEB obligation - beginning of year          | <u>2,237,026</u>           |
| <br>   |                            |
| Net OPEB obligation - end of year                | <u><u>\$ 2,695,351</u></u> |



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

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

| <b>Actuarial Assumptions</b>          |  |
|---------------------------------------|--|
| 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<br>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

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

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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



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

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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.

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

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Notes To Financial Statements *(Continued)*

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

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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:

|                                   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|-----------------------------------|----------------|----------------|----------------|--------------|
| <b>Investments</b>                |                |                |                |              |
| 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      |



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

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Notes To Financial Statements *(Continued)*

**Contributions Receivable**

Contributions receivable consists of unconditional gifts and bequests to be

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

|  | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 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<br>approved payout | 5,771,030                         | —                                 | 3                                 |                                   |

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

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

**June 30, 2017**

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value Of<br/>Assets<br/>(a)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(b)</b> | <b>Unfunded<br/>AAL (UAAL)<br/>(b-a)</b> | <b>Funded<br/>Ratio<br/>(a/b)</b> | <b>Covered<br/>Payroll<br/>(c)</b> | <b>UAAL As A<br/>Percentage<br/>Of Covered<br/>Payroll<br/>((b - a) / c)</b> |
|---|--|--|--|-----------------------------------|------------------------------------|--|
| 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**

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

**Schedule Of University's Contributions**

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

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

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

**Revenues**

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

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

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**CONDENSED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
STUDENT HOUSING SYSTEM**

**June 30, 2017**

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

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**INSURANCE COVERAGE  
STUDENT HOUSING SYSTEM BONDS**

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

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

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**INSURANCE COVERAGE**



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

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

**June 30, 2017**

|               |       |
|---------------|-------|
| Summer 2016   |       |
| Undergraduate | 2,104 |
| Graduate      | 4,327 |
| Fall 2016     |       |
| Undergraduate |       |
| Graduate      |       |
| Spring 2017   |       |
| Undergraduate |       |
| Graduate      |       |

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

|  | 15 - 16 | 16 - 17 | 15 - 16 | 16 - 17 |
|--|---------|---------|---------|---------|
|  | 89%     | 86%     | 95%     | 93%     |

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**Required Supplementary Information**

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**Supplementary Information**

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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](mailto:kaleb.lilly@rubinbrown.com)

KJL:lkm

Enclosures