

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
Accountants' Report and Financial Statements  
June 30, 2009 and 2008

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**June 30, 2009 and 2008**

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**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2009 and 2008**

***Overview***

Established in 1871, the University of Central Missouri 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 five academic colleges and 150 areas of study. The University has achieved national recognition for many of its academic programs, including aviation, criminal justice and education, and it

campus, a number of degree programs can be taken at the University's main extended campus location, the 40,000-square-foot UCM Summit Center in Lee's Summit, Missouri, which serves more than 1,000 students in the Kansas City metropolitan area. Many undergraduate courses and programs are offered at off-campus sites in classroom settings or through interactive television (ITV). Including its airport and other special facilities, the University occupies more than 1,000 acres and offers over 150 graduate and undergraduate programs for approximately 11,000 students.

UCM offers an Associate of Science degree and the following baccalaureates: Bachelor of Arts, Bachelor of Fine Arts, Bachelor of Music, Bachelor of Music Education, Bachelor of Science, Bachelor of Science in Business Administration, Bachelor of Science in Education, and Bachelor of Science in Social Work. It offers Master of Arts, Master of Arts in Teaching, Master of Business Administration, Master of Science and Master of Science in Education degrees. The University provides additional graduate-level study for Education Specialist degrees in the areas of School Administration, Curriculum and Instruction and Human Services, in addition to cooperating with two other institutions on doctoral programs. The Ed.D. in Educational Leadership is conferred by the University of Missouri-Columbia, and the Ph.D. in Technology Management is conferred by Indiana State University.

### ***Awards and Accomplishments***

*U.S. News & World Report* named the University to its list of Best Universities-Master's in its publication, *America's Best Colleges 2009*. It is recognized among institutions that provide a full range of undergraduate and master's programs. *U.S. News* ranked UCM in the top 19 public master's level institutions in the Midwest. It was also ranked number one in the Midwest for least debt of graduates and ranked 14th nationally among all public colleges and universities for lightest debt load. This is the second consecutive year the University has received the "Best College" designation.

*The Princeton Review* named the University "A 2009 Best College in the Midwestern Region," the third consecutive year UCM has received "A Best Midwestern College" designation. Institutions are primarily recognized for their excellent academic programs, with selections based on data from each institution, school visits and opinions of independent and high school-based college advisers whose recommendations are invited.

### ***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, 2009 and 2008, the Foundation provided support to the University of \$2,811,269 and \$2,626,373, respectively.

### ***Management Discussion and Analysis***

Effective July 1, 2004, the University adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*. The Foundation meets the criteria set forth for component units under GASB Statement No. 39. Thus the University's Annual Report includes audited University Foundation financial statements which are prepared in accordance with Financial Accounting Standards Board (FASB) standards.

The University has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), as of fiscal year ended June 30, 2008. Prior to GASB 45, the University

A summary of the University's assets, liabilities and net assets at June 30, 2009 and 2008:

**Statements of Net Assets**  
**As of June 30, 2009 and 2008**  
**(In Millions)**

|                          | <u>June 30, 2009</u> | <u>June 30, 2008</u> |
|--------------------------|----------------------|----------------------|
| <b>Current Assets</b>    | \$ 86.1              | \$ 52.1              |
| <b>Noncurrent Assets</b> | <u>139.9</u>         | <u>135.9</u>         |



### ***Comparative Analysis of Fiscal Years 2009 and 2008***

***Current Assets*** - Current assets for Fiscal Year 2009 totaled \$86.1, which is an increase of \$34.0 million from Fiscal Year 2008 current assets of \$52.1 million. This primarily resulted from increases in restricted cash and investments of \$17.2 million and short-term investments of \$14.1 million when compared to Fiscal Year 2008.

The increase in restricted cash and investments of \$17.2 million represents proceeds from the University's Student Recreation Center, Series 2009 bond. These funds ar



**Noncurrent Assets** – Total noncurrent assets decreased approximately \$0.2 million. The decrease was primarily due to increase in long-term investments of approximately \$1.1 million, a decrease in capital assets of \$1.9 million as a result of certain fully depreciated capital assets, and an increase in loans to students (net) of \$0.6 million.

**Current Liabilities** – Current liabilities increased by approximately \$2.2 million. Accounts payable and accrued liabilities increased \$1.2 million as a result of year-end vendor payables. Accrued compensated absences increased by \$0.1 million. In addition, the current portion of long-term debt increased by \$0.1 million due to the first full year of the Educational Facilities Revenue Bond Series 2007. Also, there was a \$0.3 million increase in capital lease obligations. There was an overall increase in deferred revenue of \$0.4 million due to an increase in summer semester tuition credit hours for Fiscal Year 2008.

**Noncurrent Liabilities** – As of June 30, 2008, the University’s long-term debt decreased by \$2.0 million from June 30, 2007, as the result of scheduled bond payments. Noncurrent liabilities had an addition of \$0.5 million due to the implementation of GASB 45 which requires the University to record a liability for other postemployment benefit obligations (see Note 7).

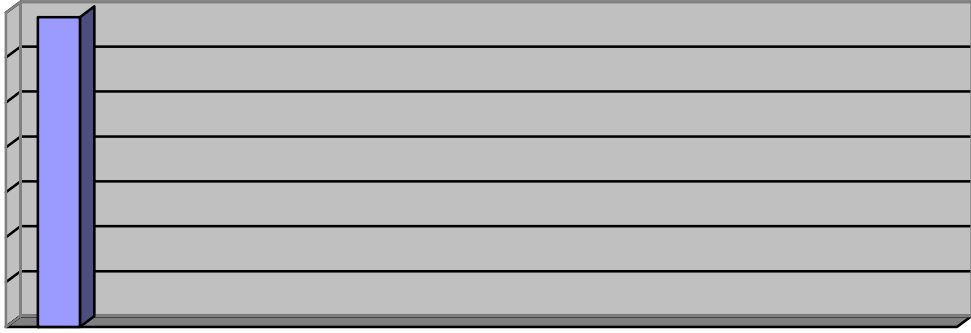
### **Operating Results**

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and nonoperating categories, and provide a view of the University’s operating margin. Comparative summary statements of revenue, expenses and changes in net assets for the years ended June 30, 2009 and 2008, are as follows:

**Operating Results**  
**Years Ended June 30, 2009 and 2008**  
(In Millions)

|                                 | <b>June 30, 2009</b> | <b>June 30, 2008</b> |
|---------------------------------|----------------------|----------------------|
| <b>Operating Revenue</b>        |                      |                      |
| Tuition and fees                | \$ 55.3              | \$ 52.6              |
| Federal grants and contracts    | 1.2                  | 1.4                  |
| State grants and contracts      | 0.1                  | 0.2                  |
| Auxiliary enterprises           | 26.6                 | 24.3                 |
| Other                           | 7.3                  | 6.0                  |
| <b>Total Operating Revenues</b> | 90.5                 | 84.5                 |
| <b>Operating Expenses</b>       | 157.5                | 155.1                |
| <b>Operating Loss</b>           | (67.0)               | (70.6)               |





**Operating Expenses**  
**Years Ended June 30, 2009 and 2008**

|                              | <b>June 30, 2009</b> | <b>June 30, 2008</b> |
|------------------------------|----------------------|----------------------|
| Compensation and benefits    | \$ 99.1              | \$ 96.9              |
| Contractual services         | 13.3                 | 11.6                 |
| Supplies and materials       | 11.7                 | 13.0                 |
| Scholarships and fellowships | 5.2                  | 4.8                  |
| Depreciation                 | 10.8                 | 10.9                 |
| Utilities                    | 5.5                  | 5.6                  |
| Other                        | <u>11.9</u>          | <u>12.3</u>          |
| Total                        | \$ <u>157.5</u>      | \$ <u>155.1</u>      |

**Operating Expenses** – Total operating expenses increased \$2.4 million from \$155.1 million in Fiscal Year 2008 to \$157.5 million in Fiscal Year 2009, a 1.5% increase over the prior year.

Fiscal Year 2009 compensation and benefits increased \$2.2 million from the prior year as the result of an increase in the minimum base salary of \$39,810 to \$41,640. Other operating expenses increased \$0.1 million from \$12.3 million in Fiscal Year 2008 to \$12.4 million in Fiscal Year 2009.

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

During the year ended June 30, 2009, cash used in operating activities amounted to (\$56.4) 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 noncapital financing activities of \$76.3 million includes state appropriations, gifts and grants for other than capital purposes and other receipts. Cash gained for capital and related financing activities was \$7.0 million. This includes proceeds of \$20.5 million from issuance of capital debt. The University had capital expenditures of \$9.4 million including; \$1.0 million in land acquisitions, \$1.3 million Pertle Springs driving range, \$0.5 million parking lot improvements, \$1.0 million Multi-Purpose Building bleachers, \$0.8 million Foster Knox improvements and various other building improvements totaling approximately \$4.8 million including Administration Building fire alarm system, Lovinger Child Development Lab and Art Center electrical upgrades. In addition, capital related financing included principal, interest and bond issuance costs paid on capital debt and leases of \$5.3 million which were partially offset by gifts and grants for capital purposes of \$0.8 million, proceeds from sale of capital assets of \$0.3 million and state capital appropriations of \$1.7 million. Cash and cash equivalents at June 30, 2009, were \$5.9 million, which increased \$1.0 million from June 30, 2008.

were \$5.9 million, which





**Liabilities**

|  | <b>2009</b>   | <b>2008</b>   |
|--|---------------|---------------|
| Current liabilities                      |               |               |
| Accounts payable and accrued liabilities | \$ 12,500,657 | \$ 11,668,669 |

**University of Central Missouri Foundation**  
**Statements of Financial Position**  
**June 30, 2009 and 2008**

**Assets**

|  | <b>2009</b>          | <b>2008</b>          |
|--|----------------------|----------------------|
| Cash and cash equivalents              | \$ 2,890,098         | \$ 745,460           |
| Investments                            | 26,350,852           | 33,781,736           |
| Contributions receivable, net          | 661,581              | 883,655              |
| Accrued investment income              | 148,711              | 157,948              |
| Cash surrender value of life insurance | 269,800              | 245,730              |
| Prepaid expenses                       | 1,322                | 5,150                |
| Total assets                           | <b>\$ 30,322,364</b> | <b>\$ 35,819,679</b> |

**Liabilities and Net Assets**

**Liabilities**

|                   |              |              |
|-------------------|--------------|--------------|
| Annuities payable | \$ 1,472,045 | \$ 1,627,078 |
| Accrued expenses  | 335,840      | 585,992      |
| Total liabilities | 1,807,885    | 2,213,070    |

**Net Assets**

|                                  |                      |                      |
|----------------------------------|----------------------|----------------------|
| Unrestricted                     | 1,580,799            | 7,203,116            |
| Temporarily restricted           | 11,746,499           | 11,271,973           |
| Permanently restricted           | 15,187,181           | 15,131,520           |
| Total net assets                 | 28,514,479           | 33,606,609           |
| Total liabilities and net assets | <b>\$ 30,322,364</b> | <b>\$ 35,819,679</b> |

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**

|  | <b>2009</b>   | <b>2008</b>   |
|--|---------------|---------------|
| <b>Operating Revenues</b>  |               |               |
| Tuition and fees, net of scholarship allowances; 2009 - \$11,334,798, 2008 - \$10,657,027 and bad debt expense; 2009 - \$834,093, 2008 - \$796,010 | \$ 55,265,819 | \$ 52,575,859 |
| Federal grants and contracts   | 1,209,292     | 1,398,204     |
| State grants and contracts   | 41,641        | 210,721       |
| Interest on student receivables  | 580,371       | 637,472       |
| Sales and services of educational activities   | 1,863,726     | 1,162,060     |
| Auxiliary enterprises  |               |               |
| Housing, net of scholarship allowances; 2009 - \$3,059,884; 2008 - \$2,890,232   | 16,051,835    | 14,196,711    |
| Bookstore  | 5,924,968     | 5,631,514     |

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**Statements of Revenues, Expenses and Changes in Net Assets**  
**Years Ended June 30, 2009 and 2008**

|  | <u>2009</u>                  | <u>2008</u>                  |
|--|------------------------------|------------------------------|
| <b>Income Before Other Revenues, Expenses, Gains or Losses</b> | \$ 10,328,811                | \$ 5,187,816                 |
| <b>Capital Appropriations - State</b>                          | 1,737,940                    | -                            |
| <b>Capital Grants and Gifts</b>                                | <u>2,497,887</u>             | <u>159,856</u>               |
| <b>Increase in Net Assets</b>                                  | 14,564,638                   | 5,347,672                    |
| <b>Net Assets, Beginning of Year</b>                           | <u>141,745,569</u>           | <u>136,397,897</u>           |
| <b>Net Assets, End of Year</b>                                 | <u><u>\$ 156,310,207</u></u> | <u><u>\$ 141,745,569</u></u> |

**University of Central Missouri Foundation**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

**University of Central Missouri Foundation**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**

|   | <b>Unrestricted</b> |               |               | <b>Total</b>  |
|---|---------------------|---------------|---------------|---------------|
| <b>Revenue and Other Support</b>                              |                     |               |               |               |
| Gifts   | \$ 916,378          | \$ 1,634,941  | \$ 754,792    | \$ 3,306,111  |
| In-kind gifts   | 933                 | 629,450       | -             | 630,383       |
| Other income  | 18                  | 4,001         | -             | 4,019         |
| Investment income   | 172,977             | 665,734       | -             | 838,711       |
| Investment income - assets held in trust                      | -                   | 868           | -             | 868           |
| Net realized and unrealized gain on investments               | (449,576)           | (193,251)     | (9,761)       | (652,588)     |
| Net assets released from restrictions                         | 2,732,752           | (2,732,752)   | -             | -             |
| Total revenue and other support                               | 3,373,482           | 8,991         | 745,031       | 4,127,504     |
| <b>Expenses</b>   |                     |               |               |               |
| Foundation expenses   |                     |               |               |               |
| General administrative expenses                               | 431,760             | -             | -             | 431,760       |
| Fundraising expenses  | 238,033             | -             | -             | 238,033       |
| Total Foundation expenses                                     | 669,793             | -             | -             | 669,793       |
| Contributions to the University for the following purposes    |                     |               |               |               |
| Program expenses  |                     |               |               |               |
| Scholarships  | 638,809             | -             | -             | 638,809       |
| Academic support - TV/Radio                                   | 864,175             | -             | -             | 864,175       |
| Student services - athletics                                  | 442,379             | -             | -             | 442,379       |
| Instruction and other departmental                            | 637,740             | -             | -             | 637,740       |
| Support services  |                     |               |               |               |
| Institutional support – plant facilities                      | 188,797             | -             | -             | 188,797       |
| Total contributions to the University                         | 2,771,900           | -             | -             | 2,771,900     |
| Total expenses  | 3,441,693           | -             | -             | 3,441,693     |
| <b>Increase (Decrease) in Net Assets Before Other Changes</b> |                     |               |               |               |
| Other Changes   | (68,211)            | 8,991         | 745,031       | 685,811       |
| <b>Other Changes</b>  |                     |               |               |               |
| Adjustments to actuarial liability of annuities payable       | -                   | (22,782)      | (124,182)     | (146,964)     |
| Other   | (456,765)           | 298,587       | 45,596        | (112,582)     |
|   | (456,765)           | 275,805       | (78,586)      | (259,546)     |
| <b>Increase (Decrease) in Net Assets</b>                      |                     |               |               |               |
|   | (524,976)           | 284,796       | 666,445       | 426,265       |
| <b>Net Assets, June 30, 2007</b>                              |                     |               |               |               |
|   | 7,728,092           | 10,987,177    | 14,465,075    | 33,180,344    |
| <b>Net Assets, June 30, 2008</b>                              |                     |               |               |               |
|   | \$ 7,203,116        | \$ 11,271,973 | \$ 15,131,520 | \$ 33,606,609 |

See Notes to Financial Statements

**University of Central Missouri**  
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**Statements of Cash Flows**  
**Years Ended June 30, 2009 and 2008**

|  | <b>2009</b>   | <b>2008</b>   |
|--|---------------|---------------|
| <b>Operating Activities</b>                          |               |               |
| Tuition and fees                                     | \$ 54,769,278 | \$ 52,124,779 |
| Grants and contracts                                 | 1,250,933     | 1,608,925     |
| Sales and services of educational activities         | 1,863,726     | 1,162,060     |
| Payments to suppliers                                | (25,417,334)  | (23,741,150)  |
| Payments for utilities                               | (5,514,072)   | (5,561,458)   |
| Payments to employees                                | (98,608,454)  | (96,524,553)  |
| Payments for scholarships and fellowships            | (5,165,283)   | (4,835,511)   |
| Loans issued to students                             | (1,543,518)   | (1,774,814)   |
| Collection of loans to students                      | 1,825,567     | 2,012,748     |
| Sales and services of auxiliary enterprises          | 27,181,461    | 24,156,805    |
| Other payments                                       | (7,044,951)   | (8,051,092)   |
| Net cash used in operating activities                | (56,402,647)  | (59,423,261)  |
| <b>Noncapital Financing Activities</b>               |               |               |
| State appropriations                                 | 57,886,766    | 55,703,089    |
| Gifts and grants for other than capital purposes     | 18,518,429    | 19,725,578    |
| Other payments                                       | (60,497)      | (67,294)      |
| Net cash provided by noncapital financing activities | 76,344,698    | 75,361,373    |
| <b>Capital and Related Financing Activities</b>      |               |               |
| Proceeds from issuance of capital debt               | 20,500,000    | 1,200,000     |

**University of Central Missouri**  
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**University of Central Missouri**  
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The following estimated useful lives are being used by the University:

|                                   |               |
|-----------------------------------|---------------|
| 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 rates paid for long-term borrowing for projects not funded with tax-exempt debt. For those projects funded with tax-exempt debt, interest costs of borrowing specifically for the project are capitalized net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

|   | <b>2009</b>         | <b>2008</b>         |
|---|---------------------|---------------------|
| Total interest expense incurred on borrowings for project             | \$ 380,211          | \$ -                |
| Interest income from investment of proceeds of borrowings for project | <u>(107,725)</u>    | <u>-</u>            |
| Net interest cost capitalized on borrowings for specific projects     | 272,486             | -                   |
| Interest costs capitalized for projects with no specific borrowings   | <u>212,996</u>      | <u>195,126</u>      |
| Total interest capitalized  | <u>\$ 485,482</u>   | <u>\$ 195,126</u>   |
| Interest capitalized  | \$ 593,207          | \$ 195,126          |
| Interest charged to expense   | <u>972,860</u>      | <u>993,864</u>      |
| Total interest incurred   | <u>\$ 1,566,067</u> | <u>\$ 1,188,990</u> |

**Compensated Absences**

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



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housing for the years ended June 30, 2009 and 2008, were \$3,059,884 and \$2,890,232, respectively.

**University of Central Missouri**  
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**Reclassifications**

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Note 2: Deposits, Investments and Investment Return**

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The University's deposit policy for custodial credit risk must comply with the provisions of state policy which requires all deposits placed in financial institutions to be at least 100% collateralized with securities that are acceptable to the Missouri State Governor, Missouri State Treasurer and the Missouri State Auditor. All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a nonaffiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts.

At June 30, 2009 and 2008, respectively, the University's bank balances were \$50,308,392 and \$33,865,980. None of these deposits were exposed to custodial credit risk at June 30, 2009 or 2008.

**Investments**

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

At June 30, 2009 and 2008, the University had the following investments and maturities:

| Type                      | Fair Value           | June 30, 2009        |                     |             |                 |
|---------------------------|----------------------|----------------------|---------------------|-------------|-----------------|
|                           |                      | Maturities in Years  |                     |             |                 |
|                           |                      | Less<br>than 1       | 1-5                 | 6-10        | More<br>than 10 |
| U.S. agencies obligations | \$ 24,197,999        | \$ 22,108,378        | \$ 2,089,621        | \$ -        | \$ -            |
| Corporate bonds           | 2,014,303            | 2,014,303            | -                   | -           | -               |
| Mutual fund               | 21,751               |                      |                     |             |                 |
|                           | <u>\$ 26,234,053</u> | <u>\$ 24,122,681</u> | <u>\$ 2,089,621</u> | <u>\$ -</u> | <u>\$ -</u>     |

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|                           |                      | June 30, 2008        |                     |             |                 |
|---------------------------|----------------------|----------------------|---------------------|-------------|-----------------|
|                           |                      | Maturities in Years  |                     |             |                 |
| Type                      | Fair Value           | Less<br>than 1       | 1-5                 | 6-10        | More<br>than 10 |
| U.S. agencies obligations | \$ 6,019,733         | \$ 6,019,733         | \$ -                | \$ -        | \$ -            |
| Corporate bonds           | 8,601,470            | <u>6,573,611</u>     | <u>2,027,859</u>    | <u>-</u>    | <u>-</u>        |
| Mutual fund               | <u>30,374</u>        |                      |                     |             |                 |
|                           | <u>\$ 14,651,577</u> | <u>\$ 12,593,344</u> | <u>\$ 2,027,859</u> | <u>\$ -</u> | <u>\$ -</u>     |

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

June 30, 2009 Investment U.S. agencies, it  
Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University’s policy to limit its investments in corporate bonds to “A”, “AA” and “AAA” as rated by Standard and Poor’s and Moody’s Investors Services. At

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**Summary of Carrying Values**

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

|   | <u><b>2009</b></u>          | <u><b>2008</b></u>          |
|---|-----------------------------|-----------------------------|
| Carrying value  |                             |                             |
| Deposits  | \$ 49,715,643               | \$ 32,880,734               |
| Investments   | <u>26,234,053</u>           | <u>14,651,577</u>           |
|   | <u><u>\$ 75,949,696</u></u> | <u><u>\$ 47,532,311</u></u> |
| Included in the following statements of net assets captions |                             |                             |
| Cash and cash equivalents                                   | \$ 5,319,392                | \$ 4,176,662                |
| Restricted cash and investments – current                   | 17,878,390                  | 704,075                     |
| Short-term investments                                      | 48,702,914                  | 34,623,715                  |
| Noncurrent cash and investments                             | 2,000,000                   | 8,027,859                   |
| Restricted investments long-term                            | <u>2,049,000</u>            | <u>-</u>                    |
|   | <u><u>\$ 75,949,696</u></u> | <u><u>\$ 47,532,311</u></u> |

**Investment Income**

Investment income for the years ended June 30, 2009 and 2008, consisted of:

|  | <u><b>2009</b></u>         | <u><b>2008</b></u>         |
|--|----------------------------|----------------------------|
| Interest and dividend income                 | \$ 1,261,093               | \$ 2,134,685               |
| Net increase in fair value of<br>investments | <u>12,244</u>              | <u>33,548</u>              |
|  | <u><u>\$ 1,273,337</u></u> | <u><u>\$ 2,168,233</u></u> |



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**Note 4: Long-Term Liabilities**

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2009 and 2008:

|   | <b>Beginning<br/>Balance</b> | <b>2009</b>          |                     | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
|---|------------------------------|----------------------|---------------------|---------------------------|----------------------------|
|   |                              | <b>Additions</b>     | <b>Deductions</b>   |                           |                            |
| Revenue bonds   |                              |                      |                     |                           |                            |
| Student Housing System, Series 2002A  | \$ 10,885,000                | \$ -                 | \$ 1,325,000        | \$ 9,560,000              | \$ 1,375,000               |
| Education Facility, Series 1999   | 2,050,000                    | -                    | 885,000             | 1,165,000                 | 565,000                    |
| Stadium Facility, Series 1999   | 1,980,000                    | -                    | 250,000             | 1,730,000                 | 260,000                    |
| Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002 | 4,955,000                    | -                    | 420,000             | 4,535,000                 | 435,000                    |
| Student Housing System, Energy Savings Program, Series 2002                                     | 5,570,000                    | -                    | 475,000             | 5,095,000                 | 490,000                    |
| Education Facility, Series 2007   | 1,151,480                    | -                    | 97,990              | 1,053,490                 | 102,851                    |
| Student Recreation Center, Series 2009  | -                            | 20,500,000           | -                   | 20,500,000                | -                          |
| Capital lease obligations   | 968,000                      | 5,106,908            | 318,221             | 5,756,687                 | 199,899                    |
|   | <u>27,559,480</u>            | <u>25,606,908</u>    | <u>3,771,211</u>    | <u>49,395,177</u>         | <u>3,427,750</u>           |
| Unamortized discount on bonds payable   | (516,357)                    | 12,827               | (58,494)            | (445,036)                 | -                          |
|   | <u>(516,357)</u>             | <u>12,827</u>        | <u>(58,494)</u>     | <u>(445,036)</u>          | <u>-</u>                   |
| Total bonds, notes and capital leases   | <u>27,043,123</u>            | <u>25,619,735</u>    | <u>3,712,717</u>    | <u>48,950,141</u>         | <u>3,427,750</u>           |
| Other noncurrent liabilities  |                              |                      |                     |                           |                            |
| Accrued compensated absences  | 3,456,269                    | 2,189,195            | 1,965,067           | 3,680,397                 | 2,090,026                  |
| Accrued settlement  | 605,648                      | -                    | 27,386              | 578,262                   | 50,000                     |
| Other long-term liabilities   | 481,910                      | 217,520              | -                   | 699,430                   | -                          |
|   | <u>4,543,827</u>             | <u>2,406,715</u>     | <u>1,992,453</u>    | <u>4,958,089</u>          | <u>2,140,026</u>           |
| Total other noncurrent liabilities  | <u>4,543,827</u>             | <u>2,406,715</u>     | <u>1,992,453</u>    | <u>4,958,089</u>          | <u>2,140,026</u>           |
| Total long-term debt and other obligations  | <u>\$ 31,586,950</u>         | <u>\$ 28,026,450</u> | <u>\$ 5,705,170</u> | <u>\$ 53,908,230</u>      | <u>\$ 5,567,776</u>        |



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***Revenue Bonds Payable***

On January 29, 2009, the University issued \$20,500,000 of revenue bonds. The bonds bear interest, payable semiannually, at rates of 1.5% to 5.05%, which begin October 1, 2009. Principal maturities begin October 1, 2010, and continue until 2029. Proceeds from the issuance of these bonds are being used to renovate the Morrow-Garrison Complex and to construct a new student recreation and wellness center. The 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 October 1, 2007, the University issued \$1,200,000 of insured Educational Facilities Revenue Bond, Series 2007. These bonds bear interest, payable semiannually, at 4.9% which began April 1, 2008. Principal maturities began April 1, 2008, and continue until 2017. Proceeds from issuance of these bonds were used to finance the demolition of the Pertle Springs Clubhouse and swimming pool, installation of a new sewer system, expansion of the existing driving range and placement of temporary facilities on the grounds to allow the University to become accredited by the Professional Golf Association for a BS/BA in Marketing.

On December 23, 2002, the University issued \$14,340,000 of revenue bonds. The bonds bear interest, payable semiannually, at rates of 1.25% to 4.35%, which began April 1, 2003. Principal maturities began October 1, 2003, and continue until 2017. Proceeds from the issuance of these bonds were used to fund the Student Housing Energy Savings Program and to refund the Library Facility, Series 1995 Bonds which mature in 2025. 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. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

On January 15, 2002, the University issued \$17,850,000 of bonds. The bonds bear interest, payable semiannually, at rates of 1.5% to 4.6%, which began September 1, 2002. Principal maturities began September 1, 2002, and continue until 2015. Proceeds from the issuance of these bonds were used to refund the Student Housing System Refunding Revenue Series 1993 Bonds. The bonds are secured by the net revenues available for debt service of the housing system of the University. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer. Subsequent to year end on July 29, 2009, the University issued \$9,715,000 of bonds to refund these Student Housing System Refunding Revenue Series 2002 Bonds. The bonds bear interest payable semiannually, at rates of 0.9% to 3.5%, which will begin September 1, 2009. Principal maturities will begin September 1, 2009, and continue until 2015. The bonds are secured by the net revenues available for debt service of the housing system of the University. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

On December 1, 1999, the University issued \$7,200,000 of bonds. The bonds bear interest, payable semiannually, at rates of 4.25% to 5.05% and are due in semiannual installments, which began August 1, 2000. Principal maturities began August 1, 2001, and continue until 2010. Proceeds from the issuance of these bonds were used to purchase, acquire, construct, improve, renovate and/or equip (1) 16 airplanes used in the University's flight instruction program; (2) a 2,000 foot television tower utilized by the University's public television station, KMOS, in

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**Year Ending June 30,**

| 2010   | \$ 1,196,656 |
|--|--------------|
| 2011   | 3,386,817    |
| 2012   | 3,517,066    |
| 2013   | 3,517,066    |
| 2014   | 209,111      |
| 2015 - 2016                                    | 114,245      |
| Total minimum lease payments                   | 11,940,961   |
| Less amount representing interest              | 6,184,274    |
| Present value of future minimum lease payments | \$ 5,756,687 |

**Note 5: Related Party Transactions**

At June 30, 2009 and 2008, the University had a receivable from the Foundation in the amount of \$578,262 and \$605,648, respectively, to fund accrued settlement charges related to a trust held by the Foundation.

The University pays payroll expenses for some employees that are subsequently reimbursed by the Foundation. The total amount of wages paid by the University on behalf of the Foundation was \$402,886 and \$399,539 for the years ended June 30, 2009 and 2008, respectively. In addition, University employees provided services to the Foundation valued at \$694,624 and \$761,820 for the years ended June 30, 2009 and 2008, respectively, which were not reimbursed by the Foundation. Included in accounts receivable at June 30, 2009 and 2008, were receivables from the Foundation for reimbursements due of \$42,480 and \$41,876, respectively, for wages and benefits.

The University also has receivables from the Foundation at June 30, 2009 and 2008, of \$280,776 and \$530,273, respectively, for miscellaneous services performed on behalf of the Foundation.

During 2009 and 2008, the Foundation donated approximately \$0 and \$46,000, respectively, of

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**Note 6: Pension Plans**

***MOSERS***

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

The authority to establish and amend requirements of plan members and the University is set forth in state law and is vested in the plan's Board of Trustees. The University is required to contribute at an actuarially determined rate; the rate was 12.53% and 12.84% of annual covered payroll for 2009 and 2008, respectively. The University made 104%, 100%, and 100% of the required contributions of \$6,818,601, \$7,142,826 and \$6,852,993 in 2009, 2008 and 2007, respectively. The MOSERS funded status ratio was 85.9% and 86.8% as of June 30, 2008 and 2007, respectively.

The MOSERS funding policy provides for actuarially determined and Board approved, employer contributions using the entry-age normal cost method, consisting of normal cost and amortization of any unfunded accrued liabilities over an open 30-year period. Actuarially determined rates, expressed as percentages of annual covered payroll, provide for amounts sufficient to fund those benefits designated by State statute to be funded in advance. Employees do not contribute to MOSERS. Any amendments to the plan are established by changes in State statute.

***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 2009 and 2008, the University contributed 7.88% and 7.87%, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2009, 2008 and 2007, were \$840,886, \$710,596 and \$629,548, 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.

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**Note 7: Health Care Benefits**

***Employee Health and Welfare Benefits***

The University obtains employee health and welfare insurance through commercial insurers. The coverage is fully insured and the University neither assumes nor discharges claims for its participating members or their dependents. Employee health and welfare expense was \$6,334,471 and \$5,976,544 for the years ended June 30, 2009 and 2008, respectively.

***Other Postemployment Benefit Obligations***

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

For the year ending June 30, 2008, the University adopted the provisions of Governmental Accounting Standards Board Statement No. 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* reporting as a single-employer plan. GASB 45 requires recognition of expenses for postemployment benefits as services are performed, regardless of the timing of the related benefit payments. Application of GASB 45 has been made using a prospective recognition method.

At June 30, 2009 and 2008, 245 and 265 retirees of the University, respectively, had elected to participate in the health care plan. The plan is authorized by the Board of Governors until the employee reaches the age of 65, and benefits and amendments to the plan are approved by the Board. The plan is funded on a pay-as-you-go basis. The University pays the full portion of the premium for retirees that retired prior to January 1, 2007, until the retiree reaches Medicare eligibility. For retirees retiring between January 1, 2007, and December 31, 2016, the University will pay a portion of the premium, based on retirement date. Qualified retirees retiring after December 31, 2016, will be eligible to participate in the University's plan prior to age 65 only by paying the full cost of the premium established for pre-Medicare eligible retirees. Premiums are reviewed and set annually based on projections and claims history provided by the insurance carrier. Retiree claims are included in the cost pool with active employees, resulting in a lower retiree age-adjusted premium. The difference between actual age-adjusted premiums and the actual premium charged retirees results is included in the calculation of the University's obligation under GASB 45.

***Annual OPEB Cost and Net OPEB Obligations as of June 30, 2009 and 2008***



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following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the state's net OPEB obligation to the plan:

|  |                          |
|--|--------------------------|
| Normal cost                                      | \$ 22,939                |
| Amortization payment                             | 1,337,659                |
| Annual required contribution (ARC)               | <u>1,360,598</u>         |
| Interest on normal cost and amortization payment | 19,276                   |
| Adjustment to ARC                                | <u>(104,086)</u>         |
| Annual OPEB cost                                 | 1,275,788                |
| Less contributions made                          | <u>(1,058,950)</u>       |
| <br>   |                          |
| Increase in net OPEB obligation                  | 216,838                  |
| <br>   |                          |
| Net OPEB obligation - beginning of year          | <u>481,910</u>           |
| <br>   |                          |
| Net OPEB obligation - end of year                | <u><u>\$ 698,748</u></u> |

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and 2008 were as follows:

| <b>Fiscal Year End</b> | <b>Annual OPEB Cost</b> | <b>Percentage of Annual OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
|------------------------|-------------------------|---|----------------------------|
| 6/30/2008              | \$ 1,602,525            | 69.9%   | \$ 481,910                 |
| 6/30/2009              | 1,275,788               | 83.0%   | 698,748                    |

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A ar69.9% affect

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

Actuarial Assumptions:

|                                       |                                    |
|---------------------------------------|------------------------------------|
| Actuarial cost method                 | Projected Unit Credit              |
| UAAL amortization method              | Level dollar amount                |
| UAAL amortization period, closed/open | 5 years, open                      |
| Investment return (discount rate)     | 4.00%                              |
| Healthcare cost trend rate            | 8.5% decreasing to<br>5.5% in 2020 |

**Note 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, 2009 and 2008, there was no accrual recorded in the statements of net assets.

***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 \$53,425,000 related to construction contracts at June 30, 2009.

***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

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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

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**Contributions Receivable**

Contributions receivable consists of unconditional gifts and bequests to be received in future periods and have been discounted to their present value based on anticipated payment streams. The present value of the annual amount of contributions receivable to be realized at June 30, 2009 and 2008, is as follows:

|   | <b>June 30,<br/>2009</b> | <b>June 30,<br/>2008</b> |
|---|--------------------------|--------------------------|
| Due within one year                       | \$ 294,891               | \$ 509,259               |
| Due in one to five years                  | 435,210                  | 488,736                  |
| Due in more than five years               | 48,985                   | 6,000                    |
|   | 779,086                  | 1,003,995                |
| Less                                      |                          |                          |
| Allowance for uncollectible contributions | 71,632                   | 99,498                   |
| Unamortized discount                      | 45,873                   | 20,842                   |
|   | \$ 661,581               | \$ 883,655               |

**Net Assets**

Endowment net assets at June 30, 2009, by type of fund consisted of the following:

|                                     | <b>Unrestricted</b> | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>  |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------|
| Donor-restricted<br>endowment funds | \$ -                | \$ -                              | \$ 12,334,357                     | \$ 12,334,357 |
| Board-designated<br>endowment funds | 4,859,004           | 4,703,929                         | -                                 | 9,562,933     |
|                                     | \$ 4,859,004        | \$ 4,703,929                      | \$ 12,334,357                     | \$ 21,897,290 |

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$1,090,414 as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board. There were no such deficiencies as of June 30, 2008.

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The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2009 and 2008:

| <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restr</b> | <b>Temporarily</b> | <b>Permanently</b> |
|-----------------------------------|------------------------------|--------------------|--------------------|
|-----------------------------------|------------------------------|--------------------|--------------------|

## **Required Supplementary Information**

