
UNIVERSITY OF CENTRAL MISSOURI
A COMPONENT UNIT OF
THE STATE OF MISSOURI
FINANCIAL STATEMENTS
JUNE 30, 2019

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Certified Public Accountants
& Business Consultants

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Independent Auditors' Report

Board of Governors
University of Central Missouri
A Component Unit of the State of Missouri
Warrensburg, Missouri

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Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities of University of Central Missouri, a component unit of the State of Missouri, and the discretely presented component unit of University of Central Missouri as of and for the years ended June 30, 2019 and 2018, and the related notes

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained and the reports of the other accountants are sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, based on our audit and the report of other auditors,.

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, Series 2013B And Series 2018B Condensed Statement Of Revenues, Expenses And Changes In Net Position - Student Housing System; Insurance Coverage - Student Housing System Bonds; and Enrollment And Occupancy Statistics - Student Housing System Bonds, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, 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 14, 2019

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Years Ended June 30, 2019 And 2018**

Overview

Approaching its sesquicentennial in 2021, the University of Central Missouri (the University) was originally known as the State Normal School for the Second Normal District, an institution created by the Missouri General Assembly to educate teachers for the state's public schools. Building upon this tradition, the University has evolved to meet academic and career needs of new generations of Missouri students and beyond as a major comprehensive institution with four academic colleges.

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

University Foundation

The University of Central Missouri Foundation (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation's primary function is to raise and hold funds to support the University and its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the University. The Foundation is considered a component unit of the University because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University. During the years ended June 30, 2019 and 2018, the Foundation provided support to the University of \$2,927,166 and \$2,918,698 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, 2019, 2018 and 2017. 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 Organizational Units

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Management's Discussion And Analysis (Continued)

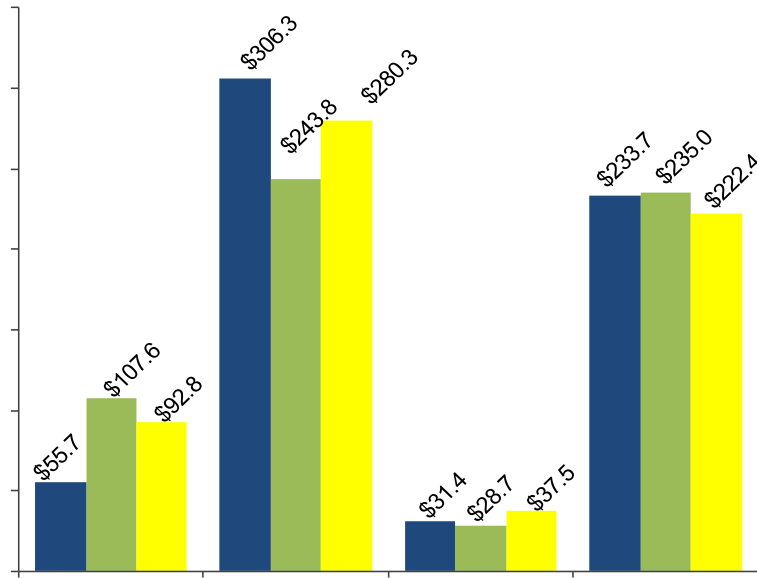
3.) Unrestricted net position represent balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet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

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

| | 2019 | 2018 | 2017 |
|----------------------------------|-----------------|----------|----------|
| Current assets | \$ 55.7 | \$ 107.6 | \$ 92.8 |
| Noncurrent assets | 306.3 | 243.8 | 280.3 |
| Total assets | 362.0 | 351.4 | 373.1 |
| Deferred outflows of resources | 41.3 | 51.7 | 48.9 |
| Current liabilities | 31.4 | 28.7 | 37.5 |
| Noncurrent liabilities | 233.7 | 235.0 | 222.4 |
| Total liabilities | 265.1 | 263.7 | 259.9 |
| Deferred inflows of resources | 10.1 | 2.8 | 1.2 |
| Net position | | | |
| Net investment in capital assets | 142.1 | 146.3 | 153.4 |
| Restricted | 9.5 | 7.4 | 10.1 |
| Unrestricted | (23.5) | (17.1) | (2.5) |
| Total Net Position | \$ 128.1 | \$ 136.6 | \$ 161.0 |

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



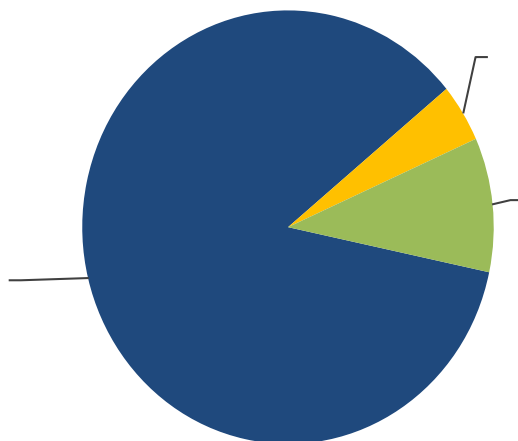
UNIVERSITY OF CENTRAL MISSOURI
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Management's Discussion And Analysis *(Continued)*

Current Liabilities

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



Comparative Analysis Of Fiscal Years 2018 And 2017

Current Assets - Current assets for Fiscal Year 2018 totaled \$107.6 million, which is an increase of \$14.8 million from Fiscal Year 2017 current assets of \$92.8 million. This increase is attributed to an increase in total cash of \$4.4 million, an increase in short-term investments of \$18.2 million primarily as a result of a decrease in long-term investments at year end, bond capital expenditures, and a decrease in net accounts receivable of \$7.4 million due the collection of the State Appropriation Receivable for the W.C Morris Renovation of \$11.6 million and an increase in federal grant receivable of \$3.2 million and student tuition receivable of \$1.0 million at year end. In addition, there was a decrease in inventories of \$0.7 million, and an increase of \$0.3 million in prepaid expenses, interest receivable, foundation receivable and loans to students at year-end.

Non-Current Assets - Total non-current assets decreased approximately \$36.6 million. The decrease is primarily due to the increase in short term investments, a decrease of \$1.5 million in non-current loans to students and a decrease in capital assets of approximately \$8.7 million mostly due to the reduction in capital projects under construction compared to 2017. Refer to Note 3 for additional information on capital asset activity.

Deferred Outflows Of Resources - Total deferred outflows of resources had an increase of \$2.8 million due to an increase of \$2.9 million in deferred pension expense associated with GASB 68 and a decrease of \$0.1 from amortization of advanced refunding of Series 2009 Student Recreation Center bond issuance that capitalized on lower interest rates.

UNIVERSITY OF CENTRAL MISSOURI
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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

UNIVERSITY OF CENTRAL MISSOURI
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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):

| | 2019 | 2018 | 2017 |
|---|-----------------|-----------------|-----------------|
| Operating Revenues | | | |
| Tuition and fees | \$ 83.3 | \$ 85.6 | \$ 92.4 |
| Scholarship allowances | (18.4) | (19.2) | (18.0) |
| Net tuition and fees | 64.9 | 66.4 | 74.4 |
| Federal grants and contracts | 3.5 | 2.2 | 2.0 |
| Auxiliary enterprises | 39.8 | 41.2 | 42.9 |
| Scholarship allowances | (5.4) | (5.4) | (5.0) |
| Net auxiliary enterprises | 34.4 | 35.8 | 37.9 |
| Other | 9.2 | 9.7 | 9.7 |
| Total Operating Revenues | 112.0 | 114.1 | 124.0 |
| Operating Expenses | 193.8 | 207.1 | 220.7 |
| Operating Loss | (81.8) | (93.0) | (96.7) |
| Non-Operating Revenues (Expenses) | | | |
| State appropriation | 52.7 | 52.7 | 53.8 |
| Federal grants and contracts | 16.2 | 17.0 | 16.3 |
| State grants and contracts | 0.7 | 0.7 | 0.7 |
| Other grants and contracts | 1.0 | 1.0 | 0.9 |
| Loss on disposal of capital assets | (0.1) | — | — |
| Contributions | 3.3 | 2.8 | 3.3 |
| Investment income | 3.9 | 1.3 | 0.5 |
| Interest on capital asset-related debt | (3.2) | (3.2) | (3.2) |
| Other non-operating expenses | (1.3) | (2.9) | (0.8) |
| Net Non-Operating Revenues | 73.2 | 69.4 | 71.5 |
| Decrease In Net Position | (8.5) | (23.6) | (25.2) |
| Capital Grants And Gifts | — | 0.5 | 12.8 |
| Decrease In Net Position | (8.5) | (23.1) | (12.4) |
| Net Position - Beginning Of Year Before Restatement | 136.6 | 161.0 | 173.4 |
| Cummulative Effect of Change in Accounting Principle | — | (1.2) | — |
| Net Position - Beginning Of Year, As Restated | 136.6 | 159.7 | 173.4 |
| Net Position - End Of Year | \$ 128.1 | \$ 136.6 | \$ 161.0 |

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

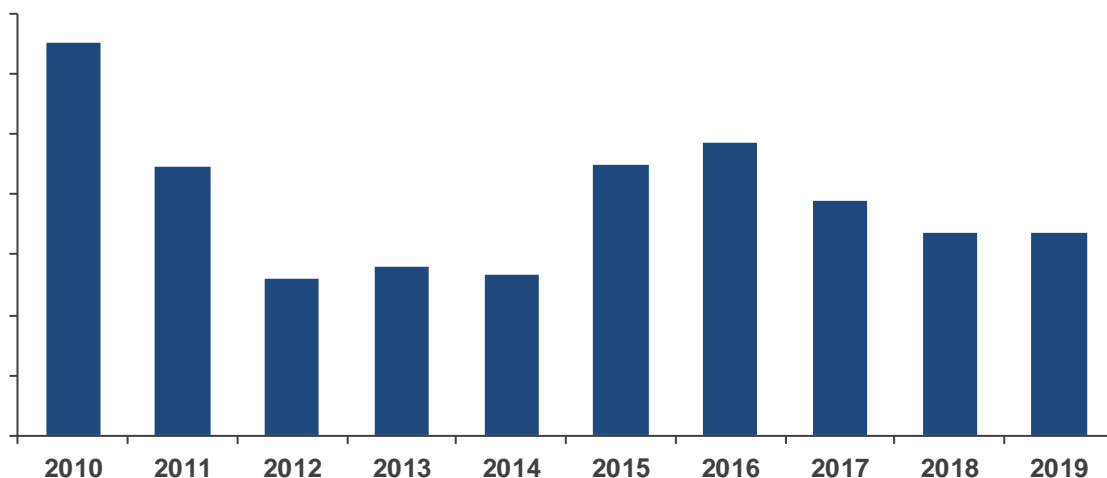
Comparative Analysis Of Fiscal Years 2019 And 2018

Operating Revenues - For the year ended June 30, 2019, tuition and fee revenues (net of scholarship allowances) decreased approximately \$1.5 million compared to fiscal year 2018 as a result of the continued decrease in international enrollment. Fiscal year 2018 tuition and fees were approximately \$8 million below the year ended June 30, 2017 as a result of the decrease in international student enrollment.

Auxiliary enterprises experienced a decrease of \$1.4 million below fiscal year 2018, which is primarily attributed to a reduction in enrollment for fiscal year 2019.

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 (GAS B) require state appropriations to be separately reported as non-operating revenue.

The University's financial position is closely tied to the State of Missouri and the associated general revenue and lottery proceeds appropriated by the Legislature. State appropriation revenue remained level from 2018 to 2019 following a decrease of \$1.1 million in fiscal year 2018 compared to fiscal year 2017. Following is a historical trend of the University's state appropriation funding (net of withholdings).

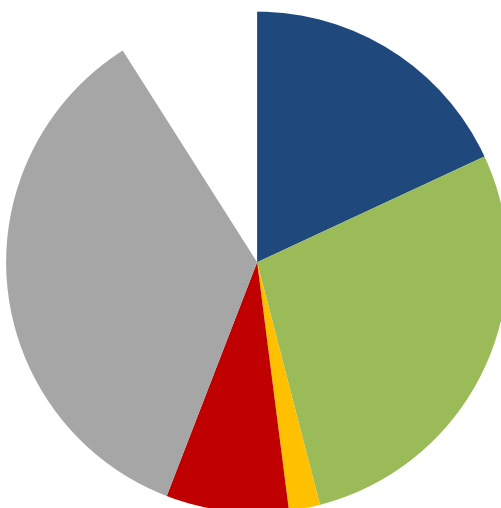


Fiscal Year 2019 other operating revenues increased due to an increase in Federal grants and contracts of \$1.3 million due to an increase in federal awards. Fiscal Year 2018 other operating revenues remained consistent with those of fiscal year 2017.

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Management's Discussion And Analysis (Continued)

The following graph summarizes the University's fiscal year 2019 revenue sources:



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

| | 2019 | 2018 | 2017 |
|------------------------------|-----------------|----------|----------|
| Compensation and benefits | \$ 116.6 | \$ 127.9 | \$ 133.9 |
| Contractual services | 19.0 | 18.6 | 23.0 |
| Supplies and materials | 9.6 | 14.5 | 16.7 |
| Scholarships and fellowships | 7.0 | 6.8 | 7.3 |
| Depreciation | 17.2 | 16.2 | 16.5 |
| Utilities | 5.8 | 6.0 | 5.8 |
| Other | 18.6 | 17.1 | 17.5 |
| | \$ 193.8 | \$ 207.1 | \$ 220.7 |

Operating Expenses - Total operating expenses decreased \$13.3 million from \$207.1 million in fiscal year 2018 to \$193.8 million in fiscal year 2019.

Fiscal year 2019 Compensation and Benefits decreased \$11.3 million from the prior year primarily due to a decrease in MOSERS accrual of \$2 million and the results of the reduction in salaries and benefits of \$9.2 million associated with the 2017 Voluntary Retirement Incentive Plan and the 2018 reduction in force.

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

Contractual services increased \$0.4 million primarily due to an increase in snow removal expenses (\$0.2 million), an increase in architect/engineering (\$0.1 million), increase in management consulting (\$0.1 million).

Depreciation expense increased \$1.0 million over fiscal year 2018 primarily due to the addition of depreciable assets including the W.C. Morris Renovation. The University experienced a decrease in scholarships and fellowships of \$0.2 million and other expenses increased \$1.5 million over fiscal year 2018.

For the year ended June 30, 2018, operating expenses decreased by approximately \$13.6 million above the year ended June 30, 2017. This was primarily due to a \$6 million decrease in Compensation and Benefits from the prior year, due to an increase in MOSERS accrual of \$5.9 million, offset by the reductions in salaries and benefits of \$11.8 million associated with the 2017 Voluntary Retirement Incentive Plan and the 2018

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

During the year ended June 30, 2019, cash used in operating activities amounted to (\$47.0) 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 \$71.7 million includes state appropriations, gifts and grants for other than capital purposes and other receipts.

Cash used for capital and related financing activities was (\$9.5) million. The University had capital expenditures of \$7.4 million including: \$2.8 million Union Renovation, \$2.4 million Skyhaven Runway, \$0.7 million Union Advising Center, \$0.2 million JCKL light replacement, \$0.3 million UCC roof replacement. Additional other capital expenditures totaling approximately \$1 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 \$10.4 million. Cash and cash equivalents at June 30, 2019, were \$10.9 million, which increased by \$1.0 million from June 30, 2018.

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 million included state appropriations, gifts and grants for other than capital purposes and other receipts. Capital and related financing activities was \$5.5 million. This included the purchase of capital assets (\$6.7) million, principal and interest on capital debt and leases (\$7.2 million). Cash and cash equivalents at June 30, 2018, were \$9.9 million, which increased \$4.4 million from June 30, 2017.

Capital Assets

Information on capital assets can be found in Note 3. Net capital assets totaled \$223,768,665, which consisted of a cost of \$494,724,118 and accumulated depreciation of \$270,955,453.

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

Debt

Information on debt can be found in Note 4. Long-term debt totaled \$93,908,750 at June 30, 2019. In 2019, the University issued Revenue Bonds, Series 2018A for renovations to the Elliot Student Union in the amount of (\$7.1 million) and conducted a

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

STATEMENT OF NET POSITION

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UNIVERSITY OF CENTRAL MISSOURI

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019 And 2018

| | 2019 | 2018 |
|--|-------------|------------|
| Assets | | |
| Cash | \$ 191,642 | \$ 123,167 |
| Investments | 57,897,891 | 53,290,258 |
| Accrued investment income | 256,688 | 226,555 |
| Contributions receivable, net | 1,676,730 | 1,156,179 |
| Notes receivable | 2,370,169 | 2,577,275 |
| Cash surrender value or life insurance | 482,729 | 442,078 |
| Beneficial interest in trusts | 991,943 | 930,711 |
| 5 | | |

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

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

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For The Years Ended June 30, 2019 And 2018

| | 2019 | 2018 |
|--|--------------|----------------|
| Operating Revenues A COM3 441.95(l)-n andTT2 11 Tfll,TT28ON llc | h1.95(l)-lar | sTT2563(hipTT2 |

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

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Page 2 Of 2

For The Years Ended June 30, 2019 And 2018

| | 2019 | 2018 |
|--|---------------|---------------|
| Nonoperating Revenues (Expenses) | | |
| State appropriations | \$ 52,708,200 | \$ 52,708,206 |
| Federal grants and contracts | 16,277,345 | 16,993,921 |
| State grants and contracts | 654,183 | 745,704 |
| Other grants and contracts | 967,772 | 992,023 |
| Contributions | 3,276,849 | 2,826,360 |
| Loss on disposal of capital assets | (91,555) | (19,282) |
| Investment income | 3,929,788 | 1,286,511 |
| Interest on capital asset - related debt | (3,153,220) | (3,192,808) |
| Other nonoperating expenses | (1,342,848) | (2,915,371) |

UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2019

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|--------------|
| Revenue, Gains And Other Support | | | |
| Gifts | \$ 421,904 | \$ 4,341,692 | \$ 4,763,596 |
| In-kind gifts | 1,153,079 | 393,760 | 1,546,839 |
| Other income | 11,882 | 138,792 | 150,674 |
| Investment income | 283,342 | 998,292 | 1,281,634 |
| Net realized and unrealized gain on investments and beneficial interests in trusts | 1,183,767 | 1,465,176 | 2,648,943 |
| Change in donor restrictions | 18,838 | (18,838) | — |
| Net assets released from restrictions | 3,033,860 | (3,033,860) | — |
| Total revenues, gains and other support | 6,106,672 | 4,285,014 | 10,391,686 |
| Expenses and Losses | | | |
| Foundation expenses | | | |
| General administrative expenses | 924,608 | — | 924,608 |
| Fundraising expenses | 1,544,839 | — | 1,544,839 |
| Total Foundation expenses | 2,469,447 | — | 2,469,447 |
| Expenses for University advancement | | | |
| Program expenses | | | |
| Scholarships | 1,369,584 | — | 1,369,584 |
| Academic support - TV | 327,351 | — | 327,351 |
| Student services - athletics | 656,215 | — | 656,215 |
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UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

STATEMENTS OF ACTIVITIES For The Year Ended June 30, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|------------------|
| Revenue, Gains And Other Support | | | |
| Gifts | \$ 344,398 | \$ 3,028,561 | \$ 3,372,959 |
| In-kind gifts | 913,631 | 319,300 | 1,232,931 |
| Other income | 12,963 | 130,848 | 143,811 |
| Investment income | 247,955 | 959,635 | 1,207,590 |
| Net realized and unrealized gain on investments and beneficial interests in trusts | 818,250 | 1,166,403 | 1,984,653 |
| Change in donor restrictions | 24,868 | (24,868) | — |
| Net assets released from restrictions | 3,144,992 | (3,144,992) | — |
| Total Revenues, Gains And Other Support | 5,507,057 | 2,434,887 | 7,941,944 |
| Expenses and Losses | | | |

UNIVERSITY OF CENTRAL MISSOURI
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STATEMENT OF CASH FLOWS

Page 1 Of 2

For The Years Ended June 30, 2019 And 2018

| | 2019 | 2018 |
|---|---------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Tuition and fees | \$ 65,650,335 | \$ 65,561,444 |
| Grants and contracts | 3,528,470 | 2,169,666 |
| Sales and services of educational activities | 2,130,609 | 2,183,602 |
| Payments to suppliers | (28,857,621) | (40,571,305) |
| Payments for utilities | (5,790,180) | (6,047,838) |
| Payments to employees | (101,215,267) | (111,819,794) |
| Payments for scholarships and fellowships | (7,008,097) | (6,760,964) |
| Loans issued to students | — | (194,231) |
| Collection of loans to students | 2,329,960 | 2,439,896 |
| Sales and services of auxiliary enterprises | 34,538,340 | 35,740,001 |
| Other payments | (12,344,570) | (10,293,786) |
| Net Cash Used In Operating Activities | (47,038,021) | (67,593,309) |
| Cash Flows From Noncapital Financing Activities | | |
| State appropriations | 52,708,200 | 52,708,206 |
| Gifts and grants for other than capital purposes | 20,296,320 | 18,374,424 |
| Other payments | (1,309,446) | (3,057,678) |
| Net Cash Provided By Noncapital Financing Activities | 71,695,074 | 68,024,952 |

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

STATEMENT OF CASH FLOWS

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019 And 2018

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)

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* (GASB 75). The new statement changes the standards for measuring and recognizing liabilities, deferred outflows and inflows of resources and expense related to postemployment benefit plans. Additional information on the impact of implementing GASB 75 can be found in Note 7 and the required supplementary information section. As a result of implementation, net position as of July 1, 2017, was restated as follows:

| | |
|---|----------------|
| Net position, as previously reported | \$160,984,010 |
| Prior period adjustments | |
| Net OPEB liability (GASB 75) - Beginning of FY 2017-18 | (3,930,908) |
| Net OPEB obligation/asset (GASB 45) - End of FY 2016-17 | 2,695,351 |
| Total prior period adjustment | (1,235,557) |
| Net position, as restated | \$ 159,748,453 |

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

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable are recorded net of estimated uncollectible amounts. The University records an allowance for doubtful student accounts receivable that is based on various factors, such as historical collection information and existing economic conditions.

Deferred Inflows And Deferred Outflows Of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The University's deferred outflows

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

Notes To Financial Statements *(Continued)*

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or 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 |

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

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

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

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

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, 2019 and 2018 were \$18,378,493 and \$19,185,992, respectively. The scholarship allowances on housing for the years ended June 30, 2019 and 2018 were \$5,427,367 and \$5,370,847, respectively.

Income Taxes

As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income.

Accrued Settlement

In 2001, the University was named the beneficiary of an estate, which was contested by a relative of the deceased. During Fiscal Year 2003, the University settled the dispute. The University has recorded a liability at June 30, 2019 and 2018 of \$383,294 and \$391,974, respectively, which represents the present value of the future annuity obligations under the settlement agreement. The liability has been determined using a discount rate of 3.6% and applicable mortality tables. This liability is to be funded by proceeds of the estate which are held by University of Central Missouri Foundation (Note 5).

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

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

Notes To Financial Statements *(Continued)*

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, 2019 and 2018, the Foundation provided \$2,927,166 and \$2,918,698, 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.

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

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

Reclassification

Certain reclassifications have been made

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (Continued)

| 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 |
| | \$ 25,688,773 | \$ 19,789,975 | \$ 5,898,798 |

At June 30, 2019 and 2018, U.S. Treasury obligations consist of treasury notes. Since these notes are explicitly guaranteed by the U.S. government, the University is not subject to credit risk on these notes at June 30, 2019 and 2018. However, these notes carry a rate of interest, and therefore, the University is subject to interest rate risk on these notes at June 30, 2019 and 2018.

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. At June 30, 2019 and 2018, the University had government agency securities that were rated "AAA" and "AA+" by Standard & Poor's. It is the University's policy to limit its investments in commercial paper to "A-1" as rated by Standard & Poor's and Moody's Investors Services. At June 30, 2019, the University had commercial paper securities that were rated A-1 and A-1+ by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University's investment policy does not address custodial risk. All of the University's investments at June 30, 2019 and 2018, are held in the University's name.

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (Continued)

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University's investment policy permits it to hold up to 25% of total investments, including certificates of deposit, in corporate bonds, with no more than 5% of its investments to be invested with any one issuer. The University's investment policy requires the ratio of investments in corporate bonds to be reviewed on an annual basis. The University places no restrictions on investments in direct obligations of the U.S. government, U.S. agency issues, U.S. government guaranteed securities or repurchase agreements that are collateralized 100% with U.S. Treasury bills, bonds or notes and are entered into for periods of 180 days or less. The University has 15% of its investments in Federal Home Loan Mortgage Corporation, 10% in Federal National Mortgage Association, and 8% in Federal Home Loan Bank securities.

Summary Of Carrying Values

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

| | <u>2019</u> | <u>2018</u> |
|--|-----------------------|---------------|
| Carrying value | | |
| Deposits | \$ 12,768,839 | \$ 70,003,816 |
| Investments | 102,155,192 | 25,688,773 |
| | \$ 114,924,031 | \$ 95,692,589 |
| Included in the following statement of net position captions | | |
| Cash and cash equivalents | \$ 5,227,279 | \$ 7,464,607 |
| Restricted cash and cash equivalents - current | 5,730,609 | 2,504,683 |
| Short-term investments | 20,178,685 | 78,103,972 |
| Restricted short-term investments | 3,944,392 | — |
| Noncurrent investments | 79,843,066 | 7,619,327 |
| | \$ 114,924,031 | \$ 95,692,589 |

Investment Income

Investment income for the years ended June 30, 2019 and 2018 consisted of:

| | <u>2019</u> | <u>2018</u> |
|------------------------------|---------------------|--------------|
| Interest and dividend income | \$ 3,929,788 | \$ 1,286,511 |

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

Notes To Financial Statements (Continued)

Fair Value Measurements

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

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that

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Notes To Financial Statements *(Continued)*

Beginning

Ending

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

4. Long-Term Liabilities

The following is a summary of long-term ob

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (Continued)

| | 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 Bond Issue, Series 2012A | 637,686 | — | 637,686 | — | — |
| Education Facility, Series 2007 | 72,761 | — | 72,761 | — | — |
| Advance Refunding of Student Bond Issue, Series 2013A - Direct Placement | 11,810,000 | — | 1,575,000 | 10,235,000 | 1,610,000 |
| Stadium Facility, Series 2013B-1 - Direct Placement | 1,720,000 | — | 225,000 | 1,495,000 | 235,000 |
| Stadium Facility, Series 2013B-2 | 3,770,000 | — | — | 3,770,000 | — |
| Student Housing System, Mixed Use Faculty Series 2013C-1 - Direct Placement | 14,740,000 | — | 1,950,000 | 12,790,000 | 2,000,000 |
| Student Housing System, Mixed Use Faculty, Series 2013C-2 | 32,650,000 | — | — | 32,650,000 | — |

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

Revenue Bonds Payable

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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 (Direct Placement). The bonds bear interest,

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (Continued)

Notes Payable

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. Installment payments including principal and interest are \$214,919.

The University entered into a loan agreement with the Foundation on December 31, 2017, in the amount of \$431,170 at 5% interest with a five year maturity for the replacement of the Kennedy Field Turf. The first installment payment including principal and interest of \$99,589 was due on December 31, 2018.

The University entered into three separate note agreements with a financial institution during 2015 for an aggregate total of \$867,770 to purchase three airplanes. The notes each bear interest at 1.98% and each mature in 2022. Payments of principal and interest are due in 14 equal installments.

Upon any event of default, the entire amount of outstanding principal and interest shall become due and payable immediately as it relates to each note individually listed above.

The debt service requirements as of June 30, 2019 are as follows:

| Year Ending June 30, | Total To Be Paid | Principal | Interest |
|-----------------------------|-----------------------------|------------------|-----------------|
| 2020 | \$ 7,022,758 | \$ 4,502,039 | \$ 2,520,719 |
| 2021 | 7,023,502 | 4,624,039 | 2,399,463 |
| 2022 | 7,017,563 | 4,741,527 | 2,276,036 |
| 2023 | 6,912,094 | 4,762,451 | 2,149,643 |
| 2024 | 6,783,793 | 4,762,039 | 2,021,754 |
| 2025 - 2028 | 25,481,167 | 16,744,598 | 8,736,569 |
| 2029 - 2033 | 25,024,570 | 20,220,358 | 4,804,212 |

UNIVERSITY OF CENTRAL MISSOURI
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Notes To Financial Statements (Continued)

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital lease at June 30, 2019 and 2018 totaled \$17,627,498 and \$20,597,424, respectively, net of accumulated depreciation of \$20,601,288 and \$18,052,702, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 0% to 7% together with the present value of the future minimum lease payments as of June 30, 2019:

| Year Ending June 30, | Amount |
|------------------------------|---------------|
| 2020 | \$ 3,128,580 |
| 2021 | 3,128,580 |
| 2022 | 3,128,580 |
| 2023 | 3,128,580 |
| 2024 | 3,128,580 |
| 2025 - 2027 | 4,692,869 |
| Total minimum lease payments | 20,335,769 |
| Less amount representing | |

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Notes To Financial Statements (Continued)

At June 30, 2019 and 2018, the University reported a liability of \$148,795,182 and \$150,787,953, respectively, for its proportionate share of the net pension liability. The net pension liability for 2019 and 2018 was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was offset by the fiduciary net position obtained from MOSERS CAFR as of June 30, 2018, to determine the net pension liability.

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, 2018. The University's proportion for the plan year ended June 30, 2018 was 2.6674 percent, a decrease from its proportion of 2.8959 percent as of the June 30, 2017 measurement date.

During the MOSERS plan year ended June 30, 2018, there were no 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, 2018, that affected the measurement of total pension liability.

For the year ended June 30, 2019, the University recognized pension expense of \$25,172,785. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 338,633 | \$ 3,522,745 |
| Changes of assumptions | 12,823,653 | — |
| earnings | | |
| on pension earnings | 17 (17 3 6 (u) - 8 . 6 (r) . 9 (c 2 0 0 0 | |

UNIVERSITY OF CENTRAL MISSOURI
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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 |
|--|---|--|
| Differences between expected and actual experience | \$ 835,380 | 2,374,846 |

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

The total pension liability in the June 30, 2018 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:

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Notes To Financial Statements *(Continued)*

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

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Notes To Financial Statements (Continued)

Effective January 1, 2018, the University discontinued their alternative funding arrangement and converted to a traditional health insurance plan. As part of the previous modified cost-plus health insurance contract, the University maintained a balance of \$1,219,075 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. Based on the analysis of fiscal year end estimated claims to be minimal, the amount has been reclassified as unrestricted cash.

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, 2019, 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> |

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Notes To Financial Statements *(Continued)*

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Notes To Financial Statements *(Continued)*

Changes for the July 1, 2017 actuarial valuation relative to the July 1, 2015 valuation include the following:

- 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 Mortality table with MP- 2017 Full Generational Improvement.
- 3) The per capita costs, retiree contribution premiums and trend assumptions were updated as part of the actuarial evaluation.
- 4) The discount rate was changed from 3.50% (July 1, 2015) to 3.40% (July 1, 2017) and ultimately 3.0% when rolled forward to the measurement date of June 30, 2019.
- 5) It is assumed that 1% of future employees retiring at > Age 65 will elect coverage in the University's program. Future employees retiring at < Age 65 assumed not to elect University sponsored coverage.
- 6) The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal - Level Percent of Pay.
- 7) The assumed salary scale is 2% per year.

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumpti

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Notes To Financial Statements

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Notes To Financial Statements (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0 percent) or 1-percentage-point higher (4.0 percent) than the current discount rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|----------------------|--------------------|----------------------------------|--------------------|
| Total OPEB Liability | \$ 3,990,882 | \$ 3,649,326 | \$ 3,357,696 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.0 percent decreasing to 6.0 percent) or 1-percentage-point higher (8.0 percent decreasing to 7.0 percent) than the current healthcare cost trend rates:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|----------------------|--------------------|-------------------------------|--------------------|
| Total OPEB Liability | \$ 3,307,349 | \$ 3,649,326 | \$ 4,046,055 |

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the University recognized OPEB expense of \$130,469. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Category | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ — | \$ 111,741 |
| Changes in assumption (discount rate) | 91,689 | — |
| Contributions subsequent to the measurement date | — | — |
| | \$ 91,689 | \$ 111,741 |

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Notes To Financial Statements (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|--------------------|
| 2020 | \$ (2,457) |
| 2021 | (2,457) |
| 2022 | (2,457) |
| 2023 | (2,457) |
| 2024 | (2,457) |
| Thereafter | (7,767) |
| | <u>\$ (20,052)</u> |

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, 2019 and 2018, there was no accrual recorded in the statement of net position related to these matters.

Government Grants

The University is currently participating in numerous grants from various departments and agencies of the federal and state governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the granting department or agency, the grants are considered closed.

Construction Contracts

The University had outstanding commitments of approximately \$9,204,942 related to construction contracts at June 30, 2019.

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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, 2020 from activity during 2018 and 2019 is \$2,108,272, which is included in accounts payable and accrued liabilities within the Statement of Net Position at June 30, 2019.

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 June 30, 2019 are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u> |
|------------------------------------|----------------------|
| 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>\$ 27,132,280</u> |

Rent expense for the year ended June 30, 2019 was \$1,593,950. The lease provides for adjustments for a contingent

UNIVERSITY OF CENTRAL MISSOURI
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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 whether future lease payments will vary from the lease payments as presented and therefore have not recorded accrued rent.

9. Risk Management

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

10. University Of Central Missouri Foundation

Financial Statement Presentation

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

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Notes To Financial Statements (Continued)

Investments

The Foundation's investment portfolio at June 30, 2019 and 2018 is composed of the following:

| | Fair Value | |
|-----------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| Money market mutual funds | \$ 779,328 | \$ 458,965 |
| Domestic equity | 25,302,916 | 21,894,595 |
| International equity | 6,125,920 | 7,055,916 |
| Fixed income | 21,524,385 | 20,135,319 |
| Alternative | 4,165,342 | 3,427,463 |
| Real estate held as an investment | — | 318,000 |
| | \$ 57,897,891 | \$ 53,290,258 |

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

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

Level 2 - Inputs to the valuation methodology include:

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

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

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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, 2019 or 2018.

Beneficial Interest In Charitable Trusts, Net

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

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 preceding 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

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, 2019:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|------------|------------|---------|------------|
| Investments | | | | |
| Mutual funds | | | | |
| Money market | \$ 779,328 | \$ — | \$ — | \$ 779,328 |
| Domestic equity | 11,016,290 | — | — | 11,016,290 |
| International equity | 6,063,838 | — | — | 6,063,838 |
| Common stock | | | | |
| Domestic | 7,959,515 | — | — | 7,959,515 |
| International | 62,082 | — | — | 62,082 |
| Exchange traded funds | | | | |
| Domestic | 6,327,111 | — | — | 6,327,111 |
| Fixed income investments | | | | |
| Mortgage | — | 1,782,585 | — | 1,782,585 |
| Credit | 40,542 | 11,451,985 | — | 11,492,527 |
| U.S. Treasuries | 2,453,066 | — | — | 2,453,066 |
| Agencies | — | 1,411,542 | — | 1,411,542 |
| Asset-backed securities | — | 569,595 | — | 569,595 |
| Taxable municipal bonds | — | 2,157,134 | — | 2,157,134 |

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

Notes To Financial Statements

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

Notes To Financial Statements *(Continued)*

Contributions Receivable

Contributions receivable consists of unconditional gifts and bequests to be received

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

Notes To Financial Statements (Continued)

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|--------------|
| Undesignated | \$ 983,188 | \$ — | \$ 983,188 |
| Board-designated operating reserve fund | 2,593,642 | — | 2,593,642 |
| Board-designated endowment fund | 3,480,142 | — | 3,480,142 |
| University President directed fund | 134,120 | — | 134,120 |
| Subject to expenditure for specified purpose | | | |
| Scholarships | — | 5,940,627 | 5,940,627 |
| Instruction aioc t actct al91 | — | 5,3,12947 | 5,3,12,947 |
| Studentosorviresf 5ctitirs | | 59.143.6(3)11.5,12837 | 32837 |

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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**

Page 1 Of 2

For The Years Ended June 30, 2019 And 2018

| Total OPEB Liability | June 30, 2019 |
|--|----------------------|
| Service cost | \$ 9,763 |
| Interest | 123,163 |
| Changes in benefit terms | — |
| Differences between expected and actual experience | (127,704) |
| Changes in assumptions or other inputs | 75,900 |
| Benefit payments | (308,487) |
| Net change in total OPEB liability | (227,365) |
| Total OPEB liability - beginning | 3,876,691 |
| Total OPEB liability - ending | \$ 3,649,326 |

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

**OTHER POSTEMPLOYMENT BENEFITS -
SCHEDULE OF CHANGES IN THE UNIVERSITY'S**

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

**SCHEDULES OF SELECTED PENSION INFORMATION
MISSOURI STATE EMPLOYEES' RETIREMENT SYSTEM**

June 30, 2019

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

| | Plan Fiscal Year End | | | | |
|--|-----------------------------|----------------|----------------|---------------|---------------|
| | 2018 | 2017 | 2016 | 2015 | 2014 |
| University's proportion of the net pension liability | 2.6674% | 2.8959% | 2.8591% | 2.8410% | 2.7413% |
| University's proportionate share of the net pension liability | \$ 148,795,182 | \$ 150,787,953 | \$ 132,717,900 | \$ 91,236,621 | \$ 64,634,510 |
| University's covered payroll | 51,924,427 | 56,998,231 | 55,002,021 | 50,573,280 | 52,233,469 |
| University's proportionate share of net pension liability liability as a percentage of its covered payroll | 285.85% | 264.55% | 239.69% | 165.88% | 127.80% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.02% | 60.41% | 63.60% | 72.62% | 79.49% |

Schedule Of University's Contributions

| | Univeristy Fiscal Year End | | | | |
|--|-----------------------------------|---------------|--------------|--------------|--------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 |
| Required contribution | \$ 9,449,254 | \$ 10,099,301 | \$ 9,690,708 | \$ 9,333,841 | \$ 8,946,847 |
| Contributions in relation to the required contribution | 9,449,254 | 10,099,301 | 9,690,708 | 9,333,841 | 8,946,847 |
| University's covered payroll | 46,755,339 | 51,924,427 | 56,998,231 | 55,002,021 | 50,573,280 |
| Contributions as a percentage of covered payroll | 20.21% | 19.45% | 16.97% | 16.97% | 17.69% |

Notes:

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

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

Supplementary Information

**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, 2019**

Operating Revenues
Housing, ne

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

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

**Page 1 Of 3
June 30, 2019**

An insurance package policy purchased through the Midwestern Higher Education Compact (MHEC) program, provides all risk coverage on buildings and contents. The following insurance coverages are in force at the University as of June 30, 2019:

1. Lexington Insurance Company, Policy No. 066095351, (60%); Zurich, Policy No. ERP-0174168-02, providing \$100,000,000 all risk coverage on scheduled buildings and other property. There is a shared captive retention layer of \$1,000,000 per occurrence and \$7,850,693 aggregate through the Midwestern Higher Education Compact (MHEC).
2. Lexington Insurance Company, Policy No. 66095363 (60%) and Zurich Policy No. ERP 019811500 (40%): furnishes the esecundary layer of shared coverage, which is \$400,000,000 excess of the \$100,000,000 layer.
3. Zurich, Policy No. XPP00174448-02, (20%); AIG, Policy No. 25030902 (60%), Westport Insurance Corp., Policy No. NAP 0453214-02 (20%): furnishes the third layer of shared coverage, which is \$500,000,000 excess of the \$500,000,000.

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

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

**Page 2 Of 3
June 30, 2019**

| | Building | Contents |
|---|-----------------|-----------------|
| Residential complex (included in blanket figures) | | |
| Diemer Hall | \$ 6,357,830 | \$ 138,985 |
| South Ellis Hall | 10,563,852 | 177,237 |
| East Ellis Hall | 12,432,947 | 195,089 |
| North Ellis Hall | 13,456,941 | 238,442 |
| Foster Knox Hall | 8,685,014 | 314,948 |
| Fraternity Hall | 11,486,740 | 464,134 |
| Hudson Hall | 11,358,321 | 1,324,620 |
| University Conference Center | 12,701,924 | 381,252 |
| Hosey Hall | 7,523,498 | 345,550 |
| Nattinger-Bradshaw Hall | 19,704,719 | 686,000 |
| Nickerson Hall | 9,830,557 | 277,971 |
| Panhellenic Hall | 10,403,809 | 406,755 |
| South Todd Hall | 2,771,538 | 146,635 |
| Todd Hall | 8,462,837 | 415,682 |
| South Yeater Hall | 15,083,413 | 432,256 |
| Y TD -.0267 Tc .0422 Tw 090Tj -(,)-41. (-28.5.043 Tw8093(G Tc j -37.,[(Y)-2811Ts3090Tj9)Tw809-37.5851OTw [(| | |

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

**INSURANCE COVERAGE
STUDENT HOUSING SYSTEM BONDS**

**Page 3 Of 3
June 30, 2019**

| | Building | Contents |
|--|-----------------|-----------------|
| Apartments (included in blanket figures - <i>continued</i>) | | |
| Greenwood 4-Plex #13 | \$ 512,037 | \$ 10,201 |
| Greenwood 4-Plex #14 | 512,037 | 10,201 |
| Greenwood 4-Plex #16 | 512,037 | 10,986 |
| Greenwood Handicap Unit | 279,937 | 5,101 |
| Greenwood VIP Unit | 259,942 | 79,057 |
| Greenwood Community Center | 616,246 | 10,201 |
| Central Village 8-Plex #1 | 1,463,978 | 21,676 |
| Central Village 8-Plex #2 | 1,014,203 | 21,676 |
| Central Village 8-Plex #3 | 1,463,978 | 21,676 |
| Central Village 8-Plex #4 | 1,013,824 | 21,676 |
| Central Village 8-Plex #5 | 1,463,978 | 21,676 |
| Central Village 8-Plex #6 | 1,014,203 | 21,676 |
| Central Village Community Building | 738,671 | 21,849 |
| Central Village 8-Plex #8 | 1,014,203 | 21,676 |
| Central Village 8-Plex #9 | 1,014,203 | 21,676 |
| Central Village 8-Plex #10 | 1,014,203 | 21,676 |
| Central Village 8-Plex #12 | 1,014,203 | 21,676 |
| The Crossing | 47,245,525 | 3,121,812 |
| Stadium | | |
| Walton Stadium | 10,266,658 | 2,108,721 |
| Walton Stadium Field | 1,297,673 | — |
| Other (included in blanket figures) | | |
| University Union | 29,040,531 | 4,036,413 |

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

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

June 30, 2019

| | |
|---------------|-------|
| Summer 2018 | |
| Undergraduate | 2,138 |
| Graduate | 1,831 |
| Fall 2018 | |
| Undergraduate | |
| Graduate | |
| Spring 2019 | |
| Undergraduate | |
| Graduate | |

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

| | | | | |
|--|---------|---------|---------|---------|
| | 17 - 18 | 18 - 19 | 17 - 18 | 18 - 19 |
| | 85% | 81% | 90% | 96% |

The following information sets forth the living choices of undergraduate students for the Fall 2018 semester:

| | |
|------------------|---------------|
| Total on-campus | 32.8% |
| Total off-campus | 67.2% |
| Total | 100.0% |

Room and board charges for the fiscal years ended June 30, 2019 and 2018 are as follows:

| | | |
|--------------------------------|-------------|-------------|
| | 2019 | 2018 |
| Residence halls (per semester) | | |