

University of Central Missouri
A Component Unit of the State of Missouri
Accountants' Report and Financial Statements
June 30, 2008 and 2007

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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, 2008 and 2007, 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 \$35,819,679 and \$35,460,957 as of June 30, 2008 and 2007, respectively, and total revenues of \$4,127,504 and \$6,702,801, respectively, for the years then ended. Those statements were audited by other accountants whose reports thereon have 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.

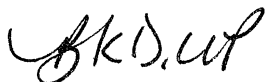
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 opinions.

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, 2008 and 2007, 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.

As discussed in *Note 9*, the University changed its method of accounting for other postemployment benefit obligations and adopted the provisions of GASB Statement No. 45 in 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008, 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 and other postemployment benefit information 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.

A handwritten signature in black ink, appearing to read "BKD, LLP".

November 5, 2008

University of Central Missouri
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2008 and 2007

Overview

Established in 1871, the University of Central Missouri (UCM) 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 is a leader among Missouri's public Universities in program-specific accreditations.

UCM takes ongoing pride in providing a student-centered learning environment where tenured professors teach the majority of classes. The University boasts a 16:1 student-faculty ratio and a graduate job placement rate, currently 96.8 percent, that has exceeded the national average for 14 consecutive years. UCM is also well known for its culture of friendship and service that extends far outside its campus boundaries. It has 22 international exchange agreements with institutions worldwide, and more than 400 international students contribute to a diverse student body. Students from nearly every county in Missouri, 38 states and 51 countries from around the globe attend the University.

As a major comprehensive higher education institution with approximately 11,000 students, one of the University's greatest assets is its 1,557 full and part-time employees. Among them are 443 full-time faculty members. Sixty-eight percent of the faculty members have earned doctorates, 56 percent are tenured and 9 percent are minorities.

In 1996, the Missouri Coordinating Board for Higher Education established the University's mission as "a master's-level institution with moderately selective admissions and a statewide mission in applied sciences and technology programs." As such, the University has strengthened its technology infrastructure, added degree programs in applied sciences and technology, helped to strengthen the state's corps of secondary and postsecondary vocational/technical education instructors; and enhanced the institution's telecommunications network and public television station to provide distance learning opportunities for Missouri citizens. Technology now extends into every University classroom and there is campus-wide wireless access.

UCM is the only public university in Missouri to own and operate its own airport. Other special facilities which contribute to a quality learning environment include its 100,000-watt public broadcasting facilities, KMOS-TV and KTBG-FM, the Prussing Research Farm and the Missouri Safety Center.

The University engages in an ongoing planning process that is guided by the principles of continuous improvement. The general purpose is to maintain a level of excellence in all phases of the institution by being proactive to needs, challenges and opportunities, both inside and outside the University.

Academic Programs

The academic programs at the University are organized under five colleges: the College of Arts, Humanities, and Social Sciences; Adrian and Margaret Harmon College of Business Administration; College of Education; College of Health and Human Services; and College of Science and Technology.

The University also has The Honors College, which is one of the oldest honors colleges in the Midwest, and The School of Graduate and Extended Studies. In addition to opportunities on the Warrensburg 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). In 2007-2008, the University offered 482 undergraduate and 190 graduate courses online and 21 ITV courses.

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, 2008 and 2007, the Foundation provided support to the University of \$2,626,373 and \$2,591,321, 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, 2008, 2007 and 2006. 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.

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 followed a "pay-as-you-go" accounting approach in which the cost of benefits were reported after the employee retired. With the implementation of GASB 45, the University is required to recognize the costs of other postemployment benefits in the accounting periods the benefits are earned rather than when benefits are paid or provided. The annual expense and liability associated with other postemployment benefits includes an estimate of the benefits attributed to services received from employees in the current year in addition to an amortization component related to past service costs.

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.

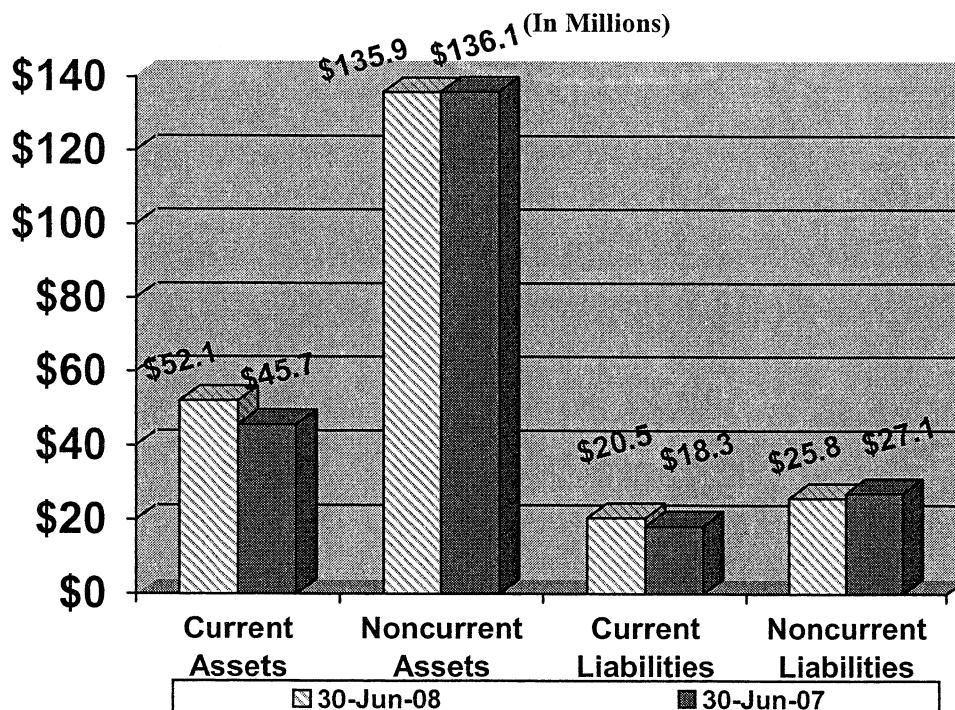
- 1.) Invested in capital assets represents buildings, building improvements, equipment, etc. that is net of accumulated depreciation and related debt.
- 2.) Restricted net assets are those whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital 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, 2008 and 2007, is as follows:

Statements of Net Assets
As of June 30, 2008 and 2007
(In Millions)

	June 30, 2008	June 30, 2007
Current Assets	\$ 52.1	\$ 45.7
Noncurrent Assets	<u>135.9</u>	<u>136.1</u>
Total Assets	<u>\$ 188.0</u>	<u>\$ 181.8</u>
Current Liabilities	\$ 20.5	\$ 18.3
Noncurrent Liabilities	<u>25.8</u>	<u>27.1</u>
Total Liabilities	<u>\$ 46.3</u>	<u>\$ 45.4</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 93.5	\$ 94.1
Restricted	8.2	8.2
Unrestricted	<u>40.0</u>	<u>34.1</u>
Total Net Assets	<u>\$ 141.7</u>	<u>\$ 136.4</u>

Assets and Liabilities



Comparative Analysis of Fiscal Years 2008 and 2007

Current Assets - Current assets for Fiscal Year 2008 totaled \$52.1 which is an increase of \$6.4 million from Fiscal Year 2007 current assets of \$45.7 million. This mostly resulted from short-term investments which resulted in a recognized increase \$(5.7 million) over Fiscal Year 2007 and an increase in accounts receivable \$(0.7 million).

Restricted cash increased by \$0.1 million and short-term investments by \$5.7 million in comparison to Fiscal Year 2007. The increase in short-term investments is due to the timing of the receipt of a federal student loan drawdown. Plus, in an effort to stimulate the economy and assist the ailing U.S. financial industry, the federal reserve significantly decreased the fed funds rate from 5.25% to 2.00% during Fiscal Year 2008. The University has elected to invest in more short-term investments and not lock the University into long-term investments at the current low interest rates.

Prepaid expenses increased approximately \$0.4 million primarily due to prepayments of Fiscal Year 2009 contracted services invoices due July 1, 2008. Federal and grant receivable decreased \$0.6 million, inventories increased \$0.2 million and loans to students decreased \$0.2 million over Fiscal Year 2007.

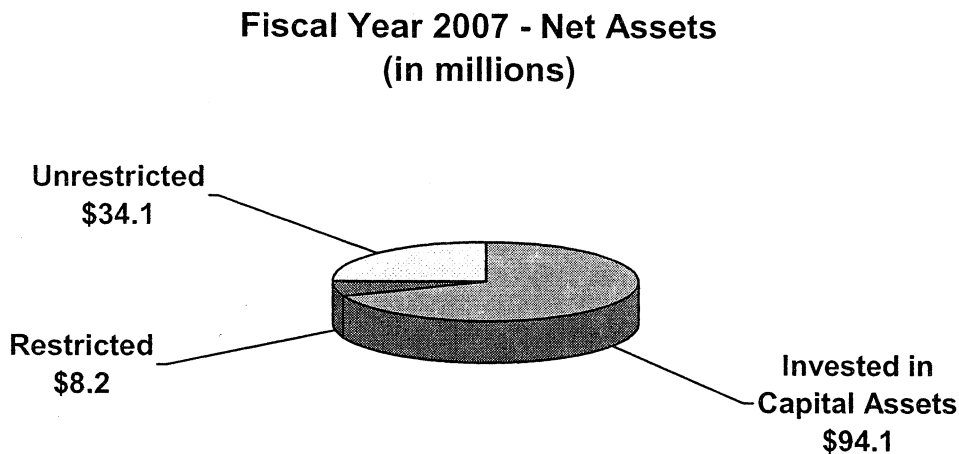
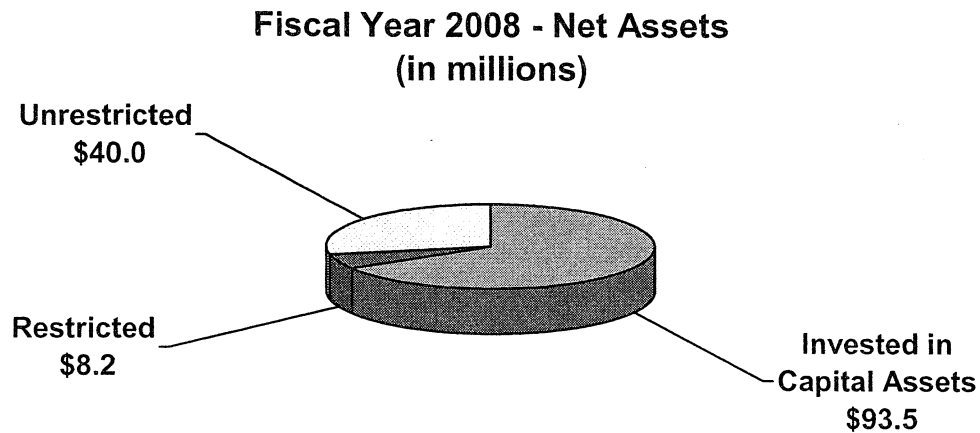
Noncurrent Assets – Total noncurrent assets decreased approximately \$0.2 million. The decrease is primarily due to an increase in long-term investments of approximately \$1.1 million, a decrease in capital assets of \$1.9 million as a result of certain capital assets becoming fully depreciated, and 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. The University is able to record vendor invoices in the proper fiscal year and remit payment in accordance with vendor terms allowing the University to maximize its cash flow and earn interest income. Accrued compensated absences increased by \$0.1 million. In addition, the current portion of long-term debt increased by \$0.5 million due to \$0.1 million annual debt obligations relating to the Educational Facilities Revenue Bond Series 2007, a \$0.1 million increase in existing debt obligations and 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 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 9*).

Net Assets – At June 30, 2008, the University's net assets were \$141.7 million. These are comprised of unrestricted - \$40.0 million; invested in capital assets, net of related debt - \$93.5 million; restricted for loans - \$7.9 million; other restricted - \$0.3 million.

A summary of the University's net assets at June 30, 2008 and 2007, is as follows:



Comparative Analysis of Fiscal Years 2007 and 2006

Current Assets - Current assets for Fiscal Year 2007 totaled \$45.7 which was 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 \$0.3 million and short-term investments \$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 for the next year.

Noncurrent Assets – Total noncurrent assets increased approximately \$3.6 million. The increase was primarily due to the increase in long-term investments of approximately \$5.0 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.

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, 2008 and 2007, are as follows:

Operating Results Years Ended June 30, 2008 and 2007 (In Millions)

	June 30, 2008	June 30, 2007
Operating Revenue		
Tuition and fees	\$ 52.6	\$ 48.4
Federal grants and contracts	8.6	8.1
State grants and contracts	0.2	0.6
Auxiliary enterprises	24.3	23.2
Other	<u>6.0</u>	<u>5.8</u>
Total Operating Revenues	91.7	86.1
Operating Expenses	<u>155.1</u>	<u>149.1</u>
Operating Loss	<u>(63.4)</u>	<u>(63.0)</u>
Nonoperating Revenue (Expenses)		
State appropriations	55.7	53.4
Federal grants and contracts	5.9	5.4
State grants and contracts	1.9	1.3
Other grants and contracts	1.3	1.2
Contributions	2.7	2.5
Investment income	2.2	2.4
Interest on capital asset – related debt	(1.0)	(1.0)
Other nonoperating revenues (expenses)	<u>(0.1)</u>	<u>(0.2)</u>
Net Nonoperating Revenues	<u>68.6</u>	<u>65.0</u>
Income Before Other Revenues, Expenses		
Gains or Losses	5.2	2.0
Capital Grants and Gifts	<u>0.1</u>	<u>0.5</u>
Increase in Net Assets	5.3	2.5
Net Assets, Beginning of Year	<u>136.4</u>	<u>133.9</u>
Net Assets, End of Year	<u>\$ 141.7</u>	<u>\$ 136.4</u>

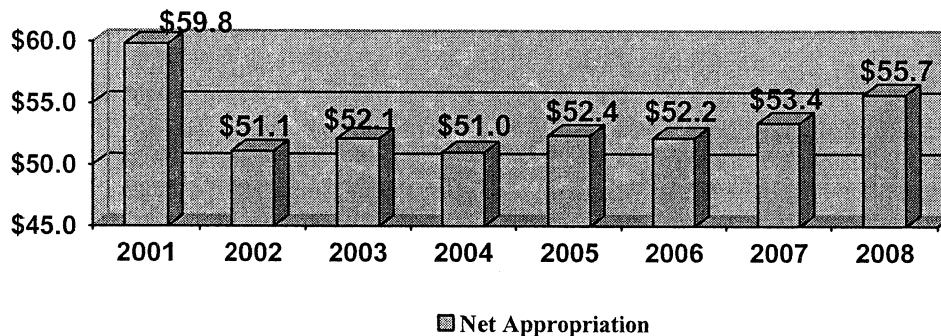
Comparative Analysis of Fiscal Years 2008 and 2007

Operating Revenues – For the year ended June 30, 2008, tuition and fee revenues (net of scholarship allowances and bad debt expense) were approximately \$4.2 million above the year ended June 30, 2007, primarily resulting from increased credit hours coupled with tuition and fee increases. Fiscal Year 2007 tuition and fees were approximately \$4.3 million above the year ended June 30, 2006, as the result of increased enrollment coupled with rate increases.

Auxiliary enterprises experienced an increase of \$1.1 million above Fiscal Year 2007. Student housing increased \$0.2 million resulting from a room and board rate increase over Fiscal Year 2007 rates; other auxiliary increases include \$0.6 million increase in Union and Pertle Springs fees, \$0.1 million increase in parking revenues and \$0.1 million increase in bookstore revenues. Other operating revenues increased \$0.2 million. Due to an increase in grant program funding, federal grants and contracts had a \$0.5 million increase above Fiscal Year 2007.

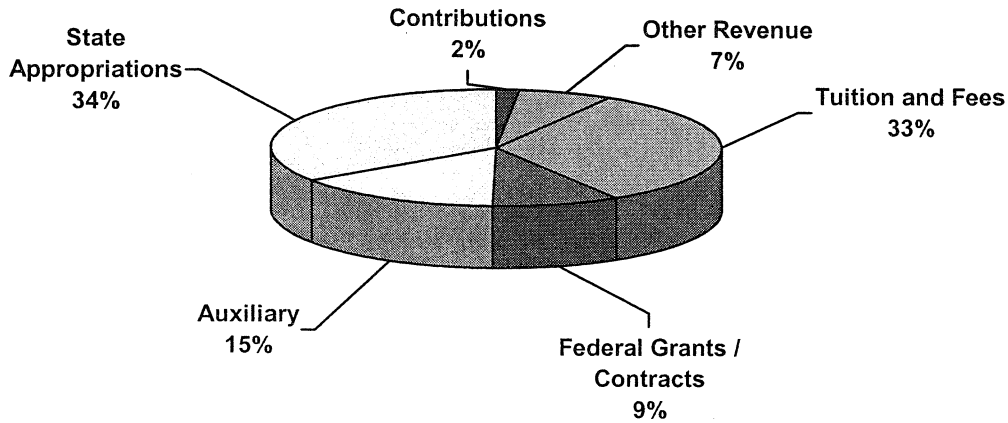
Nonoperating Revenues - Although state appropriations are considered part of the University's budgeting process and specifically included as general operating funds, the Governmental Accounting Standards Board (GASB) require state appropriations to be separately reported as nonoperating revenue.

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 2008 state appropriation of \$55.7 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 2008 investment income of \$2.2 million represents an approximate \$0.2 million decrease from the prior year amount of \$2.4 million. Investment income decreased due to the federal reserve decreasing the federal funds rate from 5.25% as of June 2007 to 2.00% as of June 2008. In Fiscal Year 2007, investment income experienced an increase of \$0.9 million over Fiscal Year 2006.

The following graph summarizes the University's Fiscal Year 2008 revenue sources:



Operating Expenses Years Ended June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Compensation and benefits	\$ 96.9	\$ 91.3
Contractual services	11.6	11.6
Supplies and materials	13.0	12.2
Scholarships and fellowships	4.8	5.5
Depreciation	10.9	10.8
Utilities	5.6	5.1
Other	<u>12.3</u>	<u>12.6</u>
Total	<u>\$ 155.1</u>	<u>\$ 149.1</u>

Operating Expenses – Total operating expenses increased from \$149.1 million in Fiscal Year 2007 to \$155.1 million in Fiscal Year 2008 which represents a \$6.0 million increase.

Compensation and benefits increased \$5.6 million as the result of a 3.5% salary increase, an increase in the minimum wage, a 4.2% increase in health care premiums and increased retirement benefits. In addition, the University implemented GASB 45 requiring institutions to record a liability for other postemployment benefit obligations. The expense associated with this new accounting standard for Fiscal Year 2008 was \$0.5 million.

Supplies and materials increased by \$0.8 million primarily related to increase in lease expense of \$0.2 million associated with expansion of CSC and a \$0.5 million increase in maintenance and repair expenditures. Scholarships and fellowships decreased by \$0.7 million and utilities increased by \$0.5 million in comparison to Fiscal Year 2007. Other operating costs decreased \$0.3 million primarily as a result of a \$0.5 million decrease in software maintenance and computer hardware service contracts and \$0.2 million decrease in credit card discount fees coupled with a \$0.4 million increase in travel expenses and maintenance and repairs.

For the year ended June 30, 2007, operating expenses increased by approximately \$6.0 million above the year ended June 30, 2006. This increase is primarily related to increased expenses for compensation and benefits \$(1.6 million) resulting from increase in salaries, healthcare premiums and retirement benefits, contractual services increase \$(1.1 million), other operating cost increase \$(1.3 million), scholarships and fellowships increase \$(1.3 million) and an increase totaling approximately \$0.7 million of supplies and materials, other expenses.

Cash Flows
Years Ended June 30, 2008 and 2007
(In Millions)

	June 30, 2008	June 30, 2007
Cash Provided By (Used In)		
Operating activities	\$ (52.2)	\$ (50.0)
Noncapital financing activities	68.1	63.0
Capital and related financing activities	(11.1)	(13.2)
Investing activities	(4.8)	(1.9)
Increase (Decrease) in Cash and Cash Equivalents	0.0	(2.1)
Cash and Cash Equivalents, Beginning of Year	4.9	7.0
Cash and Cash Equivalents, End of Year	\$ 4.9	\$ 4.9

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 or government securities. For instance, the University's total cash of \$4.9 million plus investments of \$42.6 million totals \$47.5 million in cash and investments for Fiscal Year 2008. In Fiscal Year 2007, total cash of \$4.9 million plus investments of \$35.8 million totaled \$40.7 million.

During the year ended June 30, 2008, cash used in operating activities amounted to \$(52.2) 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 \$68.1 million includes state appropriations, gifts and grants for other than capital purposes and other receipts. Cash used for capital and related financing activities was \$11.1 million. This included capital expenditures of \$8.1 million including; \$1.9 million WCM lab upgrade, \$0.6 million UCC Hudson renovation, \$0.7 million various building roof replacements, \$0.2 million Enrollment Management remodel, \$0.2 million WCM Transformer, \$0.2 million Ellis Kitchen remodel and remaining \$4.3 million on various renovations and equipment. In addition, capital related financing included principal and interest on capital debt and leases \$(4.5 million) which were partially offset by proceeds from capital debt \$(1.2 million), gifts and grants for capital purposes \$(0.1 million) and proceeds from sale of capital assets \$(0.3 million). Cash and cash equivalents at June 30, 2008, were \$4.9 million, which remained the same from June 30, 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 \$(8.6 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.

Capital Assets

Student Recreation and Wellness Center

On October 23, 2007, the University's Student Government Association (SGA) voted and approved a student fee of \$7.00 per credit hour to fund the annual debt service to finance the construction of a new Student Recreation and Wellness Center. After the Student Recreation and Wellness Center is constructed, this fee will be increased by an additional \$2.75 to fund the annual operating costs such as utilities, insurance, maintenance, staffing of the facility, etc. These fees were approved by the University's Board of Governors.

The University has initially projected the Student Recreation and Wellness Center's total cost to be approximately \$20 million. At current interest rates, this would equate to an annual debt service principal and interest payment of approximately \$1,750,000 for a 20-year bond. Groundbreaking is anticipated to begin in spring 2009.

Morrow-Garrison – Lewis and Clark Project

The University has been awarded a \$13.2 million State of Missouri capital appropriation for the renovation of the Morrow Garrison Health and Human Services building as part of the Lewis and Clark Discovery Initiative which is funded by MOHELA. In addition, the University received a private donation of approximately \$2 million with the total renovation cost estimated to be \$15.2 million. Renovation work began in the summer of 2008 with an estimated completion date of spring 2010.

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Net Assets
June 30, 2008 and 2007

Assets

	2008	2007
Current assets		
Cash and cash equivalents	\$ 4,176,662	\$ 4,245,260
Restricted cash and cash equivalents	704,075	610,353
Short-term investments	34,623,715	28,904,566
Accounts receivable, net of allowance; 2008 - \$3,517,897; 2007 - \$2,866,180	5,737,200	5,007,356
Interest receivable	555,545	370,474
Federal and state grants receivable	1,045,839	1,601,224
Due from Foundation - current portion	50,000	50,000
Inventories	3,181,655	2,988,909
Loans to students, net	1,398,223	1,645,303
Prepaid expenses	651,343	287,607
Total current assets	52,124,257	45,711,052
Noncurrent assets		
Other long-term investments	8,027,859	6,942,500
Loans to students, net	5,898,214	5,251,596
Due from Foundation	555,648	582,866
Capital assets, net	120,903,708	122,813,412
Deferred bond issue costs, net	506,604	555,473
Total noncurrent assets	135,892,033	136,145,847
Total assets	\$ 188,016,290	\$ 181,856,899

Liabilities

	<u>2008</u>	<u>2007</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 11,668,669	\$ 10,444,250
Accrued compensated absences	1,965,067	1,869,046
Deferred revenue	2,540,687	2,170,882
Interest payable	326,412	351,918
Long-term debt - current portion	3,771,210	3,270,881
Accrued settlement - current portion	50,000	50,000
Student deposits	148,003	186,948
	<u>20,470,048</u>	<u>18,343,925</u>
Total current liabilities		
Noncurrent liabilities		
Accrued compensated absences	1,491,202	1,302,658
Accrued settlement	555,648	582,866
Other long-term liability	481,910	-
Long-term debt	23,271,913	25,229,553
	<u>25,800,673</u>	<u>27,115,077</u>
Total noncurrent liabilities		
Total liabilities	<u>46,270,721</u>	<u>45,459,002</u>

Net Assets

Invested in capital assets, net of related debt	93,494,433	94,122,606
Restricted for		
Nonexpendable		
Loans	6,782,448	6,952,433
Expendable		
Scholarships and fellowships	84,957	79,711
Loans	1,150,949	1,128,825
Other	230,876	32,056
Unrestricted	40,001,906	34,082,266
	<u>40,001,906</u>	<u>34,082,266</u>
Total net assets	<u>\$ 141,745,569</u>	<u>\$ 136,397,897</u>

University of Central Missouri Foundation

Statements of Financial Position

June 30, 2008 and 2007

Assets

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 745,460	\$ 1,331,423
Investments	33,781,736	32,714,681
Contributions receivable, net	883,655	860,751
Accrued investment income	157,948	196,445
Cash surrender value of life insurance	245,730	228,869
Assets held in trust	-	126,991
Prepaid expenses	5,150	1,797
	<u>5,150</u>	<u>1,797</u>
Total assets	<u>\$ 35,819,679</u>	<u>\$ 35,460,957</u>

Liabilities and Net Assets

Liabilities

Annuities payable	\$ 1,627,078	\$ 1,711,385
Accrued expenses	585,992	569,228
	<u>585,992</u>	<u>569,228</u>
Total liabilities	<u>2,213,070</u>	<u>2,280,613</u>

Net Assets

Unrestricted	7,203,116	7,728,092
Temporarily restricted	11,271,973	10,987,177
Permanently restricted	15,131,520	14,465,075
	<u>15,131,520</u>	<u>14,465,075</u>
Total net assets	<u>33,606,609</u>	<u>33,180,344</u>
Total liabilities and net assets	<u>\$ 35,819,679</u>	<u>\$ 35,460,957</u>

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Tuition and fees, net of scholarship allowances; 2008 - \$10,657,027, 2007 - \$9,544,553 and bad debt expense; 2008 - \$796,010, 2007 - \$726,717	\$ 52,575,859	\$ 48,370,944
Federal grants and contracts	8,622,397	8,098,936
State grants and contracts	210,721	612,090
Interest on student receivables	637,472	151,161
Sales and services of educational activities	1,162,060	1,066,588
Auxiliary enterprises		
Housing, net of scholarship allowances; 2008 - \$2,890,232; 2007 - \$2,756,896	14,196,711	13,984,655
Bookstore	5,631,514	5,537,437
Other auxiliaries	4,441,954	3,655,196
Other operating revenues	4,258,543	4,596,048
Total operating revenues	<u>91,737,231</u>	<u>86,073,055</u>
Operating Expenses		
Compensation and benefits	96,941,695	91,329,263
Contractual services	11,611,760	11,586,512
Supplies and materials	12,970,878	12,163,939
Scholarships and fellowships	4,835,511	5,504,423
Depreciation	10,894,503	10,857,255
Utilities	5,561,458	5,065,029
Other	12,309,635	12,606,599
Total operating expenses	<u>155,125,440</u>	<u>149,113,020</u>
Operating Loss	<u>(63,388,209)</u>	<u>(63,039,965)</u>
Nonoperating Revenues (Expenses)		
State appropriations	55,703,089	53,445,489
Federal grants and contracts	5,876,207	5,434,380
State grants and contracts	1,903,480	1,306,953
Other grants and contracts	1,347,645	1,149,441
Contributions	2,726,373	2,526,116
Loss on disposal of capital assets	(11,975)	-
Investment income	2,168,233	2,369,549
Interest on capital asset - related debt	(993,864)	(1,032,146)
Other nonoperating expenses	(143,163)	(166,042)
Net nonoperating revenues (expenses)	<u>68,576,025</u>	<u>65,033,740</u>

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, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Income Before Other Revenues, Expenses, Gains or Losses	\$ 5,187,816	\$ 1,993,775
Capital Grants and Gifts	<u>159,856</u>	<u>473,708</u>
Increase in Net Assets	5,347,672	2,467,483
Net Assets, Beginning of Year	<u>136,397,897</u>	<u>133,930,414</u>
Net Assets, End of Year	<u><u>\$ 141,745,569</u></u>	<u><u>\$ 136,397,897</u></u>

University of Central Missouri Foundation

Statement of Activities For the Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and Other Support				
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 loss on investments	(449,576)	(193,251)	(9,761)	(652,588)
Net assets released from restrictions	<u>2,732,752</u>	<u>(2,732,752)</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>3,373,482</u>	<u>8,991</u>	<u>745,031</u>	<u>4,127,504</u>
Expenses				
Foundation expenses				
General administrative expenses	431,760	-	-	431,760
Fundraising expenses	238,033	-	-	238,033
Total Foundation expenses	<u>669,793</u>	<u>-</u>	<u>-</u>	<u>669,793</u>
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	<u>188,797</u>	<u>-</u>	<u>-</u>	<u>188,797</u>
Total contributions to the University	<u>2,771,900</u>	<u>-</u>	<u>-</u>	<u>2,771,900</u>
Total expenses	<u>3,441,693</u>	<u>-</u>	<u>-</u>	<u>3,441,693</u>
Increase (Decrease) in Net Assets Before Other Changes	<u>(68,211)</u>	<u>8,991</u>	<u>745,031</u>	<u>685,811</u>
Other Changes				
Adjustments to actuarial liability of annuities payable	-	(22,782)	(124,182)	(146,964)
Other	<u>(456,765)</u>	<u>298,587</u>	<u>45,596</u>	<u>(112,582)</u>
	<u>(456,765)</u>	<u>275,805</u>	<u>(78,586)</u>	<u>(259,546)</u>
Increase (Decrease) in Net Assets	(524,976)	284,796	666,445	426,265
Net Assets, June 30, 2007	<u>7,728,092</u>	<u>10,987,177</u>	<u>14,465,075</u>	<u>33,180,344</u>
Net Assets, June 30, 2008	<u>\$ 7,203,116</u>	<u>\$ 11,271,973</u>	<u>\$ 15,131,520</u>	<u>\$ 33,606,609</u>

See Notes to Financial Statements

University of Central Missouri Foundation

Statement of Activities

For the Year Ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
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
Expenses				
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
Increase in Net Assets Before Other Changes	1,426,251	1,139,121	677,501	3,242,873
Other Changes				
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
Increase in Net Assets	1,444,107	1,110,376	879,021	3,433,504
Net Assets, June 30, 2006	6,283,985	9,876,801	13,586,054	29,746,840
Net Assets, June 30, 2007	\$ 7,728,092	\$ 10,987,177	\$ 14,465,075	\$ 33,180,344

See Notes to Financial Statements

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007
Operating Activities		
Tuition and fees	\$ 52,124,779	\$ 47,060,685
Grants and contracts	8,833,118	8,711,026
Sales and services of educational activities	1,162,060	1,066,588
Payments to suppliers	(23,741,150)	(20,975,474)
Payments for utilities	(5,561,458)	(5,065,029)
Payments to employees	(96,524,553)	(90,956,183)
Payments for scholarships and fellowships	(4,835,511)	(5,504,423)
Loans issued to students	(1,774,814)	(1,708,805)
Collection of loans to students	2,012,748	1,866,775
Sales and services of auxiliary enterprises	24,156,805	23,486,664
Other payments	(8,051,092)	(8,010,551)
	<u>(52,199,068)</u>	<u>(50,028,727)</u>
Noncapital Financing Activities		
State appropriations	55,703,089	53,445,489
Gifts and grants for other than capital purposes	12,501,385	9,709,128
Other payments	(67,294)	(91,523)
	<u>68,137,180</u>	<u>63,063,094</u>
Capital and Related Financing Activities		
Proceeds from issuance of capital debt	1,200,000	-
Bond issuance costs paid	(27,000)	-
Gifts and grants for capital purposes	68,925	126,415
Capital appropriations - state	-	40,847
Proceeds from sale of capital assets	316,505	-
Purchase of capital assets	(8,132,234)	(8,637,840)
Principal paid on capital debt and leases	(3,362,157)	(3,531,042)
Interest paid on capital debt and leases	(1,155,681)	(1,238,918)
	<u>(11,091,642)</u>	<u>(13,240,538)</u>

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Investing Activities		
Investment income	\$ 1,763,461	\$ 1,632,852
Proceeds from sales and maturities of investments	35,091,000	48,990,000
Purchases of investments	<u>(41,675,807)</u>	<u>(52,524,064)</u>
Net cash used in investing activities	<u>(4,821,346)</u>	<u>(1,901,212)</u>
Increase (Decrease) in Cash and Cash Equivalents	25,124	(2,107,383)
Cash and Cash Equivalents, Beginning of Year	<u>4,855,613</u>	<u>6,962,996</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,880,737</u>	<u>\$ 4,855,613</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	\$ 4,176,662	\$ 4,245,260
Restricted cash and cash equivalents – current	<u>704,075</u>	<u>610,353</u>
Total cash and cash equivalents	<u>\$ 4,880,737</u>	<u>\$ 4,855,613</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (63,388,209)	\$ (63,039,965)
Depreciation expense	10,894,503	10,857,255
Changes in operating assets and liabilities		
Receivables, net	(1,202,557)	(762,515)
Inventories	(192,746)	83,728
Prepaid expenses	(363,736)	1,920,045
Accounts payable and accrued liabilities	1,397,970	771,204
Deferred revenue	277,510	(91,554)
Accrued salaries and benefits	417,142	373,080
Student deposits	<u>(38,945)</u>	<u>(140,005)</u>
Net Cash Used in Operating Activities	<u>\$ (52,199,068)</u>	<u>\$ (50,028,727)</u>
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 366,153	\$ 190,371
Capital lease obligation incurred for capital asset purchase	\$ 646,031	\$ 443,869
Capital assets donated	\$ 124,444	\$ 325,896

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2008 and 2007

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

Nature of Operations

University of Central Missouri (the “University”) is a state educational institution organized and existing under the laws of the State of Missouri and is a component unit of the State of Missouri. The University was founded in 1871 and is one of 13 four-year, public-supported institutions of higher education in Missouri. The University’s main campus is located in the city of Warrensburg and offers a variety of programs and services at multiple locations.

Major federally funded student financial aid programs in which the University participates include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Direct Loan, Federal Perkins Loan, Academic Competitiveness Grants and National Science and Mathematics Access to Retain Talent Grants. The University extends unsecured credit to students.

Basis of Accounting and Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The University first applies restricted net 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, 2008 and 2007

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2008 and 2007, 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 \$75,869 and \$74,519 for the years ended June 30, 2008 and 2007, 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 \$980,308 and \$719,050 at June 30, 2008 and 2007, respectively.

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, 2008 and 2007

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, 2008 and 2007, was \$195,126 and \$225,341, 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, 2008 and 2007

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, 2008 and 2007, were \$10,657,027 and \$9,544,553, respectively. The scholarship allowances on housing for the years ended June 30, 2008 and 2007, were \$2,890,232 and \$2,756,896, 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.

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

Notes to Financial Statements

June 30, 2008 and 2007

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, 2008 and 2007, of \$605,648 and \$632,866, respectively, which represents the present value of the future annuity obligations under the settlement agreement. The liability has been determined using a discount rate of 3.6% and applicable mortality tables. This liability is to be funded by proceeds of the estate which are held by University of Central Missouri Foundation (*Note 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, 2008 and 2007, the Foundation provided \$2,626,373 and \$2,591,321, 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.

Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 financial statement presentation. These reclassifications had no effect on the change in net assets.

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2008 and 2007

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, 2008 and 2007, respectively, the University's bank balances were \$33,865,980 and \$11,302,635. None of these deposits were exposed to custodial credit risk at June 30, 2008 or 2007.

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, 2008 and 2007, the University had the following investments and maturities:

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

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2008 and 2007

Type	Fair Value	June 30, 2007			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. agencies obligations	\$ 24,795,220	\$ 20,852,720	\$ 3,942,500	\$ -	\$ -
Corporate bond	6,020,451	<u>6,020,451</u>	<u>-</u>	<u>-</u>	<u>-</u>
Mutual fund	<u>31,395</u>				
	<u>\$ 30,847,066</u>	<u>\$ 26,873,171</u>	<u>\$ 3,942,500</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 June 30, 2008, the University’s investments in corporate bonds were rated between “A” and “AAA” 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, 2008 and 2007, were rated AAA by Standard & Poor’s. Ratings for the University’s investments in mutual fund at June 30, 2008 and 2007, 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, 2008 and 2007, 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, 2008 and 2007, the University’s investment in corporate bonds constituted 20.17% and 16.79%, respectively, of its total investments, including certificates of deposit.

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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>2008</u>	<u>2007</u>
Carrying value		
Deposits	\$ 32,880,734	\$ 9,855,613
Investments	<u>14,651,577</u>	<u>30,847,066</u>
	<u>\$ 47,532,311</u>	<u>\$ 40,702,679</u>
Included in the following statements of net assets captions		
Cash and cash equivalents	\$ 4,176,662	\$ 4,245,260
Restricted cash and investments – current	704,075	610,353
Short-term investments	34,623,715	28,904,566
Noncurrent cash and investments	<u>8,027,859</u>	<u>6,942,500</u>
	<u>\$ 47,532,311</u>	<u>\$ 40,702,679</u>

Investment Income

Investment income for the years ended June 30, 2008 and 2007, consisted of:

	<u>2008</u>	<u>2007</u>
Interest and dividend income	\$ 2,134,685	\$ 2,319,195
Net increase in fair value of investments	<u>33,548</u>	<u>50,354</u>
	<u>\$ 2,168,233</u>	<u>\$ 2,369,549</u>

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Note 3: Capital Assets

Capital assets activity for the years ended June 30, 2008 and 2007, were:

	Beginning Balance	2008			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 11,469,337	\$ -	\$ -	\$ -	\$ 11,469,337
Collections	2,792,352	-	-	-	2,792,352
Infrastructure	14,639,476	-	-	274,127	14,913,603
Buildings and improvements	185,691,920	84,434	-	5,073,635	190,849,989
Furniture, fixtures and equipment	32,399,300	2,043,527	813,705	-	33,629,122
Library materials	11,365,499	1,308,819	800,797	-	11,873,521
Construction in progress	4,365,803	5,875,965	12,465	(5,347,762)	4,881,541
	<u>262,723,687</u>	<u>9,312,745</u>	<u>1,626,967</u>	<u>-</u>	<u>270,409,465</u>
Less accumulated depreciation					
Infrastructure	8,299,698	754,481	-	-	9,054,179
Buildings and improvements	105,481,693	5,896,641	-	-	111,378,334
Furniture, fixtures and equipment	20,918,245	3,015,990	498,225	-	23,436,010
Library materials	5,210,639	1,227,391	800,796	-	5,637,234
	<u>139,910,275</u>	<u>10,894,503</u>	<u>1,299,021</u>	<u>-</u>	<u>149,505,757</u>
Net capital assets	<u>\$ 122,813,412</u>	<u>\$ (1,581,758)</u>	<u>\$ 327,946</u>	<u>\$ -</u>	<u>\$ 120,903,708</u>
	Balance	Additions	Disposals	Transfers	Balance
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
	<u>254,292,782</u>	<u>9,631,013</u>	<u>1,200,108</u>	<u>-</u>	<u>262,723,687</u>
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
	<u>130,253,128</u>	<u>10,857,255</u>	<u>1,200,108</u>	<u>-</u>	<u>139,910,275</u>
Net capital assets	<u>\$ 124,039,654</u>	<u>\$ (1,226,242)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,813,412</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, 2008 and 2007:

	Beginning Balance	2008		Ending Balance	Current Portion
		Additions	Deductions		
Revenue bonds					
Student Housing System, Series 2002A	\$ 12,160,000	\$ -	\$ 1,275,000	\$ 10,885,000	\$ 1,325,000
Education Facility, Series 1999	2,895,000	-	845,000	2,050,000	885,000
Stadium Facility, Series 1999	2,220,000	-	240,000	1,980,000	250,000
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	5,365,000	-	410,000	4,955,000	420,000
Student Housing System, Energy Savings Program, Series 2002	6,035,000	-	465,000	5,570,000	475,000
Education Facility, Series 2007	-	1,200,000	48,520	1,151,480	97,990
Capital lease obligations	400,606	646,031	78,637	968,000	318,220
	<u>29,075,606</u>	<u>1,846,031</u>	<u>3,362,157</u>	<u>27,559,480</u>	<u>3,771,210</u>
Unamortized discount on bonds payable	(575,172)	-	(58,815)	(516,357)	-
	<u>(575,172)</u>	<u>-</u>	<u>(58,815)</u>	<u>(516,357)</u>	<u>-</u>
Total bonds, notes and capital leases	<u>28,500,434</u>	<u>1,846,031</u>	<u>3,303,342</u>	<u>27,043,123</u>	<u>3,771,210</u>
Other noncurrent liabilities					
Accrued compensated absences	3,171,704	2,153,611	1,869,046	3,456,269	1,965,067
Accrued settlement	632,866	-	27,218	605,648	50,000
Other long-term liabilities	100,000	481,910	100,000	481,910	-
	<u>3,904,570</u>	<u>2,635,521</u>	<u>1,996,264</u>	<u>4,543,827</u>	<u>2,015,067</u>
Total other noncurrent liabilities	<u>3,904,570</u>	<u>2,635,521</u>	<u>1,996,264</u>	<u>4,543,827</u>	<u>2,015,067</u>
Total long-term debt and other obligations	<u>\$ 32,405,004</u>	<u>\$ 4,481,552</u>	<u>\$ 5,299,606</u>	<u>\$ 31,586,950</u>	<u>\$ 5,786,277</u>

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	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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Revenue Bonds Payable

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.

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.

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

The debt service requirements as of June 30, 2008, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2009	\$ 4,490,131	\$ 3,452,990	\$ 1,037,141
2010	4,133,093	3,227,851	905,242
2011	4,139,626	3,367,952	771,674
2012	3,527,382	2,883,306	644,076
2013	3,522,626	2,998,927	523,699
2014 – 2018	<u>11,607,228</u>	<u>10,660,454</u>	<u>946,774</u>
	<u>\$ 31,420,086</u>	<u>\$ 26,591,480</u>	<u>\$ 4,828,606</u>

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital lease at June 30, 2008 and 2007, totaled \$911,524 and \$399,482, respectively, net of accumulated depreciation of \$178,376 and \$44,387, respectively. The following is a schedule by year of future minimum lease payments under the capital lease including interest at rates of 0% to 7% together with the present value of the future minimum lease payments as of June 30, 2008:

Year Ending June 30,	
2009	\$ 345,413
2010	222,646
2011	222,645
2012	57,122
2013	57,122
2014 - 2016	<u>171,367</u>
Total minimum lease payments	1,076,315
Less amount representing interest	<u>108,315</u>
Present value of future minimum lease payments	<u>\$ 968,000</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, 2008 and 2007, \$0 and \$125,000, respectively, of bonds outstanding are considered defeased.

Note 6: Related Party Transactions

At June 30, 2008 and 2007, the University had a receivable from the Foundation in the amount of \$605,648 and \$632,866, 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 \$399,539 and \$364,588 for the years ended June 30, 2008 and 2007, respectively. In addition, University employees provided services to the Foundation valued at \$761,820 and \$232,923 for the years ended June 30, 2008 and 2007, respectively, which were not reimbursed by the Foundation. Included in accounts receivable at June 30, 2008 and 2007, were receivables from the Foundation for reimbursements due of \$41,876 and \$40,865, 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, 2008 and 2007, were receivables from the Foundation of \$0 and \$89,941, respectively, for work completed. The University also has receivables from the Foundation at June 30, 2008 and 2007, of \$530,273 and \$433,765, respectively, for miscellaneous services performed on behalf of the Foundation.

During 2008 and 2007, the Foundation donated approximately \$46,000 and \$165,000, 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 \$5,976,544 and \$5,829,531 for the years ended June 30, 2008 and 2007, 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 12.84% and 12.78% of annual covered payroll for 2008 and 2007, respectively. The University made 100%, 100%, and 97% of the required contributions of \$7,142,826, \$6,852,993 and \$6,507,978 in 2008, 2007 and 2006, respectively. The MOSERS funded status ratio was 86.8 percent and 85.3 percent as of June 30, 2007 and 2006, 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 2008 and 2007, the University contributed 7.87% and 7.84%, respectively, of the participant's salary to CURP each month. The University's contribution to the plan for the years ended June 30, 2008, 2007 and 2006, were \$710,596, \$629,548 and \$483,215, 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: Other Postemployment Benefit Obligations

In addition to the pension benefits described in *Note 8*, 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, 2008 and 2007, 265 and 297 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.

Based on an actuarial valuation date of July 1, 2007, the annual required contribution and contributions made under GASB 45 were as follows:

Normal cost	\$ 22,057
Amortization payment	1,518,832
Interest on normal cost and amortization payment	61,636
Annual required contribution	<u>1,602,525</u>
Less OPEB cost contributed	<u>(1,120,615)</u>
Net OPEB obligation	<u>\$ 481,910</u>
Contribution percentage	<u>69.9%</u>

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The funded status of the plan as of the actuarial valuation date is as follows:

Actuarial accrued liability	\$ 7,032,034
Actuarial value of assets	-
Total unfunded actuarial liability	\$ 7,032,034
Funded ratio	0.00%
Annual covered payroll	\$ 59,556,532
Ratio of unfunded actuarial liability to covered payroll	11.81%

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 schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements. The Schedule of Funding Progress will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

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

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 5.5% in 2020

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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, 2008 and 2007, 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 \$3,800,000 related to construction contracts at June 30, 2008.

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

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Note 12: University of Central Missouri 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, 2008 and 2007, is composed of the following:

	June 30, 2008 Fair Value	June 30, 2007 Fair Value
Corporate bonds	\$ 6,586,528	\$ 5,712,418
U.S. government obligations	7,552,226	7,683,265
Common stocks	19,551,982	18,723,354
Certificates of deposit	-	490,644
Donated real estate	91,000	105,000
	<u>\$ 33,781,736</u>	<u>\$ 32,714,681</u>

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

	June 30, 2008 Fair Value	June 30, 2007 Fair Value
Unrestricted	\$ 7,240,652	\$ 7,699,443
Temporarily restricted	11,330,712	10,798,528
Permanently restricted	15,210,372	14,216,710
	<u>\$ 33,781,736</u>	<u>\$ 32,714,681</u>

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Permanently restricted investments include \$571,132 and \$589,483, respectively, of assets held in trust and administered by an outside fiscal agent under the terms of an irrevocable trust arrangement at June 30, 2008 and 2007. 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, 2008 and 2007, is as follows:

	June 30, 2008	June 30, 2007
Due within one year	\$ 509,259	\$ 431,819
Due in one to five years	494,566	556,800
Due in more than five years	19,170	30,050
	1,022,995	1,018,669
Less		
Allowance for uncollectible contributions	96,498	92,689
Unamortized discount	42,842	65,229
	\$ 883,655	\$ 860,751

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 in 2007. The estate was settled in May 2008, and the remaining balance of \$118,693 was distributed. The assets were transferred for use in the nutrition program.

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2008 and 2007

Net Assets

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2008 and 2007:

	June 30, 2008		June 30, 2007	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Instruction	\$ 6,721,002	\$ 3,046,140	\$ 6,526,222	\$ 3,092,044
Scholarships	3,922,312	12,035,108	3,847,553	11,323,010
Academic support – TV/Radio	20,878	-	46,389	-
Institutional support – plant facilities	456,845	-	486,054	-
Student services – athletics	150,936	50,272	80,959	50,021
	<u>\$ 11,271,973</u>	<u>\$ 15,131,520</u>	<u>\$ 10,987,177</u>	<u>\$ 14,465,075</u>

Required Supplementary Information

University of Central Missouri
A Component Unit of the State of Missouri
Other Postemployment Benefits Schedule of Funding Progress
June 30, 2008

	Year Ending June 30, 2008
Actuarial Valuation Date	July 1, 2007
Actuarial Cost Method	Projected Unit Credit
Actuarial accrued liability	\$ 7,032,034
Actuarial value of assets	-
Total unfunded actuarial liability	\$ 7,032,034
Funded ratio	0.00%
Annual covered payroll	\$ 59,556,532
Ratio of unfunded actuarial liability to covered payroll	11.81%
Participant Summary:	
Active employees	1,141
Retirees	248
Spouses of retirees	49
Total	1,438
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 5.5% in 2020