

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
Accountants' Report and Financial Statements  
June 30, 2007 and 2006

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
June 30, 2007 and 2006

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## Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Governors  
University of Central Missouri  
Warrensburg, Missouri

We have audited the accompanying basic financial statements of University of Central Missouri and its discretely presented component unit, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of University of Central Missouri Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$35,460,957 and \$31,867,114 as of June 30, 2007 and 2006, respectively, and total revenues of \$6,702,801 and \$5,045,548, respectively, for the years then ended. Those statements were audited by other accountants whose reports thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for University of Central Missouri Foundation, are based solely on the reports of the other accountants.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of University of Central Missouri Foundation, which comprises the financial statements of the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Missouri and of its discretely presented component unit as of June 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2007, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BKD, LLP

November 28, 2007

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Management's Discussion and Analysis**  
**Years Ended June 30, 2007 and 2006**

**Overview**

The University of Central Missouri (UCM) is a comprehensive, public university dedicated to student learning and committed to service and excellence. With 150 career-building programs of study, a beautiful residential campus and a welcoming hometown, UCM is the school of choice for some 10,918 graduate and undergraduate students.

Founded as a teacher's college in 1871, the University of Central Missouri has maintained a commitment to excellent teaching. The University's six-month job-placement rate for undergraduates is 94% and reflecting our excellent financial support packages, our students benefit from one of the lowest student-debt ratios in the state.

Through a foundation in the liberal arts, professional degree programs, personalized higher education experiences and use of current technologies, UCM prepares a diverse body of students to be lifelong learners who are proficient in their fields of study, able to adapt to a changing world and contribute to the betterment of society. UCM serves as Missouri's lead professional technology institution and is committed to acquiring, disseminating and utilizing technology to enhance the University's comprehensive educational mission and to enrich the lives of all Missourians.

**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, 2007 and 2006, the Foundation provided support to the University of \$2,591,321 and \$3,159,217, respectively.

**Management's Discussion and Analysis**

This discussion and analysis of the University of Central Missouri's (the "University") financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2007, 2006 and 2005. Since the management's discussion and analysis is designed to focus on current activities, resulting changes and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

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

## Statement of Net Assets

The statement of net assets presents the consolidated financial position of the University at a point in time. The statement of net assets has three major components which include 1.) assets, 2.) liabilities and 3.) net assets. A description of each component is as follows:

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

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

**Net Assets** - Net assets represent University total assets less total liabilities. Net assets are classified in three major categories which include 1.) invested in capital assets, 2.) restricted and 3.) unrestricted.

- 1.) Invested in capital assets represents buildings, building improvements, equipment, etc. that is net of accumulated depreciation and related debt.
- 2.) Restricted net assets are those whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital projects.
- 3.) Unrestricted net assets 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.

A summary of the University's assets, liabilities and net assets at June 30, 2007 and 2006, is as follows:

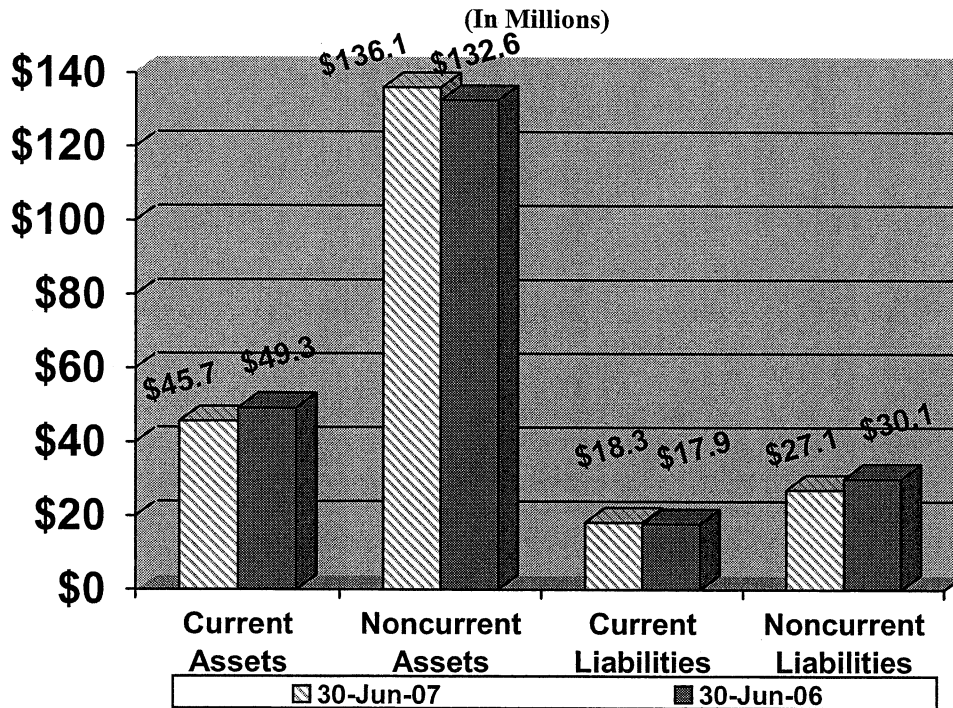
### Statements of Net Assets As of June 30, 2007 and 2006 (In Millions)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
<b>Current Assets</b>	\$ 45.7	\$ 49.3
<b>Noncurrent Assets</b>	<u>136.1</u>	<u>132.6</u>
<b>Total Assets</b>	<u>\$ 181.8</u>	<u>\$ 181.9</u>
<b>Current Liabilities</b>	\$ 18.3	\$ 17.9
<b>Noncurrent Liabilities</b>	<u>27.1</u>	<u>30.1</u>
<b>Total Liabilities</b>	<u>\$ 45.4</u>	<u>\$ 48.0</u>

**Statements of Net Assets**  
**As of June 30, 2007 and 2006**  
(In Millions)

	June 30, 2007	June 30, 2006
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 94.1	\$ 92.3
Restricted	8.2	8.0
Unrestricted	34.1	33.6
<b>Total Net Assets</b>	\$ 136.4	\$ 133.9

**Assets and Liabilities**



**Comparative Analysis of Fiscal Years 2007 and 2006**

**Current Assets** – Current assets for Fiscal Year 2007 totaled \$45.7 which is a decrease of \$3.6 million from Fiscal Year 2006 current assets of \$49.3 million. This mostly resulted from timing of investment maturities which resulted in a recognized increase (\$5.0 million) in other long-term investments.

Cash and cash equivalents decreased by \$1.8 million, restricted cash decreased \$0.3 million and short-term investments decreased \$0.8 million in comparison to Fiscal Year 2006. The decrease in cash and cash equivalents was offset by an increase in government and corporate long-term securities which earned a higher investment yield.

Prepaid expenses decreased approximately \$1.9 million. At the end of Fiscal Year 2006 in order to receive a cash discount, the University prepaid its grounds and maintenance contract that pertained to Fiscal Year 2007. In Fiscal Year 2007, the University elected not to prepay its grounds and maintenance contract for the next year.

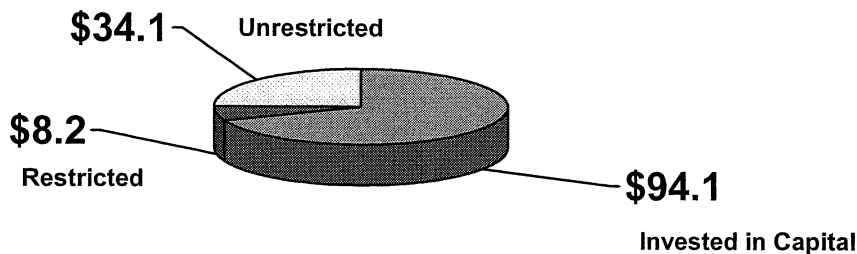
**Noncurrent Assets** – Total noncurrent assets increased approximately \$3.5 million. The increase is primarily due to the increase in long-term investments of approximately \$5 million, a decrease in capital assets of \$1.2 million as a result of certain capital assets becoming fully depreciated and the annual amortization of bond issue costs of approximately \$0.1 million.

**Current Liabilities** – Current liabilities increased by approximately \$0.4 million. Accounts payable and accrued liabilities increased \$1.1 million as a result of the accrued payroll tax payment for June payroll being remitted on July 2, 2007. In addition, the current portion of long-term debt decreased by \$0.2 million with the final maturity of the Telecommunications revenue bond.

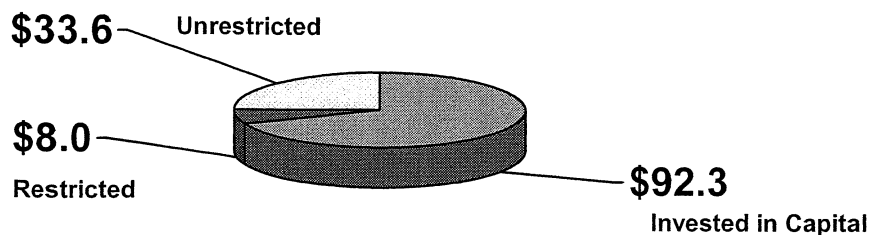
**Noncurrent Liabilities** – As of June 30, 2007, the University’s long-term debt decreased by \$2.8 million from June 30, 2006, as the result of scheduled bond payments.

**Net Assets** – At June 30, 2007, the University’s net assets were \$136.4 million. These are comprised of unrestricted - \$34.1 million; invested in capital assets, net of related debt - \$94.1 million; restricted for loans - \$8.1 million; other restricted - \$0.1 million. A summary of the University’s net assets at June 30, 2007 and 2006, is as follows:

**Fiscal Year 2007 - Net Assets  
(In Millions)**



**Fiscal Year 2006 - Net Assets  
(In Millions)**





## **Comparative Analysis of Fiscal Years 2006 and 2005**

**Current Assets** - Current assets for Fiscal Year 2006 totaled \$49.3 which was comparable to Fiscal Year 2005 current assets of \$49.7 million. The University saw a shift from cash and cash equivalents to short-term investments. Cash and cash equivalents decreased by \$20.2 million while short-term investments increased by \$18.8 million resulting from investing cash in short-term government and corporate securities which earned a higher interest yield than the University's money market fund.

Interest receivable increased by approximately \$0.2 million as a result of accrued interest income on short-term government and corporate bonds as of June 30, 2006.

The state appropriation receivable decreased by approximately \$0.3 as a result of the University receiving funds from the State of Missouri for the Wood building renovation project.

Prepaid expenses increased approximately \$1.5 million as a result of the University prepaying on June 30 the Fiscal Year 2007 grounds and maintenance contract with our outside vendor in order to obtain a cash discount that was advantageous to the University.

**Noncurrent Assets** – Total noncurrent assets decreased approximately \$0.8 million. The decrease was primarily due to the decrease in Perkins Loan Fund notes receivable of approximately \$0.4 million, decrease in capital assets of \$0.3 million as a result of certain capital assets becoming fully depreciated and the annual amortization of bond issue costs of approximately \$0.1 million.

**Current Liabilities** – Current liabilities increased by approximately \$2.9 million. This increase was primarily attributed to the fact the University's new financial system allows the carryforward of accounts payable from one fiscal year to the next. In prior years, the University paid 100% of its vendor payables prior to fiscal year end due to the prior financial system's inability to roll-forward vendor payables. At fiscal year end, the University was able to maximize its cash flow and earn interest income on this cash flow with the ability to pay vendor payables when they are actually due per the vendor credit terms.

**Noncurrent Liabilities** - As of June 30, 2006, the University's long-term debt decreased by \$3.4 million from June 30, 2005, as the result of scheduled bond payments.

## **Operating Results**

The statements 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, 2007 and 2006, are as follows:

**Operating Results**  
**Years Ended June 30, 2007 and 2006**  
(In Millions)

	June 30, 2007	June 30, 2006
<b>Operating Revenue</b>		
Tuition and fees	\$ 48.4	\$ 44.1
Federal grants and contracts	8.1	8.1
State grants and contracts	0.6	0.1
Auxiliary enterprises	23.2	22.1
Other	<u>5.8</u>	<u>4.8</u>
<b>Total Operating Revenues</b>	86.1	79.2
<b>Operating Expenses</b>	<u>149.1</u>	<u>143.1</u>
<b>Operating Loss</b>	<u>(63.0)</u>	<u>(63.9)</u>
<b>Nonoperating Revenue (Expenses)</b>		
State appropriations	53.4	52.2
Federal grants and contracts	5.4	5.4
State grants and contracts	1.3	1.2
Other grants and contracts	1.2	1.2
Contributions	2.5	2.3
Loss on disposal of net assets	—	(0.1)
Investment income	2.4	1.5
Interest on capital asset – related debt	(1.0)	(1.2)
Other nonoperating expenses	<u>(0.2)</u>	<u>(0.2)</u>
<b>Net Nonoperating Revenues</b>	<u>65.0</u>	<u>62.3</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains or Losses</b>	2.0	(1.6)
<b>Capital Grants and Gifts</b>	<u>0.5</u>	<u>0.8</u>
<b>Increase (Decrease) in Net Assets</b>	2.5	(0.8)
<b>Net Assets, Beginning of Year</b>	<u>133.9</u>	<u>134.7</u>
<b>Net Assets, End of Year</b>	<u>\$ 136.4</u>	<u>\$ 133.9</u>

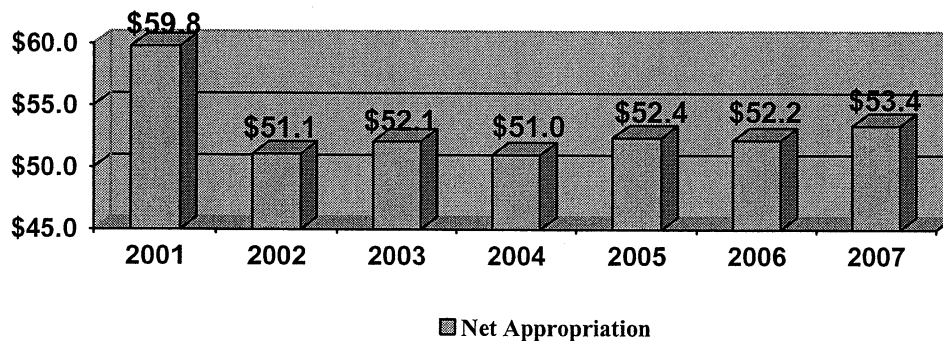
**Comparative Analysis of Fiscal Years 2007 and 2006**

**Operating Revenues** – For the year ended June 30, 2007, tuition and fee revenues (net of scholarship allowances and bad debt expense) were approximately \$4.3 million above the year ended June 30, 2006, primarily resulting from increased enrollment coupled with tuition and fee increases. Fiscal Year 2006 tuition and fees were approximately \$2.5 million above the year ended June 30, 2005, as the result of increased enrollment coupled with rate increases.

Auxiliary enterprises experienced an increase of \$1.1 million above Fiscal Year 2006. Student housing increased \$0.6 million resulting from a room rate increase of 5% and board of 3.62% over Fiscal Year 2006 rates. Bookstore revenue increased \$0.5 million due to increase in merchandise sales as a result of the University's name change and an increase in textbook sales. Other operating revenues increase of \$1.0 million includes a \$0.3 million increase in external conferences/events revenue, \$0.3 million increase in cooperative program revenues and other miscellaneous revenue increases of \$0.4 million.

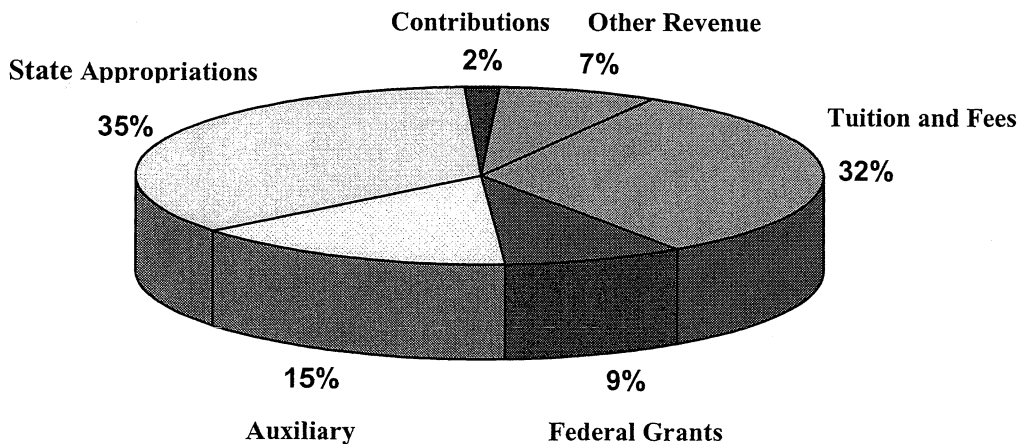
**Nonoperating Revenues** - Although state appropriations are considered part of the University's budgeting process and specifically included as general operating funds, the Governmental Accounting Standards Board (GASB) require state appropriations to be separately reported as nonoperating revenue.

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. The Fiscal Year 2007 state appropriation of \$53.4 million (net of 3% withholding) is still below the 2001 appropriation of \$59.8 million as the result of prior year cuts in state funding of higher education. Following is a historical trend of the University's state appropriation funding (net of withholdings).



Fiscal Year 2007 investment income of \$2.4 million represents an approximate \$0.9 million increase over the prior year amount of \$1.5 million. Investment income increased due to better interest rates in the certificate of deposit, government and corporate bond markets. In Fiscal Year 2006, investment income experienced an increase of \$0.4 million over Fiscal Year 2005.

The following graph summarizes the University's Fiscal Year 2007 revenue sources:



**Operating Expenses**  
**Years Ended June 30, 2007 and 2006**

	June 30, 2007	June 30, 2006
Compensation and benefits	\$ 91.3	\$ 89.7
Contractual services	11.6	10.5
Supplies and materials	12.2	11.9
Scholarships and fellowships	5.5	4.2
Depreciation	10.8	10.4
Utilities	5.1	5.1
Other	12.6	11.3
<b>Total</b>	<b>\$ 149.1</b>	<b>\$ 143.1</b>

**Operating Expenses** – Total operating expenses increased from \$143.1 million in Fiscal Year 2006 to \$149.1 million in Fiscal Year 2007 which represents a \$6.0 million increase.

Compensation and benefits increased \$1.6 million as the result of a 4% salary increase, a 9% increase in health care premiums and increased retirement benefits.

Contractual services increased \$1.1 million primarily as a result of a \$0.3 million increase in grant funded expenses, \$0.4 million increase in food service related expenses and \$0.2 million in additional consulting costs.

Other operating costs increased \$1.3 million primarily as a result of a \$0.8 million increase in software maintenance and computer hardware service contracts and \$0.2 million increase in maintenance and repairs.

Scholarships and fellowships increased by \$1.3 million primarily as a result of the increase in financial aid programs.

For the year ended June 30, 2006, operating expenses increased by approximately \$6.2 million above the year ended June 30, 2005. This increase is primarily related to increased expenses for compensation and benefits (\$7.9 million) resulting from increase in health care premiums and retirement benefits, utility cost increase (\$0.7 million), and reduction totaling approximately \$2.1 million of contractual services, supplies, materials and other expenses.

**Cash Flows**  
**Years Ended June 30, 2007 and 2006**  
(In Millions)

	June 30, 2007	June 30, 2006
<b>Cash Provided By (Used In)</b>		
Operating activities	\$ (50.0)	\$ (52.0)
Noncapital financing activities	63.0	62.8
Capital and related financing activities	(13.2)	(13.5)
Investing activities	(1.9)	(17.5)
<b>Decrease in Cash and Cash Equivalents</b>	(2.1)	(20.2)
<b>Cash and Cash Equivalents, Beginning of Year</b>	7.0	27.2
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4.9</b>	<b>\$ 7.0</b>

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 certificates of deposit or government securities. For instance, the University's total cash of \$4.9 million plus investments of \$35.8 million totals \$40.7 million in cash and investments for Fiscal Year 2007. In Fiscal Year 2006, total cash of \$7.0 million plus investments of \$31.7 million totaled \$38.7 million in Fiscal Year 2006. With sustaining increases in investment yields, the University continues to reallocate its cash and investments from primarily money market (cash) funds to government and corporate bonds in Fiscal Year 2007.

During the year ended June 30, 2007, cash used in operating activities amounted to (\$50.0) 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 noncapital financing activities of \$63.0 million includes state appropriations, gifts and grants for other than capital purposes and other receipts. Cash used for capital and related financing activities was (\$13.2) million. This included purchases of capital assets (\$9.1 million), principal and interest on capital debt and leases (\$4.8 million) which were partially offset by gifts and grants for capital purposes (\$0.1 million) and state appropriations for capital purposes. Cash and cash equivalents at June 30, 2007, were \$4.9 million, which decreased by \$2.1 million from June 30, 2006.

During the year ended June 30, 2006, cash used in operating activities amounted to (\$52.0) million, which resulted from receipts from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, student loans and associated collections that were offset by payments to suppliers, utilities, employees and other payments. Cash provided by noncapital financing activities of \$62.8 million includes state appropriations, gifts and grants for other than capital purposes and other receipts. Cash used for capital and related financing activities was (\$13.5) million. This included purchases of capital assets (\$9.4 million), principal and interest on capital debt and leases (\$4.8 million) which were partially offset by gifts and grants for capital purposes (\$0.4 million) and state capital appropriations (\$0.3 million). Cash and cash equivalents at June 30, 2006, were \$7.0 million, which decreased by \$20.2 million from June 30, 2005.

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Statements of Net Assets**  
**June 30, 2007 and 2006**

**Assets**

	2007	2006
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,245,260	\$ 6,062,053
Restricted cash and cash equivalents	610,353	900,943
Short-term investments	28,904,566	29,736,786
Accounts receivable, net of allowance; 2007 - \$2,866,180; 2006 - \$1,867,922	5,007,356	4,216,635
Interest receivable	370,474	274,993
Federal and state grants receivable	1,601,224	1,217,079
State appropriations receivable	-	40,847
Due from Foundation - current portion	50,000	50,000
Inventories	2,988,909	3,072,637
Loans to students, net	1,645,303	1,562,787
Prepaid expenses	287,607	2,207,652
Total current assets	45,711,052	49,342,412
 <b>Noncurrent assets</b>		
Other long-term investments	6,942,500	1,935,000
Loans to students, net	5,251,596	5,340,921
Due from Foundation	582,866	608,405
Capital assets, net	122,813,412	124,039,654
Deferred bond issue costs, net	555,473	629,992
Total noncurrent assets	136,145,847	132,553,972
Total assets	\$ 181,856,899	\$ 181,896,384

See Notes to Financial Statements

## Liabilities

	<u>2007</u>	<u>2006</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 10,444,250	\$ 9,377,676
Accrued compensated absences	1,869,046	1,675,984
Deferred revenue	2,170,882	2,586,053
Interest payable	351,918	392,164
Long-term debt - current portion	3,270,881	3,487,779
Accrued settlement - current portion	50,000	50,000
Student deposits	186,948	326,953
	<u>18,343,925</u>	<u>17,896,609</u>
Noncurrent liabilities		
Accrued compensated absences	1,302,658	1,319,943
Accrued settlement	582,866	608,405
Other long-term liability	-	100,000
Long-term debt	25,229,553	28,041,013
	<u>27,115,077</u>	<u>30,069,361</u>
Total liabilities	<u>45,459,002</u>	<u>47,965,970</u>

## Net Assets

Invested in capital assets, net of related debt	94,122,606	92,325,409
Restricted for		
Nonexpendable		
Loans	6,952,433	6,704,442
Expendable		
Scholarships and fellowships	79,711	83,214
Loans	1,128,825	1,091,903
Capital projects	-	40,847
Other	32,056	38,644
Unrestricted	34,082,266	33,645,955
Total net assets	<u>\$ 136,397,897</u>	<u>\$ 133,930,414</u>

**University of Central Missouri Foundation**  
**Statements of Financial Position**  
**June 30, 2007 and 2006**

**Assets**

	2007	2006
Cash and cash equivalents	\$ 1,331,423	\$ 2,615,422
Investments	32,714,681	27,895,334
Contributions receivable, net	860,751	692,148
Accrued investment income	196,445	164,444
Cash surrender value of life insurance	228,869	203,680
Assets held in trust	126,991	294,430
Prepaid expenses	1,797	1,656
Total assets	\$ 35,460,957	\$ 31,867,114

**Liabilities and Net Assets**

**Liabilities**

Annuities payable	\$ 1,711,385	\$ 1,783,634
Accrued expenses	569,228	336,640
Total liabilities	2,280,613	2,120,274

**Net Assets**

Unrestricted	7,728,092	6,283,985
Temporarily restricted	10,987,177	9,876,801
Permanently restricted	14,465,075	13,586,054
Total net assets	33,180,344	29,746,840
Total liabilities and net assets	\$ 35,460,957	\$ 31,867,114



**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, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Revenues</b>		
Tuition and fees, net of scholarship allowances; 2007 - \$9,544,553, 2006 - \$9,773,689 and bad debt expense; 2007 - \$726,717, 2006 - \$640,918	\$ 48,370,944	\$ 44,114,657
Federal grants and contracts	8,098,936	8,065,083
State grants and contracts	612,090	153,790
Interest on student loans receivable	151,161	113,095
Sales and services of educational activities	1,066,588	943,302
Auxiliary enterprises		
Housing, net of scholarship allowances; 2007 - \$2,756,896; 2006 - \$2,644,227	13,984,655	13,354,308
Bookstore	5,537,437	5,084,002
Other auxiliaries	3,655,196	3,619,290
Other operating revenues	4,596,048	3,736,356
Total operating revenues	86,073,055	79,183,883
<b>Operating Expenses</b>		
Compensation and benefits	91,329,263	89,690,951
Contractual services	11,586,512	10,552,880
Supplies and materials	12,163,939	11,859,108
Scholarships and fellowships	5,504,423	4,188,015
Depreciation	10,857,255	10,407,071
Utilities	5,065,029	5,121,391
Other	12,606,599	11,278,955
Total operating expenses	149,113,020	143,098,371
<b>Operating Loss</b>	<b>(63,039,965)</b>	<b>(63,914,488)</b>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	53,445,489	52,212,654
Federal grants and contracts	5,434,380	5,425,447
State grants and contracts	1,306,953	1,261,674
Other grants and contracts	1,149,441	1,165,778
Contributions	2,526,116	2,322,011
Loss on disposal of capital assets	-	(114,841)
Investment income	2,369,549	1,464,454
Interest on capital asset - related debt	(1,032,146)	(1,228,482)
Other nonoperating expenses	(166,042)	(199,480)
Net nonoperating revenues (expenses)	65,033,740	62,309,215

**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, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains or Losses</b>	\$ 1,993,775	\$ (1,605,273)
<b>Capital Grants and Gifts</b>	<u>473,708</u>	<u>851,993</u>
<b>Increase (Decrease) in Net Assets</b>	2,467,483	(753,280)
<b>Net Assets, Beginning of Year</b>	<u>133,930,414</u>	<u>134,683,694</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 136,397,897</u></u>	<u><u>\$ 133,930,414</u></u>

# University of Central Missouri Foundation

## Statement of Activities For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue and Other Support</b>				
Gifts	\$ 215,202	\$ 1,654,657	\$ 610,102	\$ 2,479,961
In-kind gifts	106,430	599,017	-	705,447
Other income	255	5,034	-	5,289
Investment income	166,737	653,687	-	820,424
Investment income - assets held in trust	-	7,561	-	7,561
Net realized and unrealized gain on investments	1,905,110	711,610	67,399	2,684,119
Net assets released from restrictions	2,492,445	(2,492,445)	-	-
Total revenue and other support	4,886,179	1,139,121	677,501	6,702,801
<b>Expenses</b>				
Foundation expenses				
General administrative expenses	380,290	-	-	380,290
Fundraising expenses	198,055	-	-	198,055
Total Foundation expenses	578,345	-	-	578,345
Contributions to the University for the following purposes				
Program expenses				
Scholarships	626,356	-	-	626,356
Academic support - TV/Radio	487,061	-	-	487,061
Student services - athletics	751,032	-	-	751,032
Instruction and other departmental	880,099	-	-	880,099
Support services				
Institutional support - plant facilities	137,035	-	-	137,035
Total contributions to the University	2,881,583	-	-	2,881,583
Total expenses	3,459,928	-	-	3,459,928
<b>Increase in Net Assets Before Other Changes</b>	1,426,251	1,139,121	677,501	3,242,873
<b>Other Changes</b>				
Adjustments to actuarial liability of annuities payable	-	(24,461)	160,312	135,851
Other	17,856	(4,284)	41,208	54,780
	17,856	(28,745)	201,520	190,631
<b>Increase in Net Assets</b>	1,444,107	1,110,376	879,021	3,433,504
<b>Net Assets, June 30, 2006</b>	6,283,985	9,876,801	13,586,054	29,746,840
<b>Net Assets, June 30, 2007</b>	\$ 7,728,092	\$ 10,987,177	\$ 14,465,075	\$ 33,180,344

See Notes to Financial Statements

**University of Central Missouri Foundation**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Revenue and Other Support</b>				
Gifts	\$ 568,954	\$ 1,788,488	\$ 509,236	\$ 2,866,678
In-kind gifts	10,398	738,965	-	749,363
Other income	279	7,587	-	7,866
Investment income	215,935	530,520	232	746,687
Investment income - assets held in trust	-	6,906	-	6,906
Net realized and unrealized gain on investments	385,018	253,201	29,829	668,048
Net assets released from restrictions	2,923,068	(2,923,068)	-	-
Total revenue and other support	<u>4,103,652</u>	<u>402,599</u>	<u>539,297</u>	<u>5,045,548</u>
<b>Expenses</b>				
Foundation expenses				
General administrative expenses	367,911	-	-	367,911
Fundraising expenses	164,747	-	-	164,747
Total Foundation expenses	<u>532,658</u>	<u>-</u>	<u>-</u>	<u>532,658</u>
Contributions to the University for the following purposes				
Program expenses				
Scholarships	536,204	-	-	536,204
Academic support - TV/Radio	581,068	-	-	581,068
Student services - athletics	1,020,352	-	-	1,020,352
Instruction and other departmental	796,652	-	-	796,652
Support services				
Institutional support – plant facilities	657,993	-	-	657,993
Total contributions to the University	<u>3,592,269</u>	<u>-</u>	<u>-</u>	<u>3,592,269</u>
Total expenses	<u>4,124,927</u>	<u>-</u>	<u>-</u>	<u>4,124,927</u>
<b>Increase (Decrease) in Net Assets Before Other Changes</b>	<u>(21,275)</u>	<u>402,599</u>	<u>539,297</u>	<u>920,621</u>
<b>Other Changes</b>				
Adjustments to actuarial liability of annuities payable	-	(25,325)	(84,910)	(110,235)
Other	(12,104)	(18,021)	30,125	-
	<u>(12,104)</u>	<u>(43,346)</u>	<u>(54,785)</u>	<u>(110,235)</u>
<b>Increase (Decrease) in Net Assets</b>	(33,379)	359,253	484,512	810,386
<b>Net Assets, June 30, 2005</b>	<u>6,317,364</u>	<u>9,517,548</u>	<u>13,101,542</u>	<u>28,936,454</u>
<b>Net Assets, June 30, 2006</b>	<u>\$ 6,283,985</u>	<u>\$ 9,876,801</u>	<u>\$ 13,586,054</u>	<u>\$ 29,746,840</u>

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Operating Activities</b>		
Tuition and fees	\$ 47,060,685	\$ 43,968,883
Grants and contracts	8,711,026	8,218,873
Sales and services of educational activities	1,066,588	943,302
Payments to suppliers	(20,975,474)	(22,026,710)
Payments for utilities	(5,065,029)	(5,121,391)
Payments to employees	(90,956,183)	(88,452,299)
Payments for scholarships and fellowships	(5,504,423)	(4,188,015)
Loans issued to students	(334,349)	(2,770,978)
Collection of loans to students	492,319	3,245,402
Sales and services of auxiliary enterprises	23,486,664	21,681,508
Other payments	(8,010,551)	(7,542,599)
Net cash used in operating activities	(50,028,727)	(52,044,024)
<b>Noncapital Financing Activities</b>		
State appropriations	53,445,489	52,212,654
Gifts and grants for other than capital purposes	9,709,128	10,769,769
Other payments	(91,523)	(114,581)
Net cash provided by noncapital financing activities	63,063,094	62,867,842
<b>Capital and Related Financing Activities</b>		
Gifts and grants for capital purposes	126,415	393,633
Capital appropriations - state	40,847	328,615
Purchase of capital assets	(8,637,840)	(9,399,473)
Principal paid on capital debt and leases	(3,531,042)	(3,469,974)
Interest paid on capital debt and leases	(1,238,918)	(1,338,913)
Net cash used in capital and related financing activities	(13,240,538)	(13,486,112)

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Statements of Cash Flows**  
**Years Ended June 30, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>Investing Activities</b>		
Investment income	\$ 1,632,852	\$ 1,023,898
Proceeds from sales and maturities of investments	48,990,000	22,975,000
Purchases of investments	(52,524,064)	(41,534,458)
Net cash used in investing activities	(1,901,212)	(17,535,560)
<b>Decrease in Cash and Cash Equivalents</b>	(2,107,383)	(20,197,854)
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,962,996	27,160,850
<b>Cash and Cash Equivalents, End of Year</b>	\$ 4,855,613	\$ 6,962,996
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 4,245,260	\$ 6,062,053
Restricted cash and cash equivalents – current	610,353	900,943
Total cash and cash equivalents	\$ 4,855,613	\$ 6,962,996
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities</b>		
Operating loss	\$ (63,039,965)	\$ (63,914,488)
Depreciation expense	10,857,255	10,407,071
Changes in operating assets and liabilities		
Receivables, net	(762,515)	346,113
Inventories	83,728	(183,603)
Prepaid expenses	1,920,045	(1,504,402)
Accounts payable and accrued liabilities	771,204	2,073,283
Deferred revenue	(91,554)	233,385
Accrued salaries and benefits	373,080	1,238,652
Student deposits	(140,005)	(740,035)
<b>Net Cash Used in Operating Activities</b>	\$ (50,028,727)	\$ (52,044,024)
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchases	\$ 190,371	\$ 192,304
Capital lease obligation incurred for capital asset purchase	\$ 443,869	\$ -
Capital assets donated	\$ 325,896	\$ 595,285

**University of Central Missouri**  
**A Component Unit of the State of Missouri**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

University of Central Missouri, previously Central Missouri State University (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 and Federal Perkins Loan Programs. 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 assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets 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). Pursuant to GASB Statement No. 20, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**University of Central Missouri**  
**A Component Unit of the State of Missouri**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

***Cash Equivalents***

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2007 and 2006, cash equivalents consisted primarily of money market funds.

***Investments and Investment Income***

Investments in debt securities, corporate bonds and mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposit are carried at cost.

Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

***Accounts Receivable***

Accounts receivable consists of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable are recorded net of estimated uncollectible amounts.

***Deferred Bond Issue Costs***

Bond issue costs incurred on outstanding revenue bond issues have been deferred and are being amortized over the life of the bonds using the straight-line method. Total amortization was \$74,519 and \$84,400 for the years ended June 30, 2007 and 2006, respectively.

***Inventories***

Inventories include bookstore merchandise, golf equipment and consumable supplies. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

***Loans to Students***

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$719,050 at June 30, 2007 and 2006.

***Capital Assets***

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



**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

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 for the years ended June 30, 2007 and 2006, was \$225,341 and \$133,433, respectively.

***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.

***Deferred Revenue***

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

***Net Assets***

Net assets of the University are classified in three components. Net assets invested in capital assets, net of related debt, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net assets are noncapital assets which include those that are expendable 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 and those that are not expendable that include the federal portion of loan funds and funds held for which the income is used to provide scholarships. Unrestricted net assets are remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt or restricted.

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

***Classification of Revenues***

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

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

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

***Scholarship Allowances***

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. 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, 2007 and 2006, were \$9,544,553 and \$9,773,689, respectively. The scholarship allowances on housing for the years ended June 30, 2007 and 2006, were \$2,756,896 and \$2,644,227, 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, 2007 and 2006, of \$632,866 and \$658,405, 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

**University of Central Missouri**  
**A Component Unit of the State of Missouri**  
**Notes to Financial Statements**  
**June 30, 2007 and 2006**

liability is to be funded by proceeds of the estate which are held by University of Central Missouri Foundation (*Note 6*).

**Foundation**

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

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

During the years ended June 30, 2007 and 2006, the Foundation provided \$2,591,321 and \$3,159,217, 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 Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. 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.

**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, 2007 and 2006, respectively, the University's bank balances were \$11,302,635 and \$14,320,193. None of these deposits were exposed to custodial credit risk at June 30, 2007 or 2006.

**University of Central Missouri**  
**A Component Unit of the State of Missouri**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

**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, 2007 and 2006, the University had the following investments and maturities:

		<b>June 30, 2007</b>			
		<b>Maturities in Years</b>			
<b>Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
U.S. agencies obligations	\$ 24,795,220	\$ 20,852,720	\$ 3,942,500	\$ -	\$ -
Corporate bond	6,020,451	6,020,451	-	-	-
Mutual fund	31,395				
	<u>\$ 30,847,066</u>	<u>\$ 26,873,171</u>	<u>\$ 3,942,500</u>	<u>\$ -</u>	<u>\$ -</u>
		<b>June 30, 2006</b>			
		<b>Maturities in Years</b>			
<b>Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More than 10</b>
U.S. agencies obligations	\$ 20,714,370	\$ 18,779,370	\$ 1,935,000	\$ -	\$ -
Corporate bond	6,940,159	6,940,159	-	-	-
Mutual fund	27,257				
	<u>\$ 27,681,786</u>	<u>\$ 25,719,529</u>	<u>\$ 1,935,000</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.

**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

# University of Central Missouri

## A Component Unit of the State of Missouri

### Notes to Financial Statements

June 30, 2007 and 2006

June 30, 2007, the University's investments in corporate bonds were rated between "AA" and "AA+" by Standard and Poor's. The University's investments in U.S. agencies obligations not directly guaranteed by the U.S. government at June 30, 2007 and 2006, were rated AAA by Standard & Poor's. Ratings for the University's investments in mutual funds at June 30, 2007 and 2006, are not available.

**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, 2007 and 2006, are held in the University's name and are 100% collateralized.

**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 101% with U.S. treasury bills, bonds or notes and are entered into for periods of 180 days or less. At June 30, 2007 and 2006, the University's investment in corporate bonds constituted 16.79% and 21.91%, respectively, of its total investments, including certificates of deposit.

### **Summary of Carrying Values**

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

	<b>2007</b>	<b>2006</b>
Carrying value		
Deposits	\$ 9,855,613	\$ 10,952,996
Investments	30,847,066	27,681,786
	<b>\$ 40,702,679</b>	<b>\$ 38,634,782</b>
Included in the following statements of net assets captions		
Cash and cash equivalents	\$ 4,245,260	\$ 6,062,053
Restricted cash and investments – current	610,353	900,943
Short-term investments	28,904,566	29,736,786
Noncurrent cash and investments	6,942,500	1,935,000
	<b>\$ 40,702,679</b>	<b>\$ 38,634,782</b>

**University of Central Missouri**  
**A Component Unit of the State of Missouri**

**Notes to Financial Statements**

**June 30, 2007 and 2006**

**Investment Income**

Investment income for the years ended June 30, 2007 and 2006, consisted of:

	<b>2007</b>	<b>2006</b>
Interest and dividend income	\$ 2,319,195	\$ 1,517,509
Net increase (decrease) in fair value of investments	50,354	(53,055)
	\$ 2,369,549	\$ 1,464,454

**Note 3: Capital Assets**

Capital assets activity for the years ended June 30, 2007 and 2006, were:

	<b>2007</b>				<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	
Land	\$ 11,414,337	\$ 55,000	\$ -	\$ -	\$ 11,469,337
Collections	2,784,652	7,700	-	-	2,792,352
Infrastructure	13,964,489	-	-	674,987	14,639,476
Buildings and improvements	178,889,362	-	-	6,802,558	185,691,920
Furniture, fixtures and equipment	30,075,754	2,652,719	329,173	-	32,399,300
Library materials	10,935,531	1,300,903	870,935	-	11,365,499
Construction in progress	6,228,657	5,614,691	-	(7,477,545)	4,365,803
	254,292,782	9,631,013	1,200,108	-	262,723,687
Less accumulated depreciation					
Infrastructure	7,586,479	713,219	-	-	8,299,698
Buildings and improvements	99,418,779	6,062,914	-	-	105,481,693
Furniture, fixtures and equipment	18,346,393	2,901,025	329,173	-	20,918,245
Library materials	4,901,477	1,180,097	870,935	-	5,210,639
	130,253,128	10,857,255	1,200,108	-	139,910,275
Net capital assets	\$ 124,039,654	\$ (1,226,242)	\$ -	\$ -	\$ 122,813,412

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	<b>Balance</b>	<b>Additions</b>	<b>2006 Disposals</b>	<b>Transfers</b>	<b>Balance</b>
Land	\$ 11,348,870	\$ 65,467	\$ -	\$ -	\$ 11,414,337
Collections	2,775,422	9,230	-	-	2,784,652
Infrastructure	12,865,588	104,638	-	994,263	13,964,489
Buildings and improvements	177,647,762	-	-	1,241,600	178,889,362
Furniture, fixtures and equipment	26,495,424	1,591,876	154,545	2,142,999	30,075,754
Library materials	10,159,767	1,517,869	742,105	-	10,935,531
Construction in progress	3,710,929	6,896,590	-	(4,378,862)	6,228,657
	<u>245,003,762</u>	<u>10,185,670</u>	<u>896,650</u>	<u>-</u>	<u>254,292,782</u>
Less accumulated depreciation					
Infrastructure	6,836,310	750,169	-	-	7,586,479
Buildings and improvements	93,171,790	6,246,989	-	-	99,418,779
Furniture, fixtures and equipment	16,106,842	2,279,255	39,704	-	18,346,393
Library materials	4,512,924	1,130,658	742,105	-	4,901,477
	<u>120,627,866</u>	<u>10,407,071</u>	<u>781,809</u>	<u>-</u>	<u>130,253,128</u>
Net capital assets	<u>\$ 124,375,896</u>	<u>\$ (221,401)</u>	<u>\$ 114,841</u>	<u>\$ -</u>	<u>\$ 124,039,654</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, 2007 and 2006:

	Beginning Balance	2007		Ending Balance	Current Portion
		Additions	Deductions		
Revenue bonds					
Student Housing System, Series 2002A	\$ 13,390,000	\$ -	\$ 1,230,000	\$ 12,160,000	\$ 1,275,000
Telecommunication System, Series 2002B	335,000	-	335,000	-	-
Education Facility, Series 1999	3,700,000	-	805,000	2,895,000	845,000
Stadium Facility, Series 1999	2,455,000	-	235,000	2,220,000	240,000
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	5,770,000	-	405,000	5,365,000	410,000
Student Housing System, Energy Savings Program, Series 2002	6,485,000	-	450,000	6,035,000	465,000
Capital lease obligations	<u>27,779</u>	<u>443,869</u>	<u>71,042</u>	<u>400,606</u>	<u>35,881</u>
	32,162,779	443,869	3,531,042	29,075,606	3,270,881
Unamortized discount on bonds payable	<u>(633,987)</u>	<u>-</u>	<u>(58,815)</u>	<u>(575,172)</u>	<u>-</u>
 Total bonds, notes and capital leases	<u>31,528,792</u>	<u>443,869</u>	<u>3,472,227</u>	<u>28,500,434</u>	<u>3,270,881</u>
 Other noncurrent liabilities					
Accrued compensated absences	2,995,927	1,851,761	1,675,984	3,171,704	1,869,046
Accrued settlement	658,405	-	25,539	632,866	50,000
Other long-term liability	<u>200,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
 Total other noncurrent liabilities	<u>3,854,332</u>	<u>1,851,761</u>	<u>1,801,523</u>	<u>3,904,570</u>	<u>2,019,046</u>
 Total long-term debt and other obligations	<u>\$ 35,383,124</u>	<u>\$ 2,295,630</u>	<u>\$ 5,273,750</u>	<u>\$ 32,405,004</u>	<u>\$ 5,289,927</u>



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	Beginning Balance	Additions	2006		Ending Balance	Current Portion
			Deductions			
Revenue bonds						
Student Housing System, Series 2002A	\$ 14,665,000	\$ -	\$ 1,275,000		\$ 13,390,000	\$ 1,230,000
Telecommunication System, Series 2002B	660,000	-	325,000		335,000	335,000
Education Facility, Series 1999	4,465,000	-	765,000		3,700,000	805,000
Stadium Facility, Series 1999	2,680,000	-	225,000		2,455,000	235,000
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	6,165,000	-	395,000		5,770,000	405,000
Student Housing System, Energy Savings Program, Series 2002	6,930,000	-	445,000		6,485,000	450,000
Capital lease obligations	67,753	-	39,974		27,779	27,779
	<u>35,632,753</u>	<u>-</u>	<u>3,469,974</u>		<u>32,162,779</u>	<u>3,487,779</u>
Unamortized discount on bonds payable	(692,802)	-	(58,815)		(633,987)	-
	<u>(692,802)</u>	<u>-</u>	<u>(58,815)</u>		<u>(633,987)</u>	<u>-</u>
Total bonds, notes and capital leases	<u>34,939,951</u>	<u>-</u>	<u>3,411,159</u>		<u>31,528,792</u>	<u>3,487,779</u>
Other noncurrent liabilities						
Accrued compensated absences	2,829,226	1,704,274	1,537,573		2,995,927	1,675,984
Accrued settlement	683,080	-	24,675		658,405	50,000
Other long-term liability	-	300,000	100,000		200,000	100,000
	<u>-</u>	<u>300,000</u>	<u>100,000</u>		<u>200,000</u>	<u>100,000</u>
Total other noncurrent liabilities	<u>3,512,306</u>	<u>2,004,274</u>	<u>1,662,248</u>		<u>3,854,332</u>	<u>1,825,984</u>
Total long-term debt and other obligations	<u>\$ 38,452,257</u>	<u>\$ 2,004,274</u>	<u>\$ 5,073,407</u>		<u>\$ 35,383,124</u>	<u>\$ 5,313,763</u>

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***Revenue Bonds Payable***

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.

On January 15, 2002, the University issued \$1,605,000 of bonds. The bonds bear interest, payable semiannually, at rates of 2.00% to 3.85%, which began September 1, 2002. Principal maturities began September 1, 2002, and continue until 2006. Proceeds from the issuance of these bonds were used to acquire and install certain improvements to the telecommunications system. The bonds are secured by the net revenues available for debt service of the telecommunications system of the University.

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 complying with the FCC requirements that public television stations convert from analog transmissions to digital transmissions and (3) an extension instruction facility in Lee's Summit, Missouri. 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 February 5, 1999, the University issued \$3,915,000 of bonds. The bonds bear interest, payable semiannually, at rates of 3.0% to 4.5% and are due in semiannual installments, which began April 1, 1999. Principal maturities began October 1, 1999, and continue until 2014. Proceeds from the issuance of these bonds were used to reconstruct, renovate and equip the stadium facility. The bonds are secured by the net revenues available for debt service of the stadium facility, including a designated portion of student fees. Payments of bond principal are also secured by an insurance policy issued by a commercial insurer.

The University is also required to maintain certain rate covenants related to the bonds.

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The debt service requirements as of June 30, 2007, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2008	\$ 4,341,173	\$ 3,235,000	\$ 1,106,173
2009	4,336,904	3,355,000	981,904
2010	3,979,866	3,125,000	854,866
2011	3,986,399	3,260,000	726,399
2012	3,374,155	2,770,000	604,155
2013 – 2017	13,017,098	11,685,000	1,332,098
2018	1,272,079	1,245,000	27,079
	<u>\$ 34,307,674</u>	<u>\$ 28,675,000</u>	<u>\$ 5,632,674</u>

**Capital Lease Obligations**

The University is obligated under a lease accounted for as a capital lease. Assets under capital lease at June 30, 2007 and 2006, totaled \$399,482 and \$58,298, respectively, net of accumulated depreciation of \$44,387 and \$58,298, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at the rate of 5.3% together with the present value of the future minimum lease payments as of June 30, 2007:

Year Ending June 30,	
2008	\$ 57,122
2009	57,122
2010	57,122
2011	57,122
2012	57,122
2013 - 2016	228,488
Total minimum lease payments	<u>514,098</u>
Less amount representing interest	<u>113,492</u>
Present value of future minimum lease payments	<u>\$ 400,606</u>

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**Note 5: Defeasance of Debt**

In prior years, the University defeased the Library Facility, Series 1995 and certain Student Housing System Revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. On June 30, 2007 and 2006, \$125,000 and \$245,000, respectively, of bonds outstanding are considered defeased.

**Note 6: Related Party Transactions**

At June 30, 2007 and 2006, the University had a receivable from the Foundation in the amount of \$632,866 and \$658,405, 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 \$364,588 and \$326,795 for the years ended June 30, 2007 and 2006, respectively. In addition, University employees provided services to the Foundation valued at \$232,923 and \$277,904 for the years ended June 30, 2007 and 2006, respectively, which were not reimbursed by the Foundation. Included in accounts receivable at June 30, 2007 and 2006, were receivables from the Foundation for reimbursements due of \$40,865 and \$36,104, respectively, for wages and benefits.

Additionally, the Foundation funded work related to replacing the field turf at Walton Stadium and making improvements to Crane Stadium and Tompkins Field. Included in accounts receivable at June 30, 2007 and 2006, were receivables from the Foundation of \$89,941 and \$9,107, respectively, for work completed. The University also has receivables from the Foundation at June 30, 2007 and 2006, of \$433,765 and \$284,720, respectively, for miscellaneous services performed on behalf of the Foundation.

During 2007 and 2006, the Foundation donated approximately \$165,000 and \$647,000, respectively, of capital assets to the University which has been recorded in the accompanying financial statements.

**Note 7: 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 \$5,829,531 and \$5,424,554 for the years ended June 30, 2007 and 2006, respectively.

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**Note 8: 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 12.78% and 12.59% of annual covered payroll for 2007 and 2006, respectively. The University's contributions to the plan for the years ended June 30, 2007, 2006 and 2005, were \$6,852,993, \$6,507,978 and \$5,548,356, respectively.

***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 2007 and 2006, the University contributed 7.84% and 7.81%, respectively, of the participant's salary to CURP each month. The University's contribution to the plan for the years ended June 30, 2007, 2006 and 2005, were \$629,548, \$483,215 and \$363,667, 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 9: Postemployment Benefits**

The University pays health insurance premiums for qualified retired employees who have chosen to participate in the early retirement program established by the Board of Governors until the employee reaches the age of 65. During the years ended June 30, 2007 and 2006, the University paid \$1,088,068 and \$875,654, respectively, of reimbursements under this plan. At June 30, 2007 and 2006, there were 129 and 115 retirees, respectively, eligible to participate in the program.

**Note 10: 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, 2007 and 2006, 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 \$825,000 related to construction contracts at June 30, 2007.

**Note 11: 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

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state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

**Note 12: Central Missouri State University Foundation**

***Financial Statement Presentation***

The financial statements of the Foundation are presented in accordance with the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* and No. 117, *Financial Statements of Not-for-Profit Organizations*. Statement No. 116 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also required recognition of contributions, including contributed services meeting certain criteria, at fair values. Statement No. 117 establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

***Investments***

The Foundation's investment portfolio at June 30, 2007 and 2006, is composed of the following:

	<b>June 30, 2007 Fair Value</b>	<b>June 30, 2006 Fair Value</b>
Corporate bonds	\$ 5,712,418	\$ 5,274,104
U.S. government obligations	7,683,265	6,581,042
Common stocks	18,723,354	14,936,121
Certificates of deposit	490,644	999,067
Donated real estate	105,000	105,000
	<u>\$ 32,714,681</u>	<u>\$ 27,895,334</u>

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

	<b>June 30, 2007 Fair Value</b>	<b>June 30, 2006 Fair Value</b>
Unrestricted	\$ 7,699,443	\$ 5,892,857
Temporarily restricted	10,798,528	9,262,047
Permanently restricted	<u>14,216,710</u>	<u>12,740,430</u>
	<u>\$ 32,714,681</u>	<u>\$ 27,895,334</u>

Permanently restricted investments include \$593,766 and \$545,869, respectively, of assets held in trust and administered by an outside fiscal agent under the terms of an irrevocable trust arrangement at June 30, 2007 and 2006. The Foundation is a beneficiary of this trust, and as such, receives periodic distributions of its income.

**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, 2007 and 2006, is as follows:

	<b>June 30, 2007</b>	<b>June 30, 2006</b>
Due within one year	\$ 431,819	\$ 208,167
Due in one to five years	556,800	532,300
Due in more than five years	<u>30,050</u>	<u>122,696</u>
	1,018,669	863,163
Less		
Allowance for uncollectible contributions	92,689	74,384
Unamortized discount	<u>65,229</u>	<u>96,631</u>
	<u>\$ 860,751</u>	<u>\$ 692,148</u>



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**Assets Held in Trust**

In prior years, the Foundation received gifts from an estate totaling \$3,821,293 which was held in trust until such time the estate is settled. The Foundation received distributions from the trust totaling \$175,000 and \$49,127 in 2007 and 2006, respectively. At June 30, 2007 and 2006, the fair value of the undistributed assets remaining in the trust was \$126,991 and \$294,430, respectively. The assets held in trust consist of cash and cash equivalents. These assets have been recorded in the accompanying financial statements as temporarily restricted net assets to be used for the nutrition program.

**Net Assets**

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2007 and 2006:

	June 30, 2007		June 30, 2006	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Instruction	\$ 6,526,222	\$ 3,092,044	\$ 5,811,755	\$ 2,662,585
Scholarships	3,847,553	11,323,010	3,622,364	10,873,503
Academic support – TV/Radio	46,389	-	39,992	-
Institutional support – plant facilities	486,054	-	362,082	-
Student services – athletics	80,959	50,021	40,608	49,966
	<u>\$ 10,987,177</u>	<u>\$ 14,465,075</u>	<u>\$ 9,876,801</u>	<u>\$ 13,586,054</u>

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**Note 13: Future Change in Accounting Principle**

The Governmental Accounting Standards Board recently issued its Statement No. 45 (GASB No. 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement provides accounting and disclosure requirements for postemployment benefit plans in which the University participates. GASB No. 45 generally requires recognition of expenses for postemployment benefits as services are performed, regardless of the timing of the related benefit payments. The University expects to first apply GASB No. 45 during the year ending June 30, 2008, using a prospective recognition method. Under this method, the University's net unfunded obligation under the plan at the effective date will be amortized over a period not to exceed 30 years. The impact of applying the Statement has not been determined.

**Note 14: Subsequent Event**

On October 1, 2007, the University issued \$1,200,000 of insured Educational Facilities Revenue Bonds, Series 2007. These bonds bear interest, payable semiannually, at 4.9% and are due in semiannual installments beginning April 1, 2008. Principal maturities will begin April 1, 2008, and continue until 2017. Proceeds from issuance of these bonds will be 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.

The debt service requirements of the issue are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2008	\$ 76,613	\$ 47,213	\$ 29,400
2009	153,227	97,925	55,302
2010	153,227	102,783	50,444
2011	153,227	107,881	45,346
2012	153,227	113,232	39,995
2013-2017	766,135	656,185	109,950
2018	76,613	74,781	1,832
	<u>\$ 1,532,269</u>	<u>\$ 1,200,000</u>	<u>\$ 332,269</u>