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**UNIVERSITY OF CENTRAL MISSOURI**  
**A COMPONENT UNIT OF THE**  
**STATE OF MISSOURI**  
**FINANCIAL STATEMENTS**  
*JUNE 30, 2012*

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## Independent Accountants' Report

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

We have audited the accompanying basic financial statements of University of Central Missouri (the University) and its discretely presented component unit, collectively, a component unit of the State of Missouri, as of and for the year ended June 30, 2012, 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 audit. 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 \$38,863,336 and \$38,187,005 as of June 30, 2012 and 2011, respectively, and total revenues of \$4,601,949 and \$8,338,577, respectively, for the years then ended. Those statements were audited by other accountants whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for University of Central Missouri Foundation, is based solely on the reports of the other accountants. The financial statements of the University as of June 30, 2011 were audited by other auditors, whose report dated November 7, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 comprise 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 audit and the reports of the other accountants provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other accountants, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of the University and of its discretely presented component unit as of June 30, 2012 and the changes in its financial position and cash flows for the year 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 for the year ended June 30, 2012 dated November 5, 2012 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Management's discussion and analysis and the schedule of funding progress of the other postemployment benefit plan, as listed in the table of contents, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United State of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*RubinBrown LLP*

November 5, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

**Overview**

Established in 1871, the University of Central Missouri (the University) was originally known as the State Normal School for the Second Normal District, an institution created by the Missouri General Assembly to educate teachers for the state's public schools. Building upon this tradition, the University has evolved to meet academic and career needs of new generations of Missouri students and beyond as a major comprehensive institution with four academic colleges 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.

The University takes ongoing pride in providing a student-centered learning environment where tenured professors teach the majority of classes. The University boasts a 17:1 student-faculty ratio and a graduate job placement rate above 90 percent, exceeding the national average for 18 consecutive years. The University's environment of student success helped UCM reach a record enrollment of 11,878 students, the highest in its 140-year history, for the 2012 Fall semester. The University's students are served by 446 full-time faculty members. Sixty-eight percent of the faculty members have earned doctorates.

The University 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 540 international students contribute to a diverse student body. Students from nearly every county in Missouri, 43 states and 52 countries from around the globe attend the University. Through our International Center, students can study in over 60 countries at more than 285 institutions.

The University 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.

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Management's Discussion And Analysis (*Continued*)

**Academic Programs**

The academic programs at the University are organized under four colleges: the College of Arts, Humanities, and Social Sciences; the Harmon College of Business and Professional Studies; the College of Education; and the College of Health, 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 also are offered online. Including its airport and other special facilities, the University occupies more than 1,500 acres.

The University offers the following undergraduate degrees: 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 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 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**

In the summer of 2012, the University was named to two national lists that help guide students in their college selection process. UCM was recognized by The Princeton Review as one of the best colleges and universities in the Midwest for the seventh consecutive year, and was also ranked by *U.S. News & World Report* among the nation's best regional institutions. *U.S. News & World Report* rankings are included in the *2013 Best Colleges* guidebook.

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Management's Discussion And Analysis (*Continued*)

The Princeton Review selected UCM as one of its "Best in the Midwest" colleges and universities. As such, UCM is one of 153 Midwestern schools named in the nationally known education services company's edition of "Best Colleges: Region by Region." Selection is based on a qualitative evaluation of academic excellence as well as results from student surveys, school visits, and opinions of independent high school-based college advisers whose recommendations are invited. The Princeton Review does not numerically rank institutions.

**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, 2012 and 2011, the Foundation provided support to the University of \$3,268,870 and \$3,780,624, respectively.

**Management Discussion And Analysis**

This discussion and analysis of the University's financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2012, 2011, and 2010. 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.

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Management's Discussion And Analysis (*Continued*)

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 benefit cost was 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. Non-current assets include that portion of accounts receivable, investments, loans to students and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment etc.

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. Non-current 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.



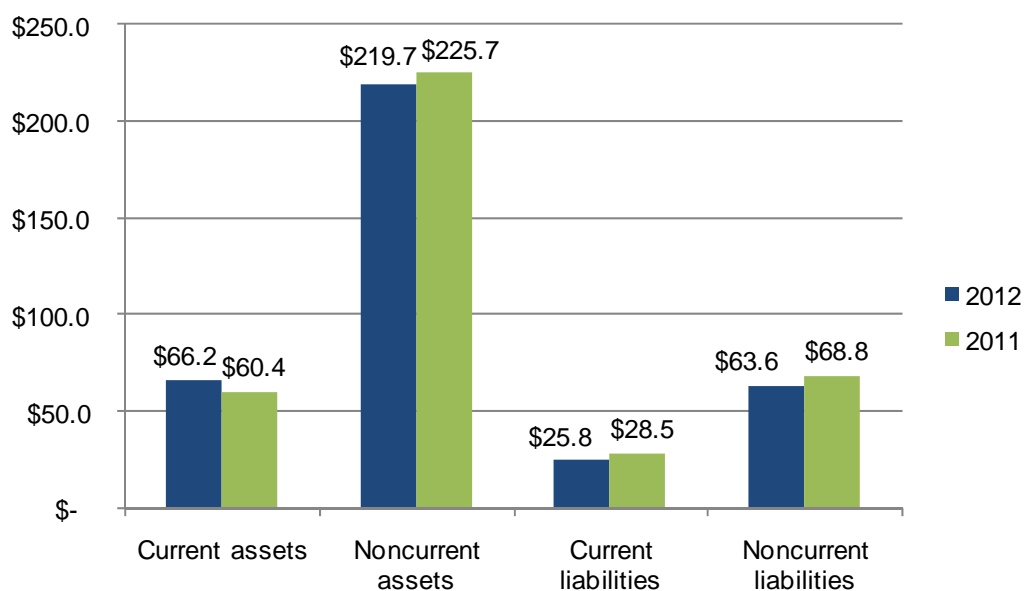
**UNIVERSITY OF CENTRAL MISSOURI**  
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Management's Discussion And Analysis (*Continued*)

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:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 66.2	\$ 60.4
Noncurrent assets	219.7	225.7
<b>Total assets</b>	<b>285.9</b>	<b>286.1</b>
Current liabilities	25.8	28.5
Noncurrent liabilities	63.6	68.8
<b>Total liabilities</b>	<b>89.4</b>	<b>97.3</b>
Net assets		
Invested in capital assets, net of related debt	121.2	118.6
Restricted	11.0	8.8
Unrestricted	64.3	61.4
<b>Total Net Assets</b>	<b>\$ 196.5</b>	<b>\$ 188.8</b>



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Management's Discussion And Analysis (*Continued*)

**Comparative Analysis Of Fiscal Years 2012 And 2011**

*Current Assets* - Current assets for Fiscal Year 2012 totaled \$66.2 million which is an increase of \$5.8 million from Fiscal Year 2011 current assets of \$60.4 million. This increase is attributed to total cash and short-term investments increasing as a result of the University's investment in short term securities at year end.

*Non-current Assets* - Total non-current assets decreased approximately \$6.0 million. The decrease is primarily due to a shift in the University carrying a larger amount of short term investments at year end. In addition, the University had a decrease in capital asset of approximately \$2.0 million resulting from retirements of assets.

*Current Liabilities* - Current liabilities totaled \$25.8 million decreasing by approximately \$2.7 million compared to the prior year total of \$28.5 million. This is primarily attributed to a decrease in accounts payable and accrued liabilities of \$2.7 million.

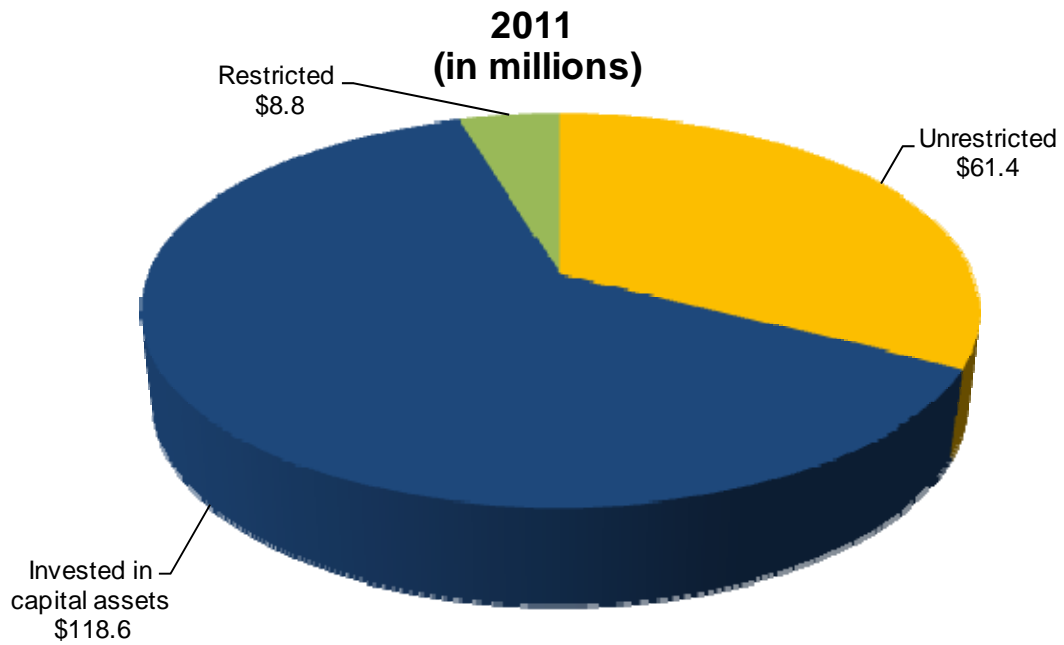
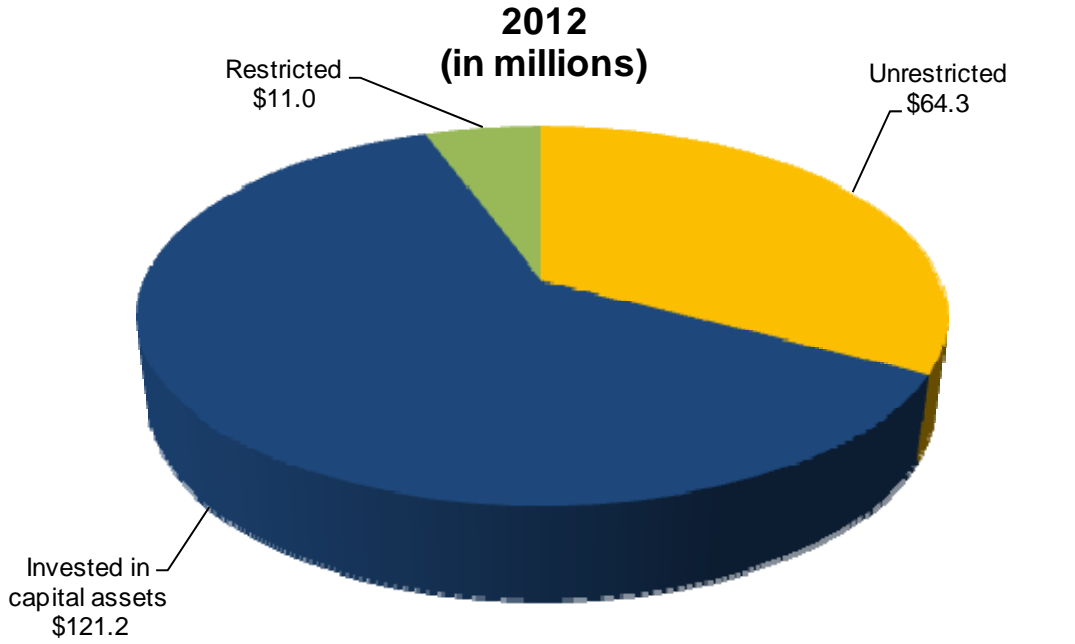
*Non-current Liabilities* - Total non-current liabilities decreased approximately \$5.2 million. This decrease is primarily attributed to the debt service principal payments. In addition, the amount of long-term liabilities decreased due to regular debt service payments and a decrease in other non-current liabilities totaling (\$0.2 mil).

*Net Assets* - At June 30, 2012, the University's net assets were \$196.5 million. These are comprised of Unrestricted - \$64.3 million; Invested in capital assets, net of related debt - \$121.2 million; Restricted for loans - \$6.7 million and Other restricted - \$4.3 million.

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Management's Discussion And Analysis *(Continued)*



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Management's Discussion And Analysis (*Continued*)

**Comparative Analysis Of Fiscal Years 2011 And 2010**

*Current Assets* - Current assets for Fiscal Year 2011 totaled \$60.4 which was a decrease of \$27.9 million from Fiscal Year 2010 current assets of \$88.3 million. This decrease (\$26 mil) resulted from the University's investment in longer term securities at year end. In addition, the University had a state appropriation receivable (\$1.3 mil) in the prior year that was satisfied in 2011.

*Non-current Assets* – Total non-current assets increased approximately \$37.2 million. The increase was primarily due to an increase in the University carrying long term investments of \$28.1 million as compared to Fiscal Year 2010 of \$4.0 million. In addition, the University capital assets increased by \$13.1 million which included the completed Student Recreation and Wellness Center and the Morrow Garrison Renovation.

*Current Liabilities* – Current liabilities totaled \$28.5 million decreasing by approximately \$2.3 million compared to the prior year total of \$30.8 million. This was primarily attributed to the decrease in accounts payable and accrued liabilities of \$1.8 million and additional decreases in Accrued Compensated Absences (\$0.1), Long-Term Debt Current Portion (\$0.4) and Student Deposits (\$0.1).

*Net Assets* – At June 30, 2011, the University's net assets were \$188.8 million. These were comprised of Unrestricted - \$61.4 million; Invested in capital assets, net of related debt - \$118.6 million; Restricted for loans - \$6.7 million; Other restricted - \$2.1 million.

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Management's Discussion And Analysis (*Continued*)

**Operating Results**

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and non-operating 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, 2012 and 2011 are as follows:

	<u>2012</u>	2011
<b>Operating Revenue</b>		
Tuition and fees	\$ 76.3	\$ 71.8
Scholarship allowances	(14.9)	(15.1)
Net tuition and fees	<u>61.4</u>	<u>56.7</u>
Federal grants and contracts	1.6	1.8
State grants and contracts	0.1	—
Auxiliary enterprises	33.8	32.0
Scholarship allowances	(4.3)	(4.4)
Net auxiliary enterprises	<u>29.5</u>	<u>27.6</u>
Other	8.1	7.2
<b>Total Operating Revenue</b>	<u>100.7</u>	<u>93.3</u>
<b>Operating Expenses</b>	165.7	165.4
<b>Operating Loss</b>	<u>(65.0)</u>	<u>(72.1)</u>
<b>Non-Operating Revenue (Expenses)</b>		
State appropriations	51.2	54.9
Federal grants and contracts	19.3	19.9
State grants and contracts	0.6	0.6
Other grants and contracts	1.2	1.2
Loss on disposal of capital assets	(0.1)	—
Contributions	2.0	2.3
Investment income	0.2	0.3
Interest on capital asset - related debt	(2.7)	(0.6)
Other non-operating revenue (expenses)	(0.3)	(0.2)
<b>Net Non-Operating Revenue</b>	<u>71.4</u>	<u>78.4</u>
<b>Increase (Decrease) In Net Assets</b>	6.4	6.3
<b>Capital Grants And Gifts</b>	1.3	5.7
<b>Net Assets - Beginning Of Year</b>	<u>188.8</u>	<u>176.8</u>
<b>Net Assets - End Of Year</b>	<u>\$ 196.5</u>	<u>\$ 188.8</u>

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

**Comparative Analysis Of Fiscal Years 2012 And 2011**

*Operating Revenues* – For the year ended June 30, 2012, tuition and fee revenues (net of scholarship allowances and bad debt expense) increased approximately \$4.7 million or approximately 8% compared to Fiscal Year 2011. The increase in tuition and fees is primarily attributed to an increase in enrollment (3.4%) and tuition and fee increases of (4.2%). Fiscal Year 2011 tuition and fees were approximately \$2.4 million above the year ended June 30, 2010 as the result of increased credit hour production, a minimal tuition and fee increase and the implementation of an additional \$2.75 per credit hour fee for the operation of the new fitness and wellness center.

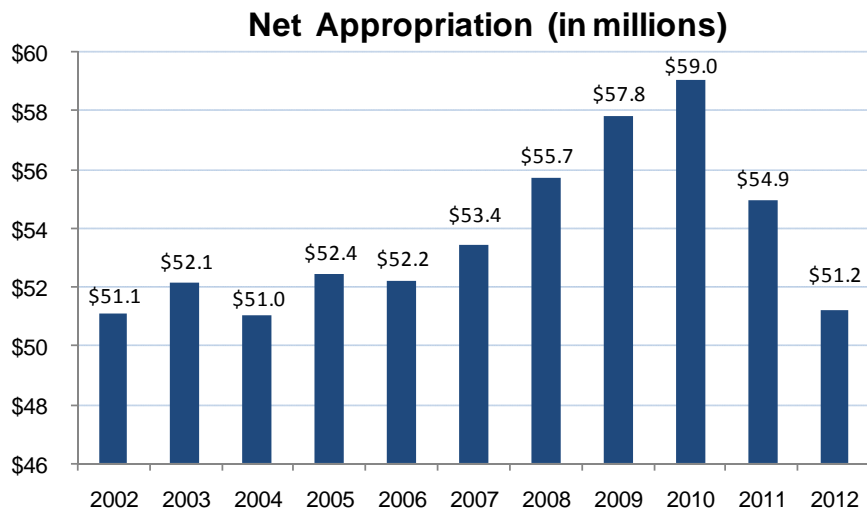
Auxiliary enterprises experienced an increase of \$1.8 million above Fiscal Year 2011 which is primarily attributed to a Student Housing rate increase of 3.0% for Fiscal Year 2012 coupled with an increase in on-campus student residents.

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

The University's financial position is closely tied to the State of Missouri and the associated general revenue and lottery proceeds appropriated by the Legislature. State appropriation revenue decreased from \$54.8 million in Fiscal Year 2011 to \$51.2 million in Fiscal Year 2012. This decrease was a result of the State of Missouri funding reduction of 7%. Following is a historical trend of the University's state appropriation funding (net of withholdings).

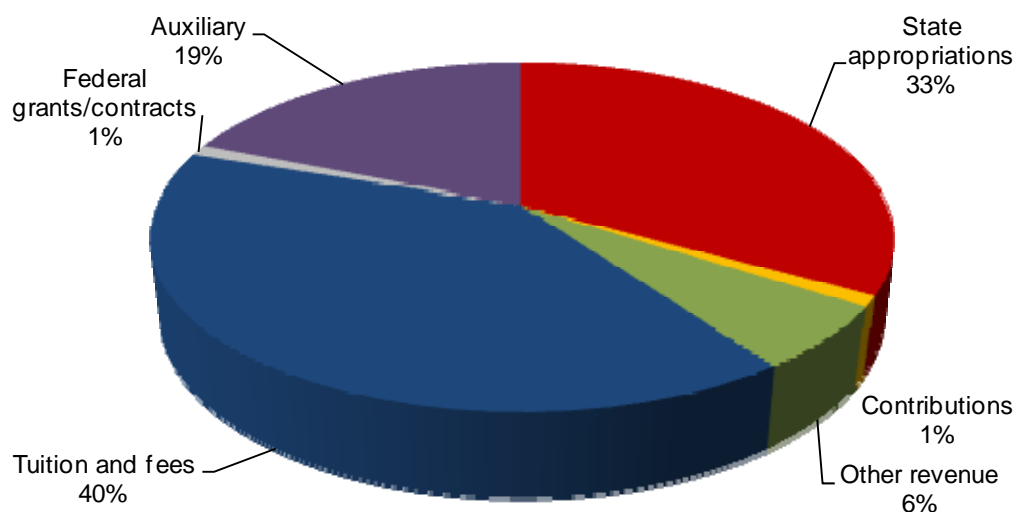
**UNIVERSITY OF CENTRAL MISSOURI**  
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Management's Discussion And Analysis (*Continued*)



Fiscal Year 2012 interest on capital asset related debt increased \$2.1 million over Fiscal Year 2011 primarily due to the first full year of interest payments on the Student Recreation and Wellness Center Bond and the ESCO Energy Savings Program lease as the prior interest payments were capitalized as part of the construction project expenses. Federal grants and contracts revenue decreased by \$0.6 million over Fiscal Year 2011 amount of \$19.9 million primarily due to the reduction in funding of Regional Professional Development Center (\$0.2 mil) and the lapse of the American Reinvestment and Recovery Act directed funding (\$0.4 mil)

The following graph summarizes the University's Fiscal Year 2012 revenue sources:



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Management's Discussion And Analysis (*Continued*)

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

	<u>2012</u>	<u>2011</u>
Compensation and benefits	\$ 99.8	\$ 102.6
Contractual services	12.3	11.9
Supplies and materials	13.4	14.6
Scholarships and fellowships	7.2	7.7
Depreciation	14.6	11.1
Utilities	5.3	5.4
Other	13.1	12.1
<b>Total</b>	<b>\$ 165.7</b>	<b>\$ 165.4</b>

*Operating Expenses* – Total operating expenses increased \$0.2 million from \$165.4 million in Fiscal Year 2011 to \$165.7 million in Fiscal Year 2012.

Fiscal Year 2012 Compensation and Benefits decreased \$2.8 million from the prior year resulting from the faculty early retirement program (\$1.5 million) implemented in Fiscal Year 2011, decrease in administrative salaries and wages due to a 90 day hiring freeze (\$1.2 mil) and associated fringe benefits (\$0.3 mil) health care premiums, a decrease retiree insurance expense (\$0.1 million) and a decrease in the post-employment benefit obligation expenditures (\$0.1 million). These savings were partially offset by a two percent across the board salary increase.

Supplies and materials decreased \$1.2 million over Fiscal Year 2011 total of \$14.6 million primarily due to the one-time expenditures of furniture and equipment for the Student Recreation and Wellness that opened in 2011. Scholarships and fellowships decreased \$0.5 million primarily due to reduction of funded scholarship allowances for Fiscal Year 2012.

Fiscal Year 2012 depreciation expense increased \$2.9 million from the prior year resulting from Fiscal Year 2011 new assets put into use – Student Recreation and Wellness Center, Audrey J. Walton Clubhouse, Morrow Garrison Renovation and the ESCO Energy Savings Program.

In addition, other expenses increase by \$1.0 million over Fiscal Year 2011 due primarily to increase in maintenance and repair expense (\$1.0 mil) for Fiscal Year 2012.



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Management's Discussion And Analysis (*Continued*)

For the year ended June 30, 2011, operating expenses increased by approximately \$5.7 million above the year ended June 30, 2010. This increase was primarily related to increased expenses of \$2.6 million for compensation and benefits resulting from accruing for the faculty early retirement program, increase in healthcare premiums and retirement benefits including the annual recording of costs associated with GASB 45. Scholarships and fellowships increased by \$1.2 million primarily due to increased support of state funded scholarship initiatives, increased enrollment and Foundation funded scholarships.

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

	<u>2012</u>	<u>2011</u>
<b>Cash Provided By (Used In)</b>		
Operating activities	<b>\$ (53.9)</b>	\$ (58.9)
Non-capital financing activities	<b>73.3</b>	80.0
Capital and related financing activities	<b>(18.8)</b>	(24.2)
Investing activities	<b>(7.4)</b>	11.3
<b>Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(6.8)</b>	8.2
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>13.4</b>	5.2
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 6.6</b>	\$ 13.4

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

During the year ended June 30, 2012, cash used in operating activities amounted to (\$53.9) million, which resulted from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, and associated collections that were offset by payments to suppliers, utilities, employees, scholarships and fellowships and other payments. Cash provided by non-capital financing activities of \$73.3 million includes state appropriations, gifts and grants for other than capital purposes and other receipts.

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Management's Discussion And Analysis (*Continued*)

Cash used for capital and related financing activities was (\$18.8) million. The University had capital expenditures of \$11.3 million including: \$1.0 million in aviation T-hangars; \$1.7 million Audrey J. Walton Clubhouse; \$2.9 million Telecom & Information Technology Infrastructure Equipment. Additional other capital expenditures totaling approximately \$5.7 million include Art Center improvements, various roof replacements, parking lot improvements, residential housing renovations, Military and Veterans Center, various building improvements and capital equipment purchases. Capital related financing included principal and interest on capital debt and leases of \$7.5 million which were partially offset by gifts and grants for capital purposes of \$1.3 million. Cash and cash equivalents at June 30, 2012, were \$6.6 million, which decreased \$6.8 million from June 30, 2011. This decrease is attributed to more cash being invested in short term and long term treasury securities versus the prior year.

During the year ended June 30, 2011, cash used in operating activities amounted to (\$58.9) million, which resulted from tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprises, and associated collections that were offset by payments to suppliers, utilities, employees, scholarships and fellowships and other payments. Cash provided by non-capital financing activities of \$80.0 million included state appropriations, gifts and grants for other than capital purposes and other receipts. Cash used for capital and related financing activities was \$24.2 million. This included debt refinance proceeds (\$9.7 million), purchases of capital assets (\$20.4) million, principal and interest on capital debt and leases (\$9.0 million) which were partially offset by state appropriations for capital purposes of \$5.2 million. Cash and cash equivalents at June 30, 2011, were \$13.4 million, which increased \$8.2 million from June 30, 2010.

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**STATEMENT OF NET ASSETS**

**June 30, 2012 And 2011**

**Page 1 Of 2**

	2012	2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 6,287,828	\$ 12,614,895
Restricted cash and investments - current	366,117	3,039,233
Short-term investments	46,109,448	32,171,337
Accounts receivable, net of allowance; 2012 - \$6,077,466; 2011 - \$5,089,716	5,636,880	5,800,876
Interest receivable	135,452	118,024
Federal and state grants receivable	1,606,049	1,098,730
Due from foundation - current portion	58,098	50,000
Inventories	3,228,375	3,040,926
Loans to students, net	1,399,703	1,343,797
Prepaid expenses	1,339,681	1,095,777
<b>Total Current Assets</b>	<b>66,167,631</b>	<b>60,373,595</b>
<b>Noncurrent Assets</b>		
Noncurrent investments	24,032,341	28,110,777
Loans to students, net	6,099,905	6,007,230
Due from foundation	422,817	470,577
Capital assets, net	188,383,191	190,459,443
Deferred bond issue costs, net	790,459	690,469
<b>Total Noncurrent Assets</b>	<b>219,728,713</b>	<b>225,738,496</b>
<b>Total Assets</b>	<b>285,896,344</b>	<b>286,112,091</b>

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

**STATEMENT OF NET ASSETS**

**June 30, 2012 And 2011**

**Page 2 Of 2**

	2012	2011
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,461,593	\$ 17,156,439
Accrued compensated absences	2,075,566	2,095,113
Deferred revenue	2,668,000	2,829,420
Interest payable	541,176	753,785
Long-term debt - current portion	5,889,973	5,455,259
Accrued settlement - current portion	50,000	50,000
Student deposits	147,707	129,452
<b>Total Current Liabilities</b>	<b>25,834,015</b>	<b>28,469,468</b>
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	1,670,010	1,756,157
Accrued settlement	422,817	470,577
Other long-term liability	987,414	1,075,430
Long-term debt	60,500,145	65,563,538
<b>Total Noncurrent Liabilities</b>	<b>63,580,386</b>	<b>68,865,702</b>
<b>Total Liabilities</b>	<b>89,414,401</b>	<b>97,335,170</b>
<b>Net Assets</b>		
Invested in capital assets, net of debt	121,155,265	118,624,276
Restricted for		
Non-Expendable		
Loans	6,670,690	6,706,829
Expendable		
Scholarships and fellowships	42,133	59,383
Loans	1,209,847	1,215,610
Other	3,129,079	788,368
Unrestricted	64,274,929	61,382,455
<b>Total Net Assets</b>	<b>\$ 196,481,943</b>	<b>\$ 188,776,921</b>

# UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

## STATEMENT OF FINANCIAL POSITION

June 30, 2012 And 2011

	2012	2011
<b>Assets</b>		
Cash and cash equivalents	\$ 1,959,350	\$ 2,400,589
Investments	35,026,330	34,220,706
Contributions receivable, net	550,053	262,232
Accrued investment income	166,061	142,982
Cash surrender value or life insurance	335,069	315,966
Beneficial interest in charitable trusts, net	825,723	839,159
Prepaid expenses	750	5,371
<b>Total Assets</b>	<b>\$ 38,863,336</b>	<b>\$ 38,187,005</b>
<b>Liabilities</b>		
Annuities payable	\$ 1,341,488	\$ 1,422,624
Accrued expenses	146,663	226,663
	1,488,151	1,649,287
<b>Net Assets</b>		
Unrestricted	6,596,116	7,695,565
Temporarily restricted	11,444,849	11,419,574
Permanently restricted	19,334,220	17,422,579
	37,375,185	36,537,718
	<b>\$ 38,863,336</b>	<b>\$ 38,187,005</b>

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

**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**For The Years Ended June 30, 2012 And 2011**  
**Page 1 Of 2**

	2012	2011
<b>Operating Revenues</b>		
Tuition and fees, net of scholarship allowances; 2012 - \$14,881,681; 2011 - \$15,129,177 and bad debt expense; 2012 - \$1,113,727; 2011 - \$642,717	\$ 61,449,851	\$ 56,722,687
Federal grants and contracts	1,617,743	1,815,209
State grants and contracts	80,602	32,347
Interest on student receivables	575,299	529,905
Sales and services of educational activities	1,980,746	1,548,216
Auxiliary enterprises		
Housing, net of scholarship allowances; 2012 - \$4,307,304; 2011 - \$4,367,642	18,103,023	16,734,947
Bookstore	6,357,523	6,180,485
Other auxiliary enterprises	5,031,542	4,664,702
Other operating revenues	5,503,070	5,130,392
<b>Total Operating Revenues</b>	<b>100,699,399</b>	<b>93,358,890</b>
<b>Operating Expenses</b>		
Compensation and benefits	99,795,573	102,570,791
Contractual services	12,301,651	11,916,173
Supplies and services	13,396,951	14,691,431
Scholarships and fellowships	7,159,294	7,683,090
Depreciation	14,574,318	11,074,930
Utilities	5,328,828	5,412,356
Other	13,102,827	12,094,269
<b>Total Operating Expenses</b>	<b>165,659,442</b>	<b>165,443,040</b>
<b>Operating Loss</b>	<b>(64,960,043)</b>	<b>(72,084,150)</b>

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

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**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**For The Years Ended June 30, 2012 And 2011**  
**Page 2 Of 2**

	<u>2012</u>	<u>2011</u>
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	\$ 51,182,273	\$ 54,873,873
Federal grants and contracts	19,264,091	19,875,928
State grants and contracts	542,798	623,419
Other grants and contracts	1,227,774	1,174,307
Contributions	2,024,807	2,279,432
Loss on disposal of capital assets	(93,580)	(23,348)
Investment income	217,878	341,916
Interest on capital asset - related debt	(2,677,426)	(565,283)
Other nonoperating expenses	(324,547)	(151,797)
<b>Net Nonoperating Revenues</b>	<b>71,364,068</b>	<b>78,428,447</b>
<b>Income Before Other Revenues And Expenses, Gains Or Losses</b>	<b>6,404,025</b>	<b>6,344,297</b>
<b>Capital Appropriation - State</b>	<b>—</b>	<b>3,899,412</b>
<b>Capital Grants And Gifts</b>	<b>1,300,997</b>	<b>1,749,650</b>
<b>Increase In Net Assets</b>	<b>7,705,022</b>	<b>11,993,359</b>
<b>Net Assets - Beginning Of Year</b>	<b>188,776,921</b>	<b>176,783,562</b>
<b>Net Assets - End Of Year</b>	<b>\$ 196,481,943</b>	<b>\$ 188,776,921</b>

# UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2012

	Unrestricted	Temporarily Unrestricted	Permanently Unrestricted	Total
<b>Revenue And Other Support</b>				
Gifts	\$ 252,318	\$ 2,002,713	\$ 1,653,086	\$ 3,908,117
In-kind gifts	1,396	314,552	—	315,948
Other income	253	65,588	—	65,841
Investment income	419,470	433,175	6,689	859,334
Net realized and unrealized loss on investments and beneficial interests in trusts	(503,549)	(33,210)	(10,532)	(547,291)
Net assets released from restrictions	3,197,964	(3,197,964)	—	—
<b>Total Revenue And Other Support</b>	<b>3,367,852</b>	<b>(415,146)</b>	<b>1,649,243</b>	<b>4,601,949</b>
<b>Expenses</b>				
Foundation expenses				
General administrative expenses	402,863	—	—	402,863
Fundraising expenses	218,248	—	—	218,248
<b>Total Foundation expenses</b>	<b>621,111</b>	<b>—</b>	<b>—</b>	<b>621,111</b>
Contributions to the University for the following purposes				
Program expenses				
Scholarships	602,629	—	—	602,629
Academic support - TV/Radio	413,313	—	—	413,313
Student services - athletics	424,992	—	—	424,992
Instruction and other departmental	333,250	—	—	333,250
Support services				
Institutional support - plant facilities	1,359,980	—	—	1,359,980
<b>Total contributions to the University</b>	<b>3,134,164</b>	<b>—</b>	<b>—</b>	<b>3,134,164</b>
<b>Total Expenses</b>	<b>3,755,275</b>	<b>—</b>	<b>—</b>	<b>3,755,275</b>
<b>Increase (Decrease) In Net Assets Before Other Changes</b>	<b>(387,423)</b>	<b>(415,146)</b>	<b>1,649,243</b>	<b>846,674</b>
<b>Other Changes</b>				
Adjustments to actuarial liability of annuities payable	—	(2,240)	10,378	8,138
Other	(73,351)	(15,576)	71,582	(17,345)
Reclassification of net assets	(638,675)	458,237	180,438	—
<b>Total Other Changes</b>	<b>(712,026)</b>	<b>440,421</b>	<b>262,398</b>	<b>(9,207)</b>
<b>Increase (Decrease) In Net Assets</b>	<b>(1,099,449)</b>	<b>25,275</b>	<b>1,911,641</b>	<b>837,467</b>
<b>Net Assets - June 30, 2011</b>	<b>7,695,565</b>	<b>11,419,574</b>	<b>17,422,579</b>	<b>36,537,718</b>
<b>Net Assets - June 30, 2012</b>	<b>\$ 6,596,116</b>	<b>\$ 11,444,849</b>	<b>\$ 19,334,220</b>	<b>\$ 37,375,185</b>



# UNIVERSITY OF CENTRAL MISSOURI FOUNDATION

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Unrestricted</u>	<u>Total</u>
<b>Revenue And Other Support</b>				
Gifts	\$ 265,427	\$ 1,398,437	\$ 1,101,444	\$ 2,765,308
In-kind gifts	869	552,495	69,750	623,114
Other income	634	55,711	—	56,345
Investment income	403,335	453,447	7,302	864,084
Net realized and unrealized gain on investments	3,919,052	1,103	109,571	4,029,726
Net assets released from restrictions	4,153,087	(4,153,087)	—	—
<b>Total Revenue And Other Support</b>	<b>8,742,404</b>	<b>(1,691,894)</b>	<b>1,288,067</b>	<b>8,338,577</b>
<b>Expenses</b>				
Foundation expenses:				
General administrative expenses	379,836	—	—	379,836
Fundraising expenses	236,097	—	—	236,097
<b>Total Foundation Expenses</b>	<b>615,933</b>	<b>—</b>	<b>—</b>	<b>615,933</b>
Contributions to the University for the following purposes:				
Program expenses:				
Scholarships	658,626	—	—	658,626
Academic support - TV/Radio	499,078	—	—	499,078
Student services - athletics	394,318	—	—	394,318
Instruction and other departmental	602,335	—	—	602,335
Support services:				
Institutional support - plant facilities	1,894,147	—	—	1,894,147
<b>Total Contributions to the University</b>	<b>4,048,504</b>	<b>—</b>	<b>—</b>	<b>4,048,504</b>
<b>Total Expenses</b>	<b>4,664,437</b>	<b>—</b>	<b>—</b>	<b>4,664,437</b>
<b>Increase (Decrease) In Net Assets Before Other Changes</b>	<b>4,077,967</b>	<b>(1,691,894)</b>	<b>1,288,067</b>	<b>3,674,140</b>
<b>Other Changes</b>				
Adjustments to actuarial liability of annuities payable	—	(20,661)	282,671	262,010
Other	39,440	30,901	(103,063)	(32,722)
<b>Total Other Changes</b>	<b>39,440</b>	<b>10,240</b>	<b>179,608</b>	<b>229,288</b>
<b>Increase (Decrease) In Net Assets</b>	<b>4,117,407</b>	<b>(1,681,654)</b>	<b>1,467,675</b>	<b>3,903,428</b>
<b>Net Assets - June 30, 2010</b>	<b>3,578,158</b>	<b>13,101,228</b>	<b>15,954,904</b>	<b>32,634,290</b>
<b>Net Assets- June 30, 2011</b>	<b>\$ 7,695,565</b>	<b>\$ 11,419,574</b>	<b>\$ 17,422,579</b>	<b>\$ 36,537,718</b>

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

**STATEMENT OF CASH FLOWS**  
**For The Years Ended June 30, 2012 And 2011**  
**Page 1 Of 2**

	2012	2011
<b>Cash Flows From Operating Activities</b>		
Tuition and fees	\$ 61,360,602	\$ 58,538,583
Grants and contracts	1,698,345	1,847,556
Sales and services of educational activities	1,980,746	1,548,216
Payments to suppliers	(28,872,561)	(25,573,386)
Payments for utilities	(5,328,828)	(5,412,356)
Payments to employees	(99,989,283)	(100,888,829)
Payments for scholarships and fellowships	(7,159,294)	(7,683,090)
Loans issued to students	(1,386,239)	(1,381,979)
Collection of loans to students	1,812,957	1,846,913
Sales and services of auxiliary enterprises	29,602,168	25,194,732
Other payments	(7,599,757)	(6,963,877)
<b>Net Cash Used In Operating Activities</b>	<b>(53,881,144)</b>	<b>(58,927,517)</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
State appropriations	51,182,273	54,873,873
Gifts and grants for other than capital purposes	22,552,151	25,221,646
Other payments	(384,875)	(71,048)
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>73,349,549</b>	<b>80,024,471</b>
<b>Cash Flows From Capital And Related Financing Activities</b>		
Capital appropriations - state	—	5,241,702
Proceeds from sale of capital assets	90,726	31,199
Purchase of capital assets	(11,381,375)	(20,430,195)
Principal paid on capital debt and leases	(4,975,925)	(5,911,932)
Interest paid on capital debt and leases	(2,542,789)	(3,130,514)
<b>Net Cash Used In Capital And Related Financing Activities</b>	<b>(18,809,363)</b>	<b>(24,199,740)</b>

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

**STATEMENT OF CASH FLOWS**  
**For The Years Ended June 30, 2012 And 2011**  
**Page 2 Of 2**

<b>Cash Flows From Investing Activities</b>		
Investment income	\$ 200,450.00	\$ 424,524.00
Proceeds from sales and maturities of investments	33,960,000	70,227,861
Purchases of investments	(41,558,606)	(59,341,620)
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>(7,398,156)</b>	<b>11,310,765</b>
<b>Net Increase (Decrease) In Cash And Cash Equivalents</b>	<b>(6,739,114)</b>	<b>8,207,979</b>
<b>Cash And Cash Equivalents - Beginning Of Year</b>	<b>13,393,059</b>	<b>5,185,080</b>
<b>Cash And Cash Equivalents - End Of Year</b>	<b>\$ 6,653,945</b>	<b>\$ 13,393,059</b>
<b>Reconciliation Of Cash And Cash Equivalents</b>		
<b>To The Statement Of Net Assets</b>		
Cash and cash equivalents	\$ 6,287,828	\$ 12,614,895
Cash and cash equivalents in restricted cash and investments - current	366,117	778,164
<b>Total Cash And Cash Equivalents</b>	<b>\$ 6,653,945</b>	<b>\$ 13,393,059</b>
<b>Reconciliation Of Changes In Net Assets To Net</b>		
<b>Cash Used In Operating Activities</b>		
<b>Changes In Net Assets</b>		
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Operating loss	(64,960,043)	(72,084,150)
Depreciation	14,574,318	11,074,930
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	15,415	(618,081)
(Increase) decrease in inventory	(187,449)	210,933
(Increase) decrease in prepaid expenses	(243,904)	9,498
(Increase) decrease in accounts payable and accrued liabilities	(2,742,606)	813,787
Increase (decrease) in deferred revenue	(161,420)	120,438
Increase (decrease) in salaries and benefits	(193,710)	1,681,962
Increase (decrease) in student deposits	18,255	(136,834)
<b>Net Cash Used In Operating Activities</b>	<b>\$ (53,881,144)</b>	<b>\$ (58,927,517)</b>
<b>Supplemental Cash Flows Information</b>		
Accounts payable incurred for capital asset purchases	\$ 837,808	\$ 816,370
Capital lease obligation incurred for capital asset purchase	—	4,752,178
Capital assets donated	24,989	53,200

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

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**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012 And 2011**

**1. Summary Of Significant Accounting Policies**

**Nature Of Operations**

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

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

**Basis Of Accounting And Presentation**

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

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

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Notes To Financial Statements (*Continued*)

**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.

**Cash Equivalents**

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2012 and 2011, cash equivalents consisted primarily of money market funds.

**Investments And Investment Income**

Investments in U.S. Treasury obligations and U.S. agencies obligations 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 \$251,050 and \$80,749 for the years ended June 30, 2012 and 2011, 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.

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

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Notes To Financial Statements (*Continued*)

**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 \$991,381 at June 30, 2012 and 2011, 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.

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

The University capitalizes interest costs as a component of construction in progress, based on the weighted average rates paid for long-term borrowing for projects not funded with tax-exempt debt. For those projects funded with tax-exempt debt, interest costs of borrowing specifically for the project are capitalized net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized was:

	<u>2012</u>	<u>2011</u>
Total interest expense incurred on borrowings for project	\$ —	\$ 2,469,670
Interest income from investment of proceeds of borrowings for project	—	(25,864)
Net interest cost capitalized on borrowings for specific projects	—	2,443,806
Interest costs capitalized for projects with no specific borrowings	<b>155,986</b>	162,783
<b>Total Interest Capitalized</b>	<b>\$ 155,986</b>	<b>\$ 2,606,589</b>
Interest capitalized	<b>\$ 155,986</b>	\$ 2,632,453
Interest charged to expense	<b>2,677,426</b>	565,283
<b>Total</b>	<b>\$ 2,833,412</b>	<b>\$ 3,197,736</b>

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

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Notes To Financial Statements (*Continued*)

**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 four 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 expendable net assets are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the University, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net assets are noncapital assets that are required to be maintained in perpetuity as specified by parties external to the University, including the federal portion of loan funds and funds held for which the income is used to provide scholarships. 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.

**Classification Of Revenues**

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

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

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Notes To Financial Statements (*Continued*)

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, 2012 and 2011, were \$14,881,681 and \$15,129,177, respectively. The scholarship allowances on housing for the years ended June 30, 2012 and 2011, were \$4,307,304 and \$4,367,642, 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.



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Notes To Financial Statements (*Continued*)

**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, 2012 and 2011, of \$472,817 and \$520,577, respectively, which represents the present value of the future annuity obligations under the settlement agreement. The liability has been determined using a discount rate of 3.6% and applicable mortality tables. This liability is to be funded by proceeds of the estate which are held by University of Central Missouri Foundation (*Note 5*).

**Foundation**

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

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

During the years ended June 30, 2012 and 2011, the Foundation provided \$3,268,871 and \$4,029,082, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: UCM Smiser Alumni Center, Warrensburg, Missouri 64093.

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

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Notes To Financial Statements (*Continued*)

**Reclassifications**

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 financial statement presentation. These reclassifications had no effect on the change in net assets.

**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, 2012 and 2011, the University's bank balances were \$24,367,557 and \$27,956,190, respectively. None of these deposits were exposed to custodial credit risk at June 30, 2012 or 2011.

**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.

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Notes To Financial Statements (*Continued*)

At June 30, 2012 and 2011, the University had the following investments and maturities:

<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 - 5</b>
U.S. Treasury obligations	\$ 46,030,624	\$ 26,048,283	\$ 19,982,341
U.S. Agencies obligations	8,033,514	8,033,514	—
	\$ 54,064,138	\$ 34,081,797	\$ 19,982,341

<b>Type</b>	<b>Fair Value</b>	<b>Less Than 1</b>	<b>1 - 5</b>
U.S. Treasury obligations	\$ 40,204,332	\$ 20,140,648	\$ 20,063,684
U.S. Agencies obligations	8,094,527	4,047,434	4,047,093
	\$ 48,298,859	\$ 24,188,082	\$ 24,110,777

**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, 2012 and 2011, the University had no investments in corporate bonds and investments held in U.S. agency obligations were all rated Aaa by Moody’s Investors Services.

**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, 2012 and 2011 are held in the University’s name.

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The University’s investment policy permits it to hold up to 25% of total investments, including certificates of deposit, in corporate bonds, with no more than 5% of its investments to be invested with any one issuer. The University’s investment policy requires the ratio of investments in corporate bonds to be reviewed on an annual basis. The University places no restrictions on investments in direct obligations of the U.S. government, U.S. agency issues, U.S. government guaranteed securities or repurchase agreements that are collateralized 100% with U.S. Treasury bills, bonds or notes and are entered into for periods of 180 days or less. Federal Home Loan Bank securities represent 12% of total investments at June 30, 2012.

**Summary Of Carrying Values**

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

	<u>2012</u>	<u>2011</u>
Carrying value		
Deposits	\$ 22,731,596	\$ 27,637,383
Investments	54,064,138	48,298,859
	<u>\$ 76,795,734</u>	<u>\$ 75,936,242</u>
Included in the following statements of net assets captions		
Cash and cash equivalents	\$ 6,287,828	\$ 12,614,895
Restricted cash and investments - current	366,117	3,039,233
Short-term investments	46,109,448	32,171,337
Noncurrent investments	24,032,341	28,110,777
	<u>\$ 76,795,734</u>	<u>\$ 75,936,242</u>

**Investment Income**

Investment income for the years ended June 30, 2012 and 2011 consisted of:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 279,941	\$ 268,823
Net increase (decrease) in fair value of investments	(62,063)	73,093
	<u>\$ 217,878</u>	<u>\$ 341,916</u>

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Notes To Financial Statements (*Continued*)

**3. Capital Assets**

Capital assets activity for the years ended June 30, 2012 and 2011 were:

	2012				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 13,257,575	\$ 433,822	\$ —	\$ —	\$ 13,691,397
Collections	2,799,804	10,400	—	—	2,810,204
Infrastructure	22,656,523	46,870	—	3,113,932	25,817,325
Buildings and improvements	276,319,410	1,181,162	—	5,459,688	282,960,260
Furniture, fixtures and equipment	31,344,664	1,776,583	2,790,547	—	30,330,700
Library materials	12,551,240	1,199,000	1,224,714	—	12,525,526
Construction in progress	2,387,366	8,034,535	37,519	(8,573,620)	1,810,762
	361,316,582	12,682,372	4,052,780	—	369,946,174
Less accumulated depreciation					
Infrastructure	11,598,660	1,140,922	—	—	12,739,582
Buildings and improvements	127,781,563	10,380,870	—	—	138,162,433
Furniture, fixtures and equipment	24,742,940	1,738,738	2,643,761	—	23,837,917
Library materials	6,733,976	1,313,788	1,224,713	—	6,823,051
	170,857,139	14,574,318	3,868,474	—	181,562,983
Net capital assets	\$ 190,459,443	\$ (1,891,946)	\$ 184,306	\$ —	\$ 188,383,191

	2011				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 13,083,465	\$ 174,110	\$ —	\$ —	\$ 13,257,575
Collections	2,793,784	6,020	—	—	2,799,804
Infrastructure	19,439,286	—	—	3,217,237	22,656,523
Buildings and improvements	198,632,602	—	—	77,686,808	276,319,410
Furniture, fixtures and equipment	31,765,294	1,584,045	2,004,675	—	31,344,664
Library materials	12,151,526	1,361,308	961,594	—	12,551,240
Construction in progress	62,206,694	21,085,003	286	(80,904,045)	2,387,366
	340,072,651	24,210,486	2,966,555	—	361,316,582
Less accumulated depreciation					
Infrastructure	10,627,239	971,421	—	—	11,598,660
Buildings and improvements	121,300,407	6,481,156	—	—	127,781,563
Furniture, fixtures and equipment	24,388,577	2,319,150	1,964,787	—	24,742,940
Library materials	6,392,366	1,303,203	961,593	—	6,733,976
	162,708,589	11,074,930	2,926,380	—	170,857,139
Net capital assets	\$ 177,364,062	\$ 13,135,556	\$ 40,175	\$ —	\$ 190,459,443

UNIVERSITY OF CENTRAL MISSOURI  
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Notes To Financial Statements (Continued)

4. Long-Term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2012 and 2011:

	2012				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Revenue Bonds</b>					
Student Housing System, Series 2009A	\$ 6,660,000	\$ —	\$ 1,520,000	\$ 5,140,000	\$ 1,560,000
Stadium Facility, Series 1999	1,200,000	—	285,000	915,000	290,000
Advance Refunding of Library Facility, Series 2002 Bond Issue, Series 2012A	—	3,269,706	—	3,269,706	508,464
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	3,650,000	—	3,650,000	—	—
Advance Refunding of Student Housing System, Energy Savings Program, Series 2002 Bond Issue, Series 2012A	—	3,675,294	—	3,675,294	571,536
Student Housing System, Energy Savings Program, Series 2002	4,100,000	—	4,100,000	—	—
Education Facility, Series 2007	842,687	—	113,306	729,381	118,927
Student Recreation Center, Series 2009	19,745,000	—	765,000	18,980,000	780,000
<b>Total Revenue Bonds</b>	<b>36,197,687</b>	<b>6,945,000</b>	<b>10,433,306</b>	<b>32,709,381</b>	<b>3,828,927</b>
<b>Capital Lease Obligations</b>	<b>35,151,203</b>	<b>1,095,479</b>	<b>2,292,619</b>	<b>33,954,063</b>	<b>2,061,046</b>
	71,348,890	8,040,479	12,725,925	66,663,444	5,889,973
<b>Unamortized Discount On Bonds Payable</b>	<b>(330,093)</b>	<b>—</b>	<b>(56,767)</b>	<b>(273,326)</b>	<b>—</b>
<b>Total Long-Term Debt</b>	<b>71,018,797</b>	<b>8,040,479</b>	<b>12,669,158</b>	<b>66,390,118</b>	<b>5,889,973</b>
<b>Other Noncurrent Liabilities</b>					
Accrued compensated absences	3,851,270	1,989,419	2,095,113	3,745,576	2,075,566
Accrued settlement	520,577	—	47,760	472,817	50,000
Other long-term liability	1,075,430	25,000	113,016	987,414	—
<b>Total Other Noncurrent Liabilities</b>	<b>5,447,277</b>	<b>2,014,419</b>	<b>2,255,889</b>	<b>5,205,807</b>	<b>2,125,566</b>
<b>Total Long-Term Debt And Other Obligations</b>	<b>\$ 76,466,074</b>	<b>\$ 10,054,898</b>	<b>\$ 14,925,047</b>	<b>\$ 71,595,925</b>	<b>\$ 8,015,539</b>

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Notes To Financial Statements (*Continued*)

	2011				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
<b>Revenue Bonds</b>					
Student Housing System, Series 2009A	\$ 8,150,000	\$ —	\$ 1,490,000	\$ 6,660,000	\$ 1,520,000
Education Facility, Series 1999	600,000	—	600,000	—	—
Stadium Facility, Series 1999	1,470,000	—	270,000	1,200,000	285,000
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	4,100,000	—	450,000	3,650,000	465,000
Student Housing System, Energy Savings Program, Series 2002	4,605,000	—	505,000	4,100,000	520,000
Education Facility, Series 2007	950,639	—	107,952	842,687	113,306
Student Recreation Center, Series 2009	20,500,000	—	755,000	19,745,000	765,000
<b>Total Revenue Bonds</b>	40,375,639	—	4,177,952	36,197,687	3,668,306
<b>Capital Lease Obligations</b>	32,133,005	4,752,178	1,733,980	35,151,203	1,786,953
	72,508,644	4,752,178	5,911,932	71,348,890	5,455,259
<b>Unamortized Discount On Bonds Payable</b>	(386,860)	—	(56,767)	(330,093)	—
<b>Total Long-Term Debt</b>	72,121,784	4,752,178	5,855,165	71,018,797	5,455,259
<b>Other Noncurrent Liabilities</b>					
Accrued compensated absences	3,766,390	2,247,188	2,162,308	3,851,270	2,095,113
Accrued settlement	549,916	—	29,339	520,577	50,000
Other long-term liability	836,433	238,997	—	1,075,430	—
<b>Total Other Noncurrent Liabilities</b>	5,152,739	2,486,185	2,191,647	5,447,277	2,145,113
<b>Total Long-Term Debt And Other Obligations</b>	\$ 77,274,523	\$ 7,238,363	\$ 8,046,812	\$ 76,466,074	\$ 7,600,372

**Revenue Bonds Payable**

On March 29, 2012, the University issued \$6,945,000 of bonds to refund the Student Housing System Energy Savings and Library Facility Series 2002 Bonds. The bonds bear interest payable semiannually, at rates of 0.7% to 1.75%, which began October 1, 2012. Principal maturities began October 1, 2012 and continue until 2017. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

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

On July 29, 2009, the University issued \$9,715,000 of bonds to refund the Student Housing System Refunding Revenue Series 2002 Bonds. The bonds bear interest payable semiannually, at rates of 0.9% to 3.5%, which began September 1, 2009. Principal maturities began September 1, 2009 and continue until 2015. The bonds are secured by the net revenues available for debt service of the housing system of the University.

On January 29, 2009, the University issued \$20,500,000 of revenue bonds. The bonds bear interest, payable semiannually, at rates of 1.5% to 5.05%, which began October 1, 2009. Principal maturities began October 1, 2010 and continue until 2029. Proceeds from the issuance of these bonds are being used to renovate the Morrow-Garrison Complex and to construct a new student recreation and wellness center. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

On October 1, 2007, the University issued \$1,200,000 of insured Educational Facilities Revenue Bond, Series 2007. These bonds bear interest, payable semiannually, at 4.9% which began April 1, 2008. Principal maturities began April 1, 2008 and continue until 2017. Proceeds from issuance of these bonds were used to finance the demolition of the Pertle Springs Clubhouse and swimming pool, installation of a new sewer system, expansion of the existing driving range and placement of temporary facilities on the grounds.

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 March 29, 2012, the University issued \$6,945,000 of bonds to refund these Student Housing System Energy Savings and Library Facility Series 2002 Bonds.



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Notes To Financial Statements (*Continued*)

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 continued 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.

The debt service requirements as of June 30, 2012, are as follows:

<b>Year Ending June 30,</b>	<b>Totals To Be Paid</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 4,914,638	\$ 3,828,927	\$ 1,085,711
2014	4,983,750	3,989,825	993,925
2015	4,434,061	3,541,017	893,044
2016	3,799,313	3,002,515	796,798
2017	2,925,753	2,194,336	731,417
2018 - 2022	9,033,176	6,047,761	2,985,415
2023 - 2027	7,666,856	5,860,000	1,806,856
2028 - 2030	4,573,629	4,245,000	328,629
<b>Totals</b>	<b>\$ 42,331,176</b>	<b>\$ 32,709,381</b>	<b>\$ 9,621,795</b>

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

**Capital Lease Obligations**

The University is obligated under leases accounted for as capital leases. Assets under capital lease at June 30, 2012 and 2011 totaled \$36,032,249 and \$38,665,780, respectively, net of accumulated depreciation of \$3,248,775 and \$615,244, 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, 2012:

<u>Year Ending June 30,</u>	
2013	\$ 3,185,702
2014	3,185,702
2015	3,185,702
2016	3,185,702
2017	3,128,581
2018 - 2022	15,642,898
2023 - 2027	<u>10,950,026</u>
Total minimum lease payments	42,464,313
Less amount representing interest	<u>8,510,250</u>
Present value of future minimum lease payments	<u><u>\$ 33,954,063</u></u>

**5. Related Party Transactions**

At June 30, 2012 and 2011, the University had a receivable from the Foundation in the amount of \$480,915 and \$520,577, 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 \$320,264 and \$299,580 for the years ended June 30, 2012 and 2011, respectively. In addition, University employees provided services to the Foundation valued at \$743,959 and \$673,116 for the years ended June 30, 2012 and 2011, respectively, which were not reimbursed by the Foundation. Included in accounts receivable at June 30, 2012 and 2011, were receivables from the Foundation for reimbursements due of \$35,067 and \$28,580, respectively, for wages and benefits.

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Notes To Financial Statements (*Continued*)

The University also has receivables from the Foundation at June 30, 2012 and 2011, of \$96,983 and \$180,227, respectively, for miscellaneous services performed on behalf of the Foundation.

**6. Pension Plans**

**MOSERS**

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

The authority to establish and amend requirements of plan members and the University is set forth in state law and is vested in the plan's Board of Trustees. The University is required to contribute at an actuarially determined rate; the rate was 13.97% and 13.81% of annual covered payroll for 2012 and 2011, respectively. The University made 100%, 100% and 100% of the required contributions of \$7,516,111, \$7,527,292 and \$7,173,741 in 2012, 2011 and 2010, respectively. The MOSERS funded status ratio was 79.2% and 80.4% as of June 30, 2011 and 2010, 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 hired prior to January 1, 2011 do not contribute to MOSERS. Employees hired after January 1, 2011 or thereafter are required to contribute 4% to the plan via a pre-tax withholding. Any amendments to the plan are established by changes in State statute.

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Notes To Financial Statements (*Continued*)

**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 2012 and 2011, the University contributed 6.92% and 7.77%, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2012, 2011 and 2010, were \$929,711, \$980,399 and \$888,937, 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.

**7. Health Care Benefits**

**Employee Health And Welfare Benefits**

The University obtains employee health and welfare insurance through commercial insurers. The coverage is fully insured and the University neither assumes nor discharges claims for its participating members or their dependents. Employee health and welfare expense was \$6,936,058 and \$6,773,904 for the years ended June 30, 2012 and 2011, respectively.

**Other Postemployment Benefit Obligations**

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

For the year ended 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.

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Notes To Financial Statements (*Continued*)

At June 30, 2012 and 2011, 188 and 236 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 in an implicit rate subsidy that is included in the calculation of the University's obligation under GASB 45.

**Annual OPEB Cost And Net OPEB Obligation**

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the University's net OPEB obligation to the plan:

Normal cost	\$ 9,921
Amortization payment	824,432
Annual required contribution (ARC)	<u>834,353</u>
Interest on normal cost and amortization payment	42,032
Adjustment to ARC	<u>226,961</u>
Annual OPEB cost	649,424
Less contributions made	<u>(762,440)</u>
Decrease in net OPEB obligation	(113,016)
Net OPEB obligation - beginning of year	<u>1,050,806</u>
Net OPEB obligation - end of year	<u>\$ 937,790</u>

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

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2012 and the two preceding years were as follows:

<b>Fiscal Year End</b>	<b>Annual OPEB Cost</b>	<b>Percentage Of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
6/30/2010	\$ 1,102,466	87.50%	\$ 836,433
6/30/2011	1,078,187	80.20%	1,050,806
6/30/2012	649,424	117.40%	937,790

The net OPEB obligation is reported as a component of other long-term liabilities on the statement of net assets.

As of July 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,670,229 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,670,229. The covered payroll (annual payroll of active employees covered by the plan) was \$52,902,908, and the ratio of the UAAL to the covered payroll was 6.9%.

Actuarial valuations reflect a long-term perspective and involves estimates of 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.

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Notes To Financial Statements (*Continued*)

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

<b>Actuarial Assumptions</b>	
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% after 7 years

## **8. Commitments And Contingencies**

### **Claims And Litigation**

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2012 and 2011, 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 departments or agencies 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 \$1,619,566 related to construction contracts at June 30, 2012.

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Notes To Financial Statements (*Continued*)

**Current Economic Conditions**

The current economic environment presents universities with unprecedented circumstances and challenges, which in some cases may result in declines in enrollment revenue, governmental support and contributions; constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the University.

Current economic conditions could make it difficult for some donors to continue to contribute to universities and their foundations. Changes in contribution levels could impact the University's ability to provide scholarships or fund programs. State funding may also change as states have fewer resources to allocate. Universities in the state of Missouri entered into an agreement with the governor to hold tuition rates steady in exchange for steady state appropriations. Recent legislation has further impacted the University's ability to increase tuition rates.

The uncertainty in this environment could result in future adjustments to the values of assets and liabilities, such as allowances for student receivables. The University could experience difficulty maintaining sufficient liquidity should significant changes occur.

**9. Risk Management**

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



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Notes To Financial Statements (*Continued*)

## **10. Termination Benefits**

During the 2010-2011 fiscal year, the University approved a one-time early retirement faculty incentive plan. To be eligible, employees were required to have been a full-time tenured faculty member, a minimum of 55 years of age with 10 or more net years of service with the University. Under the plan, employees who took advantage of this incentive chose one of the following options:

- One-time payment of 50% of fiscal year 2011 base pay and University continuing to pay health insurance benefits of \$455/month for 5 consecutive years or age 65 on behalf of the retiree.
- One-time payment of 50% of fiscal year 2011 base pay plus an additional \$25,000 payment in lieu of University paid insurance benefits.

The liability recorded at June 30, 2011 for retired employees under this plan totaled \$1,813,369. The liability was paid in full during fiscal year 2012.

## **11. University Of Central Missouri Foundation**

### **Financial Statement Presentation**

The financial statements of the Foundation are presented in accordance with the provisions of the FASB ASC 958, *Not-for-Profit Entities*. The FASB ASC 958 requires the Foundation to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions, including contributed services meeting certain criteria, at fair values. The FASB ASC establishes standards for external financial statements of not-for-profit organizations and requires a statement of position, a statement of activities and a statement of cash flows.

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Notes To Financial Statements (*Continued*)

**Investments**

The Foundation's investment portfolio at June 30, 2012 and 2011 is composed of the following:

	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Domestic equity	<b>\$ 14,392,032</b>	\$ 14,503,227
International equity	<b>1,100,483</b>	1,908,528
Fixed income	<b>15,822,291</b>	16,173,684
Alternative	<b>3,654,981</b>	1,544,267
Real estate investment trust	<b>6,543</b>	—
Real estate held as an investments	<b>50,000</b>	91,000
	<b>\$ 35,026,330</b>	<b>\$ 34,220,706</b>

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

	<u>Fair Value</u>	
	<u>2012</u>	<u>2011</u>
Unrestricted	<b>\$ 6,181,581</b>	\$ 7,324,905
Temporarily restricted	<b>10,725,594</b>	10,869,545
Permanently restricted	<b>18,119,155</b>	16,026,256
	<b>\$ 35,026,330</b>	<b>\$ 34,220,706</b>

**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, 2012 and 2011 is as follows:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Due within one year	<b>\$ 209,950</b>	\$ 149,364
Due in one to five years	<b>409,188</b>	151,550
	<b>619,138</b>	300,914
Less:		
Allowance for uncollectible contributions	<b>51,021</b>	28,641
Unamortized discount	<b>18,064</b>	10,041
	<b>\$ 550,053</b>	<b>\$ 262,232</b>

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Notes To Financial Statements (*Continued*)

**Net Assets**

Endowment net assets at June 30, 2012 and 2011, by type of fund consisted of the following:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ 2,454,115	\$ 18,916,597	\$ 21,370,712
Board-designated endowment funds	3,241,368	6,514,361	—	9,755,729
	<u>\$ 3,241,368</u>	<u>\$ 8,968,476</u>	<u>\$ 18,916,597</u>	<u>\$ 31,126,441</u>

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ —	\$ —	\$ 17,282,853	\$ 17,282,853
Board-designated endowment funds	3,802,581	6,740,474	—	10,543,055
	<u>\$ 3,802,581</u>	<u>\$ 6,740,474</u>	<u>\$ 17,282,853</u>	<u>\$ 27,825,908</u>

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2012 and 2011:

	June 30, 2012		June 30, 2011	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Instruction	\$ 5,700,302	\$ 3,941,013	\$ 5,554,741	\$ 3,835,009
Scholarships	4,832,963	15,322,691	3,954,215	13,517,054
Academic Support - TV/Radio	382,667	—	158,880	—
Institutional support - plant facilities	407,258	10,245	1,617,264	10,245
Student services - athletics	121,659	60,271	134,474	60,271
	<u>\$ 11,444,849</u>	<u>\$ 19,334,220</u>	<u>\$ 11,419,574</u>	<u>\$ 17,422,579</u>

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**Required Supplementary Information**

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**OTHER POSTEMPLOYMENT BENEFITS -  
SCHEDULE OF FUNDING PROGRESS**

**June 30, 2012**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL As A Percentage Of Covered Payroll ((b - a) / c)</b>
7/1/2007	\$ —	\$ 7,032,034	\$ 7,032,034	0%	\$59,556,532	11.8%
7/1/2009	—	5,556,294	5,556,294	0%	54,497,362	10.2%
7/1/2011	—	3,670,229	3,670,229	0%	52,902,908	6.9%