
UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF
THE STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2018

Contents

	Page
Independent Auditors' Report	1 - 4
Management's Discussion And Analysis	5 - 19
Financial Statements	
Statement Of Net Position	20 - 21
Statement Of Financial Position - Foundation	22
Statement Of Revenues, Expenses And Changes In Net Position	23 - 24
Statements Of Activities - Foundation	25 - 26
Statement Of Cash Flows.....	27 - 28
Notes To Financial Statements.....	29 - 68
Required Supplementary Information	
Other Postemployment Benefits - Schedule Of Changes In The University's Total OPEB Liability And Related Ratios	69
Schedules of Selected Pension Information.....	70
Supplementary Information	
Stadium Bonds - Series 1999 And Series 2013B.....	71
Condensed Statement Of Revenues, Expenses And Changes In Net Position - Student Housing System	72

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Other Reporting Required By Government Auditing Standards

In accordance with Government Auditing Standards , we have also issued our report dated October 15, 2018, on our consideration of the University of Central Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the University of Central Missouri's internal control over financial reporting and compliance.

October 15, 2018

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, 2018 and 2017, the Foundation provided support to the University of \$3,287,699 and \$3,821,269, 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, 2018, 2017 and 2016. 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) pronJ-xcfin

Management's Discussion And Analysis (Continued)

Statement Of Net Position

The Statement of net position presents the consolidated financial position of the University at a point in time. The statement of net position has five major components which include 1.) Assets, 2.) Deferred Outflows of Resources, 3.) Liabilities, 4.) Deferred Inflows of Resources and 5.) Net Position. A description of each component is as follows:

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

Deferred Outflows Of Resources - Deferred Outflows are the consumption of net position applicable to a future reporting period. These balances are attributable to the deferred amount on debt refunding and pension expense.

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

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

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

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

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

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

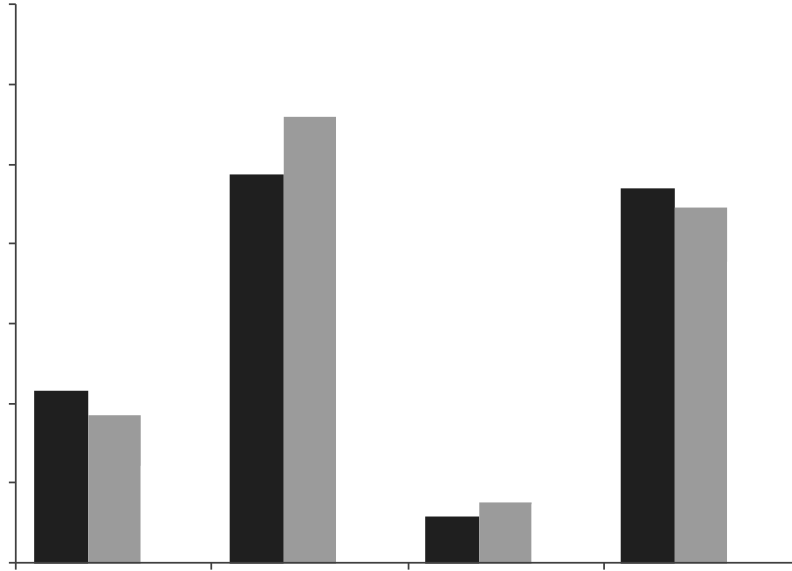
Management's Discussion And Analysis (Continued)

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

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

	2018	2017	2016
Current assets	\$ 107.6	\$ 92.8	\$ 60.5
Noncurrent assets	243.8	280.3	320.5
Total assets	351.4	373.1	381.0
Deferred outflows of resources	51.7	48.9	19.4
Current liabilities	28.7	37.5	36.6
Noncurrent liabilities	235.0	222.4	188.6
Total liabilities	263.7	259.9	225.2
Deferred inflows of resources	2.8	1.2	1.8
Net position			

Management's Discussion And Analysis (Continued)



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

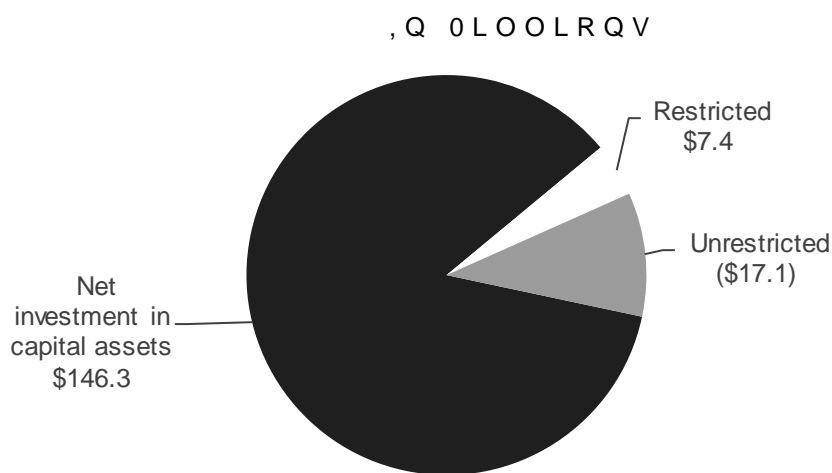
Management's Discussion And Analysis (Continued)

Current Liabilities - Current liabilities totaled \$28.7 million decreasing by approximately \$8.8 million compared to the prior year total of \$37.5 million. This is attributed primarily to a decrease in accounts payable and accrued liabilities of \$7.6 million and a decrease in the current portion of long-term debt of \$1 million primarily from the debt payment associated with the 2013-C bonds. In addition, there was an increase in unearned revenue of \$0.2 million and a decrease in accrued compensated absences of \$0.1 million.

Non-Current Liabilities - Total non-current liabilities increased approximately \$12.5 million. This increase is primarily attributed to the \$18.1 million increase in pension liability. In addition, long-term debt decreased \$6.2 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 decreased by \$0.7 million related to the liability increase of \$1.2 million in post-employment benefit obligations and a decrease in the non-current portion of accrued compensated absences of \$0.5 million.

Deferred Inflows Of Resources - Total deferred inflows of resources had an increase of \$1.6 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, 2018, the University's net position was \$136.6 million. This was comprised of unrestricted - \$(17.1) million; net investment in capital assets - \$146.3 million; restricted for loans - \$5.3 million and other restricted - \$2.1 million.



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

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

Management's Discussion And Analysis (Continued)

Operating Results

The statement of revenues, expenses and changes in net position (SRECNP) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and non-operating categories, and provide a view of the University's operating margin. Comparative summary statements of revenue, expenses and changes in net position for the years ended June 30, are as follows (in millions):

	2018	2017	2016
Operating Revenues			
Tuition and fees	\$ 85.6	\$ 92.4	\$ 103.3
Scholarship allowances	(19.2)	(18.0)	(18.0)
Net tuition and fees	66.4	74.4	85.3
Federal grants and contracts	2.2	2.0	1.4
Auxiliary enterprises	41.2	42.9	44.8
Scholarship allowances	(5.4)	(5.0)	(5.2)

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

Management's Discussion And Analysis (Continued)

Contractual services decreased \$4.4 million over fiscal year 2017 primarily due to an increase in building maintenance (\$0.3 million) and telephone service (\$0.3 million) and a decrease in food service (\$0.3 million), in architect/engineering (\$0.3 million), hazardous waste removal (\$1.3 million) food and beverage service (\$0.4 million), other contracted services (\$1.6 million), marketing consultant (\$0.4 million), as well as a (\$0.8 million) decrease in non-capital improvements.

Depreciation expense decreased \$0.3 million over fiscal year 2017 primarily due to fully depreciated assets removed from the calculation. The University experienced a decrease in scholarships and fellowships of \$0.5 million and other expenses \$0.4 million over fiscal year 2017.

For the year ended June 30, 2017 operating expenses increased by approximately \$22.5 million above the year ended June 30, 2016. This increase was primarily related to an increase of \$11.2 million in MOSERS Accrual, 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 primarily due to an increase in food service expenses (\$0.1 million), an increase in architect/engineering (\$0.3 million), increase in information systems and technology (\$0.2 million), and a decrease in aviation contracted services (\$0.1 million) as well as a (\$0.1 million decrease in non-capital improvements.

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

	2018	2017	2016
Cash Provided By (Used In)			
Operating activities	\$ (67.6)	\$(68.4)	\$(51.4)
Noncapital financing activities	68.0	73.4	78.8
Capital and related financing activities	(5.5)	(28.8)	(23.1)
Investing activities	9.5	18.6	(21.2)
Increase In Cash And Cash Equivalents	4.4	(5.2)	(16.9)
Cash And Cash Equivalents - Beginning Of Year	5.5	10.7	27.6
Cash And Cash Equivalents - End Of Year	<u>9.9</u>	<u>\$ 5.5</u>	<u>\$ 10.7</u>

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

Management's Discussion And Analysis (Continued)

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

During the year ended June 30, 2018, cash used in operating activities amounted to (\$67.6) million, which resulted from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, and associated collections that were offset by payments to suppliers, utilities, employees, scholarships and fellowships and other payments. Cash provided by non-capital financing activities of \$68.0 million includes state appropriations, gifts and grants for other than capital purposes and other receipts.

Cash used for capital and related financing activities was (\$5.5) million. The University had capital expenditures of \$6.7 million including: \$0.4 million Kennedy Football Stadium Turf, \$1.4 million WC Morris Science Renovations, \$.04 million Foster Knox improvements, \$0.8 million Skyhaven Airport Improvements, \$0.4 million Pertle Springs Outdoor Recreation Improvements. Additional other capital expenditures totaling approximately \$3.3 million include parking lot improvements, various building improvements and capital equipment purchases. Capital related financing included principal and interest on capital debt and leases of \$7.2 million. Cash and cash equivalents at June 30, 2018, were \$9.9 million, which increased \$4.4 million from June 30, 2017. This increase is attributed to a reduction in capital activities.

During the year ended June 30, 2017, cash used in operating activities amounted to (\$68.4) million, which resulted from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, and associated collections that were offset by payments to suppliers, utilities, employees, scholarships and fellowships and other payments. Cash provided by non-capital financing activities of \$73.4 million included state appropriations, gifts and grants for other than capital purposes and other receipts. Capital and related financing activities was \$28.8 million. This included the purchase of capital assets (\$9.6) million, principal and interest on capital debt and leases (\$7.4 million) which were partially offset by the University's foundation note for Pertle Springs Renovation of \$2.3 million. Cash and cash equivalents at June 30, 2017, were \$5.5 million, which decreased \$5.2 million from June 30, 2016.

Management's Discussion And Analysis (Continued)

Debt

Information on debt can be found in Note 4. Long-term debt totaled \$93,268,198 at June 30, 2018. In 2018, the University entered into a note agreement with the University of Central Missouri Foundation (\$431,170) for the Kennedy Field turf replacement and in 2016, the University entered into a note agreement with the University of Central Missouri Foundation (\$2.3 million) and a short-term loan for the purchase of additional airplane for the aviation program (\$0.5 million). Long-term debt decreased in total by \$6,684,658 for 2018, primarily due to scheduled principal repayments.

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

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

STATEMENT OF NET POSITION

Page 1 Of 2

June 30, 2018 And 2017

	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,464,607	\$ 1,540,571
Restricted cash and cash equivalents	2,504,683	3,994,803
Short-term investments	78,103,972	59,903,134
Accounts receivable, net of allowance; 2018 - \$6,319,576;		

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

STATEMENT OF NET POSITION

Page 2 Of 2

June 30, 2018 And 2017

	2018	2017
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 14,652,750	\$ 22,295,957
Accrued compensated absences	2,404,474	2,535,716
Unearned revenue	3,847,800	3,671,261
Interest payable	716,806	763,669
Long-term debt	6,634,480	7,651,453
Accrued settlement	50,000	50,000
Student deposits	414,533	487,304
Total Current Liabilities	28,720,843	37,455,360
Noncurrent Liabilities		
Accrued compensated absences	1,346,723	1,818,095
Accrued settlement	341,974	351,450
Other long-term liability	3,926,692	2,745,351
MOSERS pension liability	150,787,953	132,717,900
Long-term debt	78,563,855	84,800,791
Total Noncurrent Liabilities	234,967,197	222,433,587
Total Liabilities	263,688,040	259,888,947
Deferred Inflows Of Resources		
Proportionate share of collective deferred inflows of resources - pension	2,753,291	1,185,491
Net Position		
Net investment in capital assets	146,351,089	153,401,928
Restricted for		
Nonexpendable		
Loans	4,060,991	7,016,637
Expendable		
Scholarships and fellowships	176,830	49,696
Loans	1,247,847	1,287,091
Other	1,946,781	1,743,600
Unrestricted	(17,161,208)	(2,514,942)
Total Net Position	136,622,330	\$ 160,984,010

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018 And 2017

	2018	2017
Assets		
Cash	\$ 123,167	\$ 1,263,412
Investments	53,290,258	49,295,748
Contributions receivable, net	1,156,179	1,502,358
Accrued investment income	226,555	233,674
Notes receivable	2,577,275	2,270,215
Cash surrender value or life insurance	442,078	424,997
Beneficial interest in trusts	930,711	937,846
Prepaid expenses	13,822	21,590
Total Assets	\$58,760,045	\$ 55,949,840
Liabilities		
Annuities payable	\$ 1,356,475	\$ 1,432,416
Accrued expenses and due to University	285,314	244,288
Deferred revenue	11,882	11,882
Total Liabilities	1,653,671	

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2018

	Unrestricted	Temporarily Unrestricted	Permanently Restricted	Total
Revenue, Gains And Other Support				
Gifts	\$ 344,398	\$ 2,107,684	\$ 920,877	\$ 3,372,959
In-kind gifts	913,631	202,824	—	1,116,455
Other income	12,963	130,848	—	143,811
Investment income	247,955	902,515	57,120	1,207,590
Net realized and unrealized gain (loss) on investments and beneficial interests in trusts	818,250	1,625,273	(458,870)	1,984,653
Change in donor restrictions	24,868	(34,768)	9,900	—
Net assets released from restrictions	3,028,516	(3,028,516)	—	—
Total revenues, gains and other support	5,390,581	1,905,860	529,027	7,825,468
Expenses and Losses				
Foundation expenses				
General administrative expenses	749,633	—	—	749,633
Fundraising expenses	1,179,720	—	—	1,179,720
Total Foundation expenses	1,929,353	—	—	1,929,353
Expenses for University advancement				
Program expenses				
Scholarships	1,304,079	—	—	1,304,079
Academic support - TV	346,013	—	—	346,013
Student services - athletics	519,337	—	—	519,337
Instruction and other departmental	363,590	—	—	363,590
Support services				
Institutional support - plant facilities	385,679	—	—	385,679
Total expenses for University advancement	2,918,698	—	—	2,918,698
Actuarial loss on annuity obligations	—	69,890	62,407	132,297
Total Expenses And Losses	4,848,051	69,890	62,407	4,980,348
Change In Net Assets	542,530	1,835,970	466,620	2,845,120
Net Assets, Beginning Of Year	6,648,562	21,311,447	26,301,245	54,261,254
Net Assets, End Of Year	\$ 7,191,092	\$ 23,147,417	\$ 26,767,865	\$ 57,106,374

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2017

	Unrestricted	Temporarily Unrestricted	Permanently Unrestricted	Total
Revenue, Gains And Other Support				
Gifts	\$ 386,159	\$ 1,759,345	\$ 1,605,503	\$ 3,751,007
In-kind gifts	877,655	683,365	—	1,561,020
Other income	12,962	107,012	—	119,974
Investment income	156,229	924,908	—	1,081,137
Net realized and unrealized gain (loss) on investments and beneficial interests in trusts	285,730.00	2,823,168	69,620	3,178,518
Net assets released from restrictions	4,124,796	(4,124,796)	—	—
Total Revenues, Gains And Other Support	5,843,531	2,173,002	1,675,123	9,691,656
Expenses and Losses				
Foundation expenses				
General administrative expenses	712,744	—	—	712,744
Fundraising expenses	1,200,229	—	—	1,200,229
Total Foundation expenses	1,912,973	—	—	1,912,973
Expenses for University advancement				
Program expenses:				
Scholarships	1,265,857	—	—	1,265,857
Academic support - TV	340,363	—	—	340,363
Student services - athletics	868,881	—	—	868,881
Instruction and other departmental	863,730	—	—	863,730
Support services				

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

STATEMENT OF CASH FLOWS

Page 1 Of 2

For The Years Ended June 30, 2018 And 2017

	2018	2017
Cash Flows From Operating Activities		
Tuition and fees	\$ 65,561,444	\$ 74,276,772
Grants and contracts	2,169,666	1,974,234
Sales and services of educational activities	2,183,602	1,980,498
Payments to suppliers	(40,571,305)	(41,109,591)
Payments for utilities	(6,047,838)	(5,839,170)
Payments to employees	(111,819,794)	(121,992,097)
Payments for scholarships and fellowships	(6,760,964)	(7,324,569)
Loans issued to students	(194,231)	(595,643)
Collection of loans to students	2,439,896	2,847,285
Sales and services of auxiliary enterprises	35,740,001	37,905,861
Other payments	(10,293,786)	(10,517,133)
Net Cash Used In Operating Activities	(67,593,309)	(68,393,553)
Cash Flows From Noncapital Financing Activities		
State appropriations	52,708,206	53,770,433
Gifts and grants for other than capital purposes	18,374,424	20,809,426
Other payments	(3,057,678)	(1,164,420)
Net Cash Provided By Noncapital Financing Activities	68,024,952	73,415,439
Cash Flows From Capital And Related Financing Activities		
Capital appropriations - state	11,616,905	(11,616,905)
Proceeds from issuance of capital debt		

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018 And 2017

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

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Notes To Financial Statements (Continued)

New Accounting Standard Adopted

In fiscal year ended June 30, 2018, the University implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

Notes To Financial Statements (Continued)

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.

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 \$95,234 and \$117,468 for the years ended June 30, 2018 and 2017, respectively. The University also reports deferred outflows of resources related to pensions as

Notes To Financial Statements (Continued)

Capital Assets

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

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

The University capitalizes interest costs as a component of construction in progress, based on the weighted average

Notes To Financial Statements (Continued)

Unearned Revenue

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

Net Position

The University classifies its net position into four components:

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

Restricted 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.

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.

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 non-operating revenues according to the following criteria:

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

Notes To Financial Statements (Continued)

Foundation

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

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

During the years ended June 30, 2018 and 2017, the Foundation provided \$2,918,698 and \$4,019,284, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: UCM Smiser Alumni Center, Warrensburg, Missouri 64093.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the University's financial reporting entity for these differences.

Pensions

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

Notes To Financial Statements (Continued)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the University of Central Missouri Other Postemployment Benefit Plan (the Plan) administered by the Board of Governors and additions to and deductions from the Plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For

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

Notes To Financial Statements (Continued)

At June 30, 2018 and 2017, the University had the following investments and maturities:

Type	2018		
	Fair Value	Less	
		Than 1 Year	1 - 5 Years
U.S. Treasury obligations	\$ 21,743,659	\$ 17,813,267	\$ 3,930,392
U.S. agencies obligations	3,945,114	1,976,708	1,968,406
	<u>\$ 25,688,773</u>	<u>\$ 19,789,975</u>	<u>\$ 5,898,798</u>

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

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, 2018 and 2017, the University had no investments in corporate bonds. At June 30, 2018, the University had government agency securities that were rated AA+ 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, 2018 and 2017, are held in the University's name.

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

Notes To Financial Statements (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University's investment policy permits it to hold up to 25% of total investments, including certificates of deposit, in corporate bonds, with no more than 5% of its investments to be invested with any one issuer. The University's investment policy requires the ratio of investments in corporate bonds to be reviewed on an annual basis. The University places no restrictions on investments in direct obligations of the U.S. government, U.S. agency issues, U.S. government guaranteed securities or repurchase agreements that are collateralized 100% with U.S. Treasury bills, bonds or notes and are entered into for periods of 180 days or less. The University has 8% of its investments in Federal Farm Credit Bank and 8% in Federal Home Loan Mortgage Corporation securities.

Summary Of Carrying Values

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

	2018	2017
Carrying value		
Deposits	\$ 70,003,816	\$ 43,635,374
Investments	25,688,773	55,843,134
	\$ 95,692,589	\$ 99,478,508
Included in the following statement of net position captions		
Cash and cash equivalents	\$ 7,464,607	\$ 1,540,571
Restricted cash and cash equivalents - current	2,504,683	3,994,803
Short-term investments	78,103,972	59,903,134
Noncurrent investments	7,619,327	34,040,000
	\$ 95,692,589	\$ 99,478,508

Notes To Financial Statements (Continued)

Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

The following table sets forth by level, within the fair value hierarchy, the University's investments at fair value as of June 30, 2018 and 2017, respectively:

Investments	Level 1	Level 2	Level 3	Total
Debt securities				
U.S. Treasury obligations	\$ 21,743,659	\$ —	\$ —	\$ 21,743,659
U.S. agencies obligations	3,945,114	—	—	3,945,114
Total investments at fair value	\$ 25,688,773	\$ —	\$ —	25,688,773

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

Notes To Financial Statements (Continued)

3. Capital Assets

Capital assets activity for the years ended June 30, 2018 and 2017 were:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 14,865,634	\$ —	\$ —	\$ —	\$ 14,865,634
Collections	2,910,024	2,799	—	—	2,912,823
Infrastructure	35,259,979	—	—	905,508	36,165,487
Buildings and improvements	365,724,148	—	1,231,976	19,270,894	383,763,066
Furniture, fixtures and equipment	34,438,468	1,262,164	472,015	—	35,228,617
Library materials	11,815,070	1,022,871	1,308,819	—	11,529,122
Construction in progress	17,728,139	5,257,248	—	(20,176,402)	2,808,985
	482,741,462	7,545,082	3,012,810	—	487,273,734
Less accumulated depreciation					
Infrastructure	19,463,252	1,614,469	—	—	21,077,721
Buildings and improvements	189,673,504	11,782,167	1,231,975	—	200,223,696
Furniture, fixtures and equipment	26,491,841	1,613,446	404,900	—	27,700,387
Library materials	6,520,104	1,152,911	1,308,819	—	6,364,196
	242,148,701	16,162,993	2,945,694	—	255,366,000
Net capital assets	\$ 240,592,761	\$ (8,617,911)	\$ 67,116	\$ —	

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

Notes To Financial Statements (Continued)

4. Long-Term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2018 and 2017:

	Beginning Balance	Restatement / Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	\$ 567,314	\$ —	\$ 567,314	\$ —	\$ —
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	637,686	—	637,686	—	—

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

Notes To Financial Statements (Continued)

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue Bonds					
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	\$ 1,125,212	\$ —	\$ 557,898	\$ 567,314	\$ 567,314
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	1,264,788	—	627,102	637,686	637,686
Education Facility, Series 2007	217,097	—	144,336	72,761	72,761
Advance Refunding of Student Recreation Center, Series 2009 Bond Issue, Series 2013A	13,345,000	—	1,535,000	11,810,000	1,575,000
Stadium Facility, Series 2013B-1	1,940,000	—	220,000	1,720,000	225,000
Stadium Facility, Series 2013B-2	3,770,000	—	—	3,770,000	—
Student Housing System, Mixed Use Faculty, Series 2013C-1	16,640,000	—	1,900,000	14,740,000	1,950,000
Student Housing System, Mixed Use Faculty, Series 2013C-2	32,650,000	—	—	32,650,000	—
Total Revenue Bonds	70,952,097	—	4,984,336	65,967,761	5,027,761
Capital Lease Obligations	25,276,973	—	2,300,911	22,976,062	2,378,636
Note Payable - Foundation	2,389,552	—	119,337	2,270,215	124,110
Note Payable - Airplanentions					

Notes To Financial Statements (Continued)

Revenue Bonds Payable

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

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

On December 10, 2013, the University issued \$2,365,000 of Educational Facilities Revenue Bonds, Series 2013B-1. The bonds bear interest, payable semiannually, at a rate of 2.63%, which began April 1, 2014. Proceeds from the issuance of these private placement bonds are being used to finance renovation and equipping of Walton Stadium, including the lower level thereof, demolition of the existing stadium "horseshoe" seating and replacement with turf-grass landscape, construction of new visitor grandstands with permanent concessions and restrooms and construction of a new ticket booth and installation of upgraded perimeter fencing. Principal maturities begin October 1, 2014, and continue until October 1, 2023. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

On December 10, 2013, the University issued \$3,770,000 of Educational Facilities Revenue Bonds Series, 2013B-2. The bonds bear interest, payable semiannually, at rates of 4.0% to 4.625%, which began April 1, 2014. Proceeds from the issuance of these bonds are being used to finance renovation and equipping of Walton Stadium, including the lower level thereof, demolition of the existing stadium "horseshoe" seating and replacement with turf-grass landscape, construction of new visitor grandstands with permanent concessions and restrooms and construction of a new ticket booth and installation of upgraded perimeter fencing. Principal maturities continue until October 1, 2034. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

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

Notes To Financial Statements (Continued)

Notes To Financial Statements (Continued)

Included in amounts due from foundation at June 30, 2018 and 2017 were receivables from the Foundation for reimbursements due of \$85,361 and \$36,200, respectively, for wages and benefits. The University also has receivables from

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, 2018 was 19.45 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, 2017 was 19.45 percent, which is the year of measurement for the net pension liability. Contributions to the pension plan were \$10,099,301 and \$9,690,708 for the years ended June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the University reported a liability of \$150,787,953 and \$132,717,900, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017. The University's proportion for the plan year ended June 30, 2017 was 2.8959 percent, an increase from its proportion of 2.8591 percent as of the June 30, 2016 measurement date.

During the MOSERS plan year ended June 30, 2017, there were changes to MSEP 2011 benefit provisions that reduced the actuarial accrued liability. There were no other changes in benefit terms during the MOSERS plan year ended June 30, 2017, that affected the measurement of total pension liability.

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

Notes To Financial Statements (Continued)

For the year ended June 30, 2018, the University recognized pension expense of \$26,870,381. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows Of Resources	Deferred Inflows Of Resources
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UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF THE STATE OF MISSOURI

Notes To Financial Statements (Continued)

The amount of \$10,099,301 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date of June 30, 2017 will be recognized as a reduction of the net pension liability in the University's year ended June 30, 2019. 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:

Year Ending June 30,	Amount
2019	\$ 13,184,171
2020	16,828,533
2021	6,490,452
2022	1,919,245
	<u>\$ 38,422,401</u>

The total pension liability in the June 30, 2017 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
Wage Inflation	3 percent
Investment rate of return	7.5 percent per year, compounded annually, net after investment expenses and including inflation

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. In addition, the Board reaffirmed its previous decision to reduce the investment return assumption from 7.65% to 7.5% for the June 30, 2017 valuation. There were no other changes in assumptions.

Notes To Financial Statements (Continued)

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

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

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

Notes To Financial Statements (Continued)

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5 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 (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
University's proportionate share of the net pension liability	\$ 194,142,994	\$ 150,787,953	\$ 114,321,138

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

As of June 30, 2018 and 2017, the University had payables of \$507,360 and \$512,002, respectively, to MOSERS due to end of fiscal year processing.

CURP

As of July 1, 2002, all faculty on full-time, regular appointment were enrolled in the College and University Retirement Plan (CURP) if they had not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan that uses TIAA-CREF as its third-party administrator. In 2018 and 2017, the University contributed 6.19 percent and 5.67 percent, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2018, 2017 and 2016, were \$1,322,476, \$1,241,098 and \$1,198,082, respectively. CURP provides a retirement program, which offers interstate portability, immediate vesting and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

UNIVERSITY OF CENTRAL MISSOURI

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

Notes To Financial Statements (Continued)

On January 1, 2016, the University amended the modified cost-plus health insurance contract to implement an alternative funding arrangement. As part of the amended agreement, the University, in essence, operated in a self-insured capacity for employee health and welfare benefits through internally maintained funds. Claims and expenses were reported when it is probable that a claim had occurred and the amount of the expense was reasonably estimated. The expense included an estimate of claims that have been incurred but not reported.

The total reported liability for insurance obligations for the year ended June 30, 2018 is as follows:

Beginning Balance, July 1, 2017	\$	2,017,307
Claims incurred (including fees)		5,558,838
Claim payments		(6,399,243)
Clear Health Trust Accrual		(1,138,402)
<hr/>		
Balance, June 30, 2018	\$	38,500
<hr/>		

Other Postemployment Benefit Plan

Plan Description: In addition to the pension benefits described in Note 6, the University provides for lifetime post-retirement medical / Rx insurance coverage. The University's other postemployment benefit plan (the Plan) is a single-employer defined benefit other postemployment benefit plan authorized by the Board of Governors and benefits and amendments to the Plan are approved by the Board. The Plan is funded on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Employees covered by benefit terms: At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees and/or spouses	61
Active employees	<u>1,025</u>
	<u>1,086</u>

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

Notes To Financial Statements (Continued)

Benefits Provided: Depending upon the year of retirement, the University pays a portion of the plan premium up to age 65. In all cases all members on Medicare and pre-65 spouses are required to pay the full plan premium to maintain coverage. The pre-65 retiree plan premiums are reflective of expected retiree costs while the Medicare retiree plan premiums are not. Thus, an age-subsidy is valued for Medicare retirees. The age-subsidy reflects the difference between the age-adjusted cost and the plan premium. 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. Retiree benefits are measured using age-adjusted costs. The excess of expected cost by age less retiree contribution premiums equals the employer provided benefit and is included in the calculation of the University's obligation under GASB 75.

Total OPEB Liability and Changes in OPEB Liability: The University's total OPEB liability was based on an actuarial valuation dated July 1, 2017 using a measurement date of June 30, 2018 and the changes in the OPEB liability are as follows:

Net OPEB liability - beginning of year (GASB 45)	\$ 2,695,351
GASB 75 Implementation Adjustment (Note 1)	1,235,557
<hr/>	
Net OPEB liability - beginning of year (as restated under GASB 75)	3,930,908
Service costs	9,121
Interest	130,106
Changes in assumptions and inputs	33,313
Employer contributions (benefit payments)	(226,756)
<hr/>	
Net OPEB liability - end of year	\$ 3,876,692

The net OPEB liability is included in the other long-term liability within the statement of net position at June 30, 2018.

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

Notes To Financial Statements (Continued)

Actuarial Assumptions and Other Inputs: The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions	
Actuarial cost method	Entry Age Normal -Level Percent of Pay
Valuation date	July 1, 2017
Measurement date	June 30, 2018
Salary Scale	2%
UAAL amortization method	Level dollar amount
UAAL amortization period, closed/open	5 years, open
Discount rate	3.3% (Measurement Date)
	3.4% (Year Preceding Measurement Date)
Mortality	RPH - 2014 adjusted to 2006 total dataset headcount-weighted mortality with MP-2017 full generational improvement
Healthcare cost trend rates	7.50% decreasing to ultimate rate of 5.00%

To the extent Plan assets are projected to be sufficient to make projected benefit payments, the discount rate will equal the expected return on such assets. To the extent the Plan is not projected to be sufficient make future benefit payments the yield or index for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher should be factored in. Plan assets do not apply to the University's program. In order to determine the municipal bond rate we took the average of the published yields from the S&P Municipal Bond 20 year High Grade and the Fidelity GO AA-20 Years indexes. The selected average rates are 3.30% (measurement date) and 3.40% (year preceding measurement date). These were used as the discount rates to determine present value costs.

GASB 75 requires full update valuations every 2 years unless material change occurs. In this context a "full" valuation is meant to entail an updated census and revised analysis of per capita costs/assumptions/actuarial methods. A full valuation will be needed for fiscal year 2019-20. Though a full valuation is not required for fiscal year 2018-19 (assuming no material changes) the OPEB expense and OPEB liability will need to be re-measured using the published bond rates as of the measurement date of June 30, 2019.

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

Notes To Financial Statements (Continued)

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

Effective October 1, 2017, the United States Department of Education (ED) did not renew the Federal Perkins Loan Program. As a result, after a brief transition period, no new loans can be disbursed to students. The current guidance provided by the ED stipulates that as cash is collected by the University from loans disbursed prior to October 1, 2017, such funds are to be remitted back to ED on a proportional basis (the Perkins program was originally funded by ED with a small percentage matched by the University). Given this recent guidance, the University has determined that it is probable that ED, as the provider of the original resource, will require the University to return all of the resources originally received under this program. At the time of the receipt of the resources, the University recorded nonexchange revenues, and thereby, the balance of the resources provided by ED resides in the University's restricted net position.

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

Notes To Financial Statements (Continued)

Each year an Excess Liquid Cash calculation is made by the University to calculate required amounts to be returned to ED. The amount calculated to be returned during the year ended June 30, 2019 from activity during 2018 is \$926,016, which is included in accounts payable and accrued liabilities within the Statement of Net Position at June 30, 2018.

Operating Leases

The University occupies portions of the Missouri Innovation Campus facility for the use of classrooms, meeting rooms, and other instructional spaces in accordance with the lease agreement between the Lee's Summit R7 School District and the University.

The initial term of the lease shall be twenty years from the lease commencement date of August 7, 2017.

The base rent payment is calculated as 60% of the overall cost of the land purchase, financing expense, building design, and construction of the campus facility, amortized over a twenty year period. Payment is to be in equal semi-annual installments on January 1 and July 1.

Future minimum lease payments to be recorded in other operating expenses as of July 2018 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,593,950
2020	1,595,240
2021	1,595,786
2022	1,595,587
2023	1,594,644
2024 - 2028	7,979,575
2029 - 2033	7,983,247
2034 - 2036	4,788,201
	<u>\$ 28,726,230</u>

Rent expense for the year ended June 30, 2018 was \$1,595,750. The lease provides for adjustments for a contingent rent based on space utilization.

Notes To Financial Statements (Continued)

When the aggregate of future minimum lease payments for certain leases specify periodic rent increases, they are recognized on a straight-line basis over the terms of the related lease. The difference between rent expense calculated on a straight-line basis and rent paid is recorded as accrued rent. In the University's current lease situation, management does not have a basis for estimating

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

Notes To Financial Statements (Continued)

Investments

The Foundation's investment portfolio at June 30, 2018 and 2017 is composed of the following:

	Fair Value	
	2018	2017
Money market mutual funds	\$ 458,965	\$ —
Domestic equity	21,894,595	20,062,510
International equity	7,055,916	6,987,399
Fixed income	20,135,319	18,117,791
Alternative	3,427,463	3,532,836
Real estate investment trust	—	281,212
Real estate held as an investment	318,000	314,000
	<u>\$ 53,290,258</u>	<u>\$ 49,295,748</u>

FASB ASC 820, Fair Value Measurements and Disclosures, established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to those inputs that are most readily available to the market participant at the measurement date.

Notes To Financial Statements (Continued)

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

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in methodologies used at June 30, 2018 and 2017.

Beneficial Interest In Charitable Trusts, Net

Fair value is estimated at the present value of the future distributions expected

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

Notes To Financial Statements (Continued)

The following table set forth, by level within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Investments				
Mutual funds				
Money market	\$ 458,965	\$ —	\$ —	\$ 458,965
Domestic equity	10,493,884	—	—	10,493,884
International equity	7,031,115	—	—	7,031,115
Common stock				
Domestic	6,947,419	—	—	6,947,419
International	24,801	—	—	24,801
Exchange traded funds				
Domestic	4,453,292	—	—	4,453,292
Fixed income investments				
Mortgage	—	1,395,256	—	1,395,256
Credit	38,260	10,389,295	—	10,427,555
U.S. Treasuries	2,244,662	—	—	2,244,662
Agencies	—	1,585,448	—	1,585,448
Asset-backed securities	—	929,982	—	929,982
Taxable municipal bonds	—	2,062,931	—	2,062,931
Diversified taxable mutual funds	445,846	—	—	445,846
Domestic preferred stock	203,130	—	—	203,130
Taxable high-yield funds	641,359	—	—	641,359
Emerging markets	199,150	—	—	199,150
Alternative investments				
Hedge funds	2,912,241	—	—	2,912,241
Infrastructure	14,383	—	—	14,383
Commodities	500,839	—	—	500,839
Real estate held as an investment	—	—	318,000	318,000
Total Investments	36,609,346	16,362,912	318,000	53,290,258
Beneficial Interests In Trusts	—	—	930,711	930,711
	\$ 36,609,346	\$ 16,362,912	\$ 1,248,711	\$ 54,220,969

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

Notes To Financial Statements (Continued)

The table below sets forth a summary of changes in the fair value of the Foundations Level 3 assets for the years ended June 30, 2018, 2017 and 2016:

	Real Estate	Beneficial Interest	Total
Fair Value - July 1, 2016	\$ 314,000	\$ 867,580	\$ 1,181,580
Transfers into Level 3	—	—	—
Total gains or losses (realized and unrealized)	—	70,266	70,266
Contributions	—	—	—
Purchases	—	—	—
Sales	—	—	—
<hr/>			
Fair Value - June 30, 2017	314,000	937,846	1,251,846
Transfers into Level 3	—	—	—
Total gains or losses (realized and unrealized)	4,000	31,069	35,069
Contributions	—	—	—
Actuarial loss of annuity obligations	—	(36,369)	(36,369)
Purchases	—	13,676	13,676
Sales	—	(15,511)	(15,511)
<hr/>			
Fair Value - June 30, 2018	\$ 318,000	\$ 930,711	\$ 1,248,711

Contributions Receivable

Contributions receivable consists of unconditional gifts and bequests to be received in future periods and have been discounted to their present value based

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

Notes To Financial Statements (Continued)

Notes To Financial Statements (Continued)

11. Subsequent Events

On August 29, 2018, the University issued the following debt: \$7,075,000 in Educational Facilities Revenue Bonds, Series 2018A, with interest rates ranging from 3.375% - 5.0% with principal maturities continuing until October 1, 2033 and \$3,670,000 in Educational Facilities Revenue Bonds, Series 2018B, with interest rates ranging from 3.25% - 4.0% with principal maturities continuing until October 1, 2034.

Required Supplementary Information

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

OTHER POSTEMPLOYMENT BENEFITS -
SCHEDULE OF CHANGES IN THE UNIVERSITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
June 30, 2018

Total OPEB Liability	June 30, 2018
Service cost	\$ 9,121
Interest	130,106
Changes in benefit terms	—
Differences between expected and actual experience	—
Changes in assumptions or other inputs	33,313
Benefit payments	<u>(226,756)</u>
Net change in total OPEB liability	(54,216)
Total OPEB liability - beginning	<u>3,930,908</u>
 Total OPEB liability - ending	 <u><u>\$ 3,876,692</u></u>
 Covered-employee payroll	 \$ 55,605,898
Total OPEB liability as a percentage of covered-employee payroll	7%

Notes: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes Of Benefit Terms Or Assumptions

- 1) The retirement, disability and turnover assumptions were updated when applicable based on the latest statistics from MOSERS.
- 2) The assumed healthy life mortality was updated to reflect the Society of Actuaries RPH-2014 adjusted to 2006 Total Dataset Headcount-weighted

Supplementary Information

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

STADIUM BONDS - SERIES 1999 AND SERIES 2013B
June 30, 2018

Revenues	
Foundation Suite Revenue (Chart F)	\$ 54,331
Walton Stadium	
Building rent income	7,450
Men's Football	
Advance ticket sales	17,323
Season tickets	13,268
Single game tickets	30,659
Programs/seats	1,712
General Fund Transfer For Walton Stadium	
Bond Payment (Series 2013B)	432,858

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

CONDENSED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
STUDENT HOUSING SYSTEM
June 30, 2018

Operating Revenues		
Housing, net of bad debt expense	\$	27,433,401
Bookstore, net of bad debt expense		4,569,978
University union fee		2,280,846
Tuition and fees		6,880
Other operating revenues		1,321,755
Total Operating Revenue		35,612,860
Operating Expenses		
Compensation and benefits		3,544,605
Contractual services		9,177,582
Supplies and services		3,420,154
Scholarships		3,500
Utilities		2,542,534
Debt service		4,457,053
Other		11,000,438
Total Operating Expenses		34,145,866
Operating Gain		1,466,994
Nonoperating Revenues (Expenses)		
Other nonoperating revenues		460,960
Other nonoperating expenses		(40,164)
Income Before Other Revenues	And Expenses, Gains Or Losses	1,887,790
Add Back Debt Service Payments (Net)		
Student housing		3,992,103
University Store		421,274
Student union		43,676
Total Debt Service Payments		4,457,053
Add Back Capital Improvement Transfers		2,580,959
Net Operating Revenue Before Debt Service Payments		8,925,802
Net Operating Revenue As A % Of Debt Service		200%

1. Basis Of Presentation

The condensed statements of revenues, expenses and changes in net position present the financial position and results of operations of certain activities of the University's Student Housing System Funds, defined as Student Dormitories, Bookstore and Student Union and pledged as collateral on the University's Series 2009 Refunding Revenue Bonds.

In accordance with University procedure, the University's liability for other postemployment and pension benefits is not allocated internally to individual departments and funds. Accordingly, no liability for other postemployment benefits is reflected in this schedule.

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

INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS

Page 2 Of 3
June 30, 2018

	Building	Contents
Residential complex (included in blanket figures)		
Diemer Hall	\$ 6,376,961	\$ 137,608
South Ellis Hall	10,595,639	175,482
East Ellis Hall	12,470,358	193,157
North Ellis Hall	13,497,433	236,081
Foster Knox Hall	8,711,147	311,829
Fraternity Hall	11,521,304	459,539
Hudson Hall	11,392,498	1,311,505
University Conference Center	12,740,144	377,477
Hosey Hall	7,546,137	342,128
Nattinger-Bradshaw Hall	19,764,011	679,208
Nickerson Hall	9,860,137	275,219
Panhellenic Hall	10,435,115	402,727
South Todd Hall	2,779,878	145,183
Todd Hall	8,488,302	411,566
South Yeater Hall	15,128,800	427,976
Yeaterdd	9,860,137	275,219

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

INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS

Page 3 Of 3
June 30, 2018

	Building	Contents
Apartments (included in blanket figures - continued)		
Greenwood 4-Plex #13	\$ 513,578	\$ 10,100
Greenwood 4-Plex #14	513,578	10,100
Greenwood 4-Plex #16	513,578	10,878
Greenwood Handicap Unit	280,780	5,050
Greenwood VIP Unit	260,724	78,274
Greenwood Community Center	618,100	10,100
Central Village 8-Plex #1	1,468,383	21,461
Central Village 8-Plex #2	1,016,875	21,461
Central Village 8-Plex #3	1,468,383	21,461
Central Village 8-Plex #4	1,017,255	21,461
Central Village 8-Plex #5	1,468,383	21,461
Central Village 8-Plex #6	1,017,255	21,461
Central Village Community Building	740,894	21,632
Central Village 8-Plex #8	1,017,255	21,461
Central Village 8-Plex #9	1,017,255	21,461
Central Village 8-Plex #10	1,017,255	21,461
Central Village 8-Plex #12	1,017,255	21,461
The Crossing	47,387,688	3,090,903
Stadium		
Walton Stadium	10,297,550	2,087,843
Walton Stadium Field	1,301,577	—
Other (included in blanket figures - continued)		

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

ENROLLMENT AND OCCUPANCY STATISTICS
STUDENT HOUSING SYSTEM BONDS

June 30, 2018

Summer 2016	
Undergraduate	2,089
Graduate	2,288
Fall 2016	
Undergraduate	
Graduate	
Spring 2017	
Undergraduate	
Graduate	

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

	16 - 17	17-18	16 - 17	17 - 18
	86%	85%	93%	90%

The following information sets forth the living choices of undergraduate st