

University of Central Missouri
A Component Unit of the State of Missouri
Accountants' Report and Financial Statements
June 30, 2011 and 2010

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Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Governors
University of Central Missouri
Warrensburg, Missouri

We have audited the accompanying basic financial statements of University of Central Missouri and its discretely presented component unit, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of University of Central Missouri Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$38,187,005 and \$34,258,903 as of June 30, 2011 and 2010, respectively, and total revenues of \$8,338,577 and \$7,004,887, respectively, for the years then ended. Those statements were audited by other accountants whose report has been furnished to us and our opinions, insofar as they relate to the amounts included for University of Central Missouri Foundation, are based solely on the reports of the other accountants.

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

In our opinion, based on our audit and the report of the other accountants, the financial statements referred to above present fairly, in all material respects, the financial position of University of Central Missouri and of its discretely presented component unit as of June 30, 2011 and 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

BKD, LLP

November 7, 2011

University of Central Missouri
A Component Unit of the State of Missouri
Management's Discussion and Analysis
Years Ended June 30, 2011 and 2010

Overview

Established in 1871, the University of Central Missouri (UCM) was originally known as the State Normal School for the Second Normal District, an institution created by the Missouri General Assembly to educate teachers for the state's public schools. Building upon this tradition, the University has evolved to meet academic and career needs of new generations of Missouri students and beyond as a major comprehensive institution with four academic colleges and 150 areas of study. UCM has achieved national recognition for many of its academic programs, including aviation, criminal justice and education, and it is a leader among Missouri's public universities in program-specific accreditations.

UCM takes ongoing pride in providing a student-centered learning environment where tenured professors teach the majority of classes. The University boasts a 17:1 student-faculty ratio, a graduate job placement rate above 90 percent, and has exceeded the national average for 17 consecutive years. The University's environment of student success helped UCM reach a record enrollment of 11,750 students, the highest in its 140-year history, for the 2011 fall semester.

UCM is also well known for its culture of friendship and service that extends far outside its campus boundaries. It has 22 international exchange agreements with institutions worldwide, and more than 550 international students contribute to a diverse student body. Students from nearly every county in Missouri, 36 states and 55 countries from around the globe attend the University.

As a major comprehensive higher education institution with approximately 11,750 students, one of the University's greatest assets is its nearly 1,350 full- and part-time employees. Among them are 451 full-time faculty members. Seventy percent of the faculty members have earned doctorates, 58 percent are tenured and 13 percent are minorities.

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

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

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 1,000 acres and offers over 150 graduate and undergraduate programs for approximately 11,750 students.

UCM 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 Science in Social Work. It offers Master of Arts, Master of Arts in Teaching, Master of Business Administration, Master of Science and Master of Science in Education degrees.

The University provides additional graduate-level study for Education Specialist degrees in the areas of School Administration, Curriculum and Instruction and Human Services, in addition to cooperating with two other institutions on doctoral programs. The Ed.D. in Educational Leadership is conferred by the University of Missouri-Columbia, and the Ph.D. in Technology Management is conferred by Indiana State University.

Awards and Accomplishments

In the summer of 2011, the University of Central Missouri 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 sixth consecutive year, and was also ranked by *U.S. News & World Report* among the nation's best Midwestern institutions. *U.S. News & World Report* rankings are included in the *2011 Best Colleges* guidebook.

The Princeton Review selected UCM as one of its "Best in the Midwest" colleges and universities. As such, UCM is one of 152 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, 2011 and 2010, the Foundation provided support to the University of \$3,780,624 and \$2,353,794, respectively.

Management Discussion and Analysis

This discussion and analysis of the University of Central Missouri's (the "University") financial statements provides a comparative overview of the University's financial performance during the years ended June 30, 2011, 2010 and 2009. Since the management's discussion and analysis is designed to

focus on current activities, resulting changes and current known facts, please read it in conjunction with the University's basic financial statements and the footnotes. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

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

The University has implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), as of fiscal year ended June 30, 2008. Prior to GASB 45, the University followed a "pay-as-you-go" accounting approach in which the 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. Noncurrent assets include that portion of accounts receivable, investments, loans to students and prepaid expenses not expected to liquidate within one year plus capital assets such as buildings, building improvements, infrastructure, equipment, etc.

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

Net Assets – Net assets represent University total assets less total liabilities. Net assets are classified in three major categories which include 1.) Invested in Capital Assets, 2.) Restricted and 3.) Unrestricted.

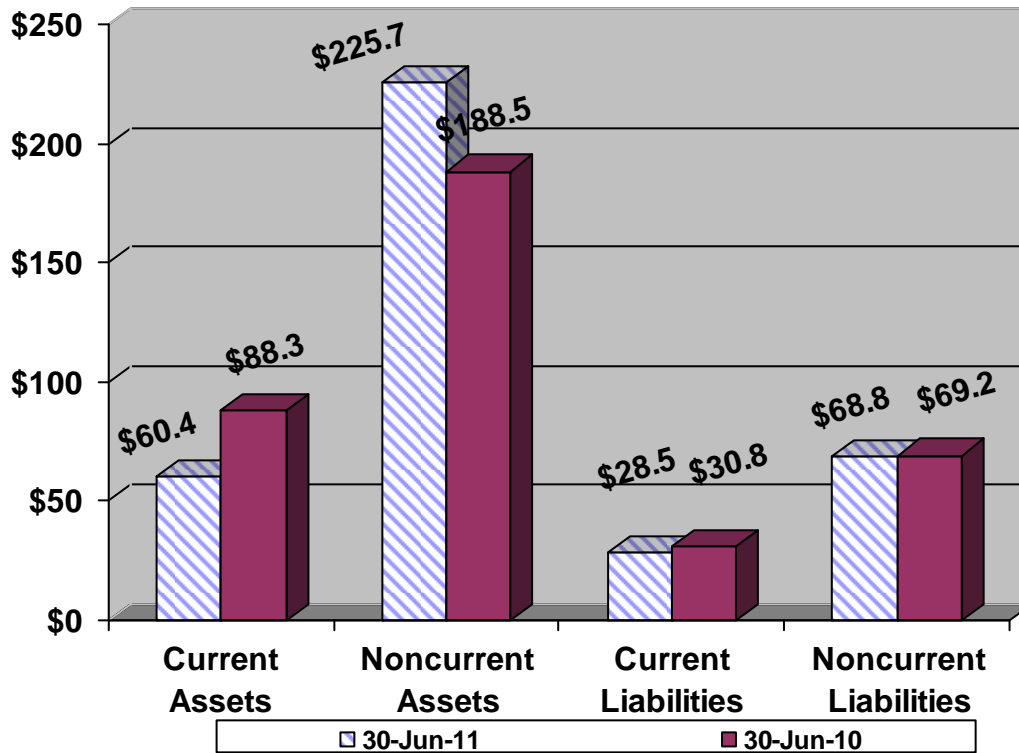
- 1.) Invested in Capital Assets represents buildings, building improvements, equipment, etc. that is net of accumulated depreciation and related debt.
- 2.) Restricted net assets are those whose purpose has been determined by an outside party for a specific use such as scholarships, loans and capital projects.
- 3.) Unrestricted net assets represent balances from operational activities that have not been restricted by parties external to the University. This includes funds that have been designated for specific purposes as well as amounts that have been contractually committed for goods and services not yet received.

A summary of the University's assets, liabilities and net assets at June 30, 2011 and 2010:

Statements of Net Assets
As of June 30, 2011 and 2010
(In Millions)

	June 30, 2011	June 30, 2010
Current Assets	\$ 60.4	\$ 88.3
Noncurrent Assets	<u>225.7</u>	<u>188.5</u>
Total Assets	<u>\$ 286.1</u>	<u>\$ 276.8</u>
Current Liabilities	\$ 28.5	\$ 30.8
Noncurrent Liabilities	<u>68.8</u>	<u>69.2</u>
Total Liabilities	<u>\$ 97.3</u>	<u>\$ 100.0</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 118.6	\$ 107.2
Restricted	8.8	8.9
Unrestricted	<u>61.4</u>	<u>60.7</u>
Total net assets	<u>\$ 188.8</u>	<u>\$ 176.8</u>

Assets and Liabilities
(in millions)



Comparative Analysis of Fiscal Years 2011 and 2010

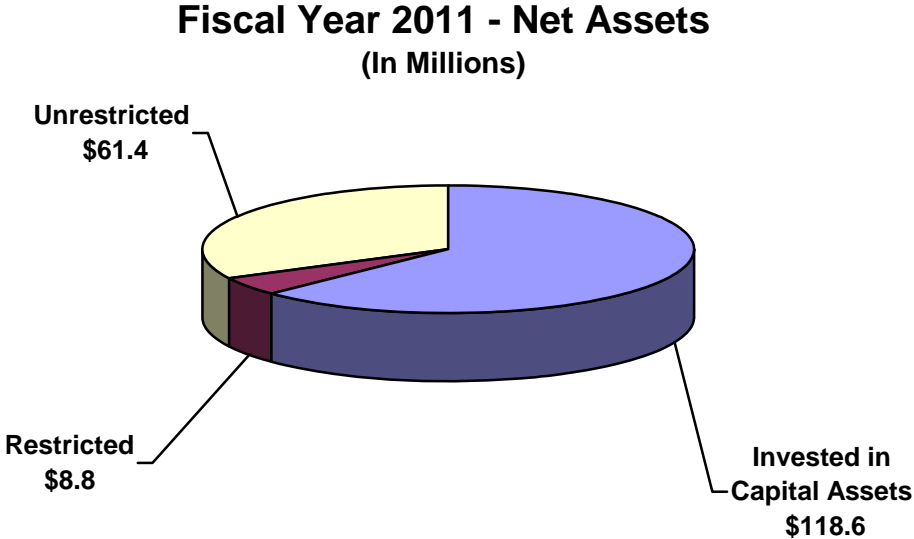
Current Assets – Current assets for Fiscal Year 2011 totaled \$60.4 million which is a decrease of \$27.9 million from Fiscal Year 2010 current assets of \$88.3 million. This decrease (\$26 million) is attributed to total cash and short-term investments decreasing as a result of the University’s investment in longer term securities at year end. In addition, the University had a state appropriation receivable (\$1.3 million) in the prior year that was satisfied in 2011.

Noncurrent Assets – Total noncurrent assets increased approximately \$37.2 million. The increase is 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 had capital asset additions increase of \$13.1 million which includes the completion of the Student Recreation and Wellness Center and Morrow Garrison Renovation.

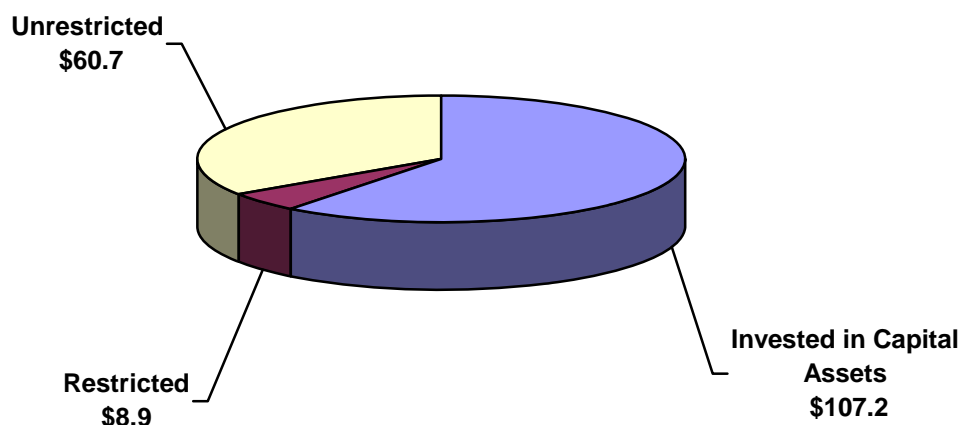
Current Liabilities – Current Liabilities totaled \$28.5 million decreasing by approximately \$2.3 million compared to the prior year total of \$30.8 million. This is primarily attributed to the decrease in Accounts Payable and Accrued Liabilities of \$1.8 million and additional decreases in Accrued 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 are comprised of Unrestricted - \$61.4 million; Invested in capital assets, net of related debt - \$118.6 million; Restricted for loans - \$6.7 million and other restricted - \$2.1 million which total \$8.8 million.

A summary of the University’s net assets at June 30, 2011 and 2010, is as follows:



Fiscal Year 2010 - Net Assets (In Millions)



Comparative Analysis of Fiscal Years 2010 and 2009

Current Assets – Current assets for Fiscal Year 2010 totaled \$88.3 which was an increase of \$2.2 million from Fiscal Year 2009 current assets of \$86.1 million. This primarily resulted from an increase in restricted cash and investments as a result of the University’s total revenues exceeding its total expense.

Noncurrent Assets – Total noncurrent assets increased approximately \$48.3 million. The increase was primarily due to an increase in construction in progress of approximately \$48.0 million. The three major construction projects for Fiscal Year 2010 were the Student Recreation and Wellness Center, Morrow Garrison Renovation and the ESCO Energy Savings Project.

Current Liabilities – Current Liabilities totaled \$30.8 million increasing by approximately \$9.5 million compared to the prior year total of \$21.3 million. This was primarily attributed to the increase in Accounts Payable and Accrued Liabilities increasing \$6.3 million as a result of accruing for year-end vendor payables primarily related to construction projects. Additionally, an increase in the current portion of long-term debt of \$2.4 million was a result of the short-term portion of the new Student Recreation Center Revenue Bond and the ESCO Energy Savings Capital Lease.

Noncurrent Liabilities – As of June 30, 2010, the University’s long-term debt increased by \$20.9 million from June 30, 2009, as the result of the capital lease agreement for ESCO Energy Savings Project.

Net Assets – At June 30, 2010, the University’s net assets were \$176.8 million. These were comprised of Unrestricted - \$60.7 million; Invested in capital assets, net of related debt - \$107.2 million; Restricted for loans - \$6.8 million; other restricted - \$2.1 million.

Operating Results

The Statement of Revenues, Expenses and Changes in Net Assets (SRECNA) presents the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and nonoperating categories and provide a view of the

University's operating margin. Comparative summary statements of revenue, expenses and changes in net assets for the years ended June 30, 2011 and 2010, are as follows:

Operating Results
Years Ended June 30, 2011 and 2010
(In Millions)

	June 30, 2011	June 30, 2010
Operating Revenue		
Tuition and fees	\$ 71.8	\$ 67.9
Scholarship allowances	(15.1)	(13.6)
Net tuition and fees	<u>56.7</u>	<u>54.3</u>
Federal grants and contracts	<u>1.8</u>	<u>1.4</u>
State grants and contracts	<u>0.0</u>	<u>0.1</u>
Auxiliary enterprises	32.0	29.1
Scholarship Allowances	<u>(4.4)</u>	<u>(3.8)</u>
Net Auxiliary Enterprises	<u>27.6</u>	<u>25.3</u>
Other	<u>7.2</u>	<u>8.2</u>
Total Operating Revenues	93.3	89.3
Operating Expenses	<u>165.4</u>	<u>159.7</u>
Operating Loss	<u>(72.1)</u>	<u>(70.4)</u>
Nonoperating Revenue (Expenses)		
State appropriations	54.9	59.0
Federal grants and contracts	19.9	17.2
State grants and contracts	0.6	2.0
Other grants and contracts	1.2	1.0
Gain (loss) on disposal of capital assets	0.0	(0.1)
Contributions	3.8	2.4
Investment income	0.3	0.6
Interest on capital asset – related debt	(0.6)	(0.8)
Other nonoperating revenues (expenses)	<u>(0.2)</u>	<u>(0.3)</u>
Net Nonoperating Revenues	<u>79.9</u>	<u>81.0</u>
Increase in Net Assets	7.8	10.6
Capital Grants and Gifts	4.2	9.9
Net Assets, Beginning of Year	<u>176.8</u>	<u>156.3</u>
Net Assets, End of Year	<u>\$ 188.8</u>	<u>\$ 176.8</u>

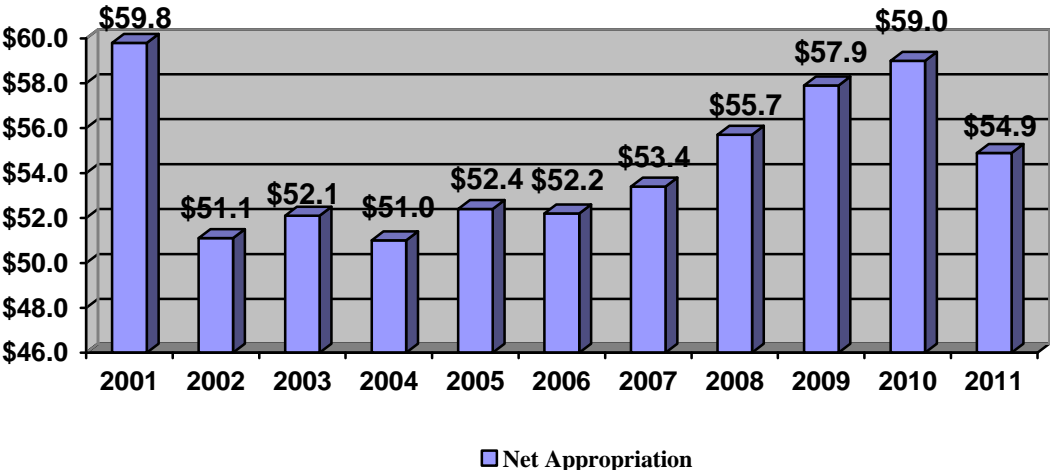
Comparative Analysis of Fiscal Years 2011 and 2010

Operating Revenues – For the year ended June 30, 2011, tuition and fee revenues (net of scholarship allowances and bad debt expense) increased approximately \$2.4 million or approximately 4% compared to Fiscal Year 2010. The increase in tuition and fees is primarily attributed to an increase in enrollment; in addition to a minimal tuition increase in graduate level courses, and the implementation of an additional \$2.75 per credit hour fee for the operation of the new fitness and wellness center. GASB accounting standards require Federal Pell Grants to be included in the scholarship allowance calculation. Pell Grants increased approximately \$2.8 million in Fiscal Year 2011 which accounts for the increase in Scholarship Allowances. Fiscal Year 2010 Tuition and Fees were approximately \$1.3 million above the year ended June 30, 2009, as the result of increased credit hour production as there was no tuition and fee increase during that fiscal year.

Auxiliary enterprises experienced an increase of \$2.3 million above Fiscal Year 2010 which is attributed to a Student Housing rate increase of 8.1% for Fiscal Year 2011. Student Housing rates had remained flat over the prior two fiscal years.

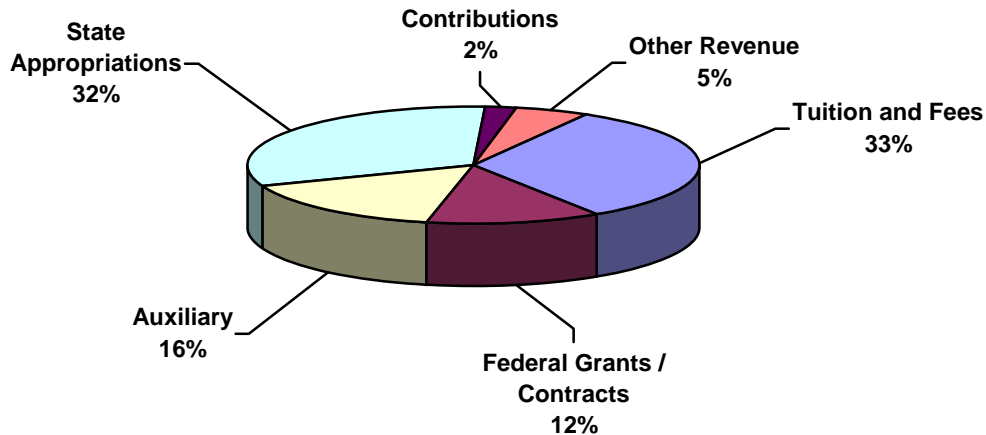
Nonoperating Revenues – Although state appropriations are considered part of the University’s budgeting process and specifically included as general operating funds, the Governmental Accounting Standards Board (GASB) require state appropriations to be separately reported as nonoperating revenue.

The University’s financial position is closely tied to the State of Missouri and the associated general revenue and lottery proceeds appropriated by the Legislature. State appropriation revenue decreased from \$59.0 in Fiscal Year 2010 to \$54.9 million in Fiscal Year 2011. This decrease was a result of the State of Missouri funding reduction of 5%. Following is a historical trend of the University’s state appropriation funding (net of withholdings).



Fiscal Year 2011 Investment Income of \$0.3 million represents an approximate \$0.3 million decrease from the prior year amount of \$0.6 million. Due to the Federal Reserve Bank lowering the federal funds rate to .20%, the University has experienced dramatically low-interest rates related to fixed income securities over the last several years. In Fiscal Year 2010, investment income experienced a decrease of \$0.7 million from Fiscal Year 2009. The University experienced an overall increase in grant revenue of \$1.4 million over the prior fiscal year. In addition to the increase in Pell awards for Fiscal Year 2011, this increase is attributed to several different awards including Department of Labor (\$0.3 million), National Science Foundation (\$0.1 million), Missouri Leadership Academy (\$0.1 million), and Academic Competitiveness Grant (\$0.1 million).

The following graph summarizes the University's Fiscal Year 2011 revenue sources:



**Operating Expenses
Years Ended June 30, 2011 and 2010**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Compensation and benefits	\$ 102.6	\$ 100.0
Contractual services	11.9	12.1
Supplies and materials	14.6	13.0
Scholarships and fellowships	7.7	6.5
Depreciation	11.1	10.7
Utilities	5.4	5.5
Other	<u>12.1</u>	<u>11.9</u>
Total	<u>\$ 165.4</u>	<u>\$ 159.7</u>

Operating Expenses – Total operating expenses increased \$5.7 million from \$159.7 million in Fiscal Year 2010 to \$165.4 million in Fiscal Year 2011; a 3.6% increase over the prior year.

Fiscal Year 2011 Compensation and Benefits increased \$2.6 million from the prior year as the result of accruing for the faculty early retirement program (\$1.5 million), increase in health care premiums and increased retirement benefits (\$0.7 million) and the annual recording of the change in GASB 45 post employment benefit obligation expenditures (\$0.1 million).

Scholarships and fellowships increased \$1.2 million primarily due to increased support of state funded scholarship initiatives and Foundation funded scholarships.

For the year ended June 30, 2010, operating expenses increased by approximately \$2.2 million above the year ended June 30, 2009. This increase is primarily related to increased expenses of \$0.9 million for compensation and benefits resulting from increase in healthcare premiums and retirement benefits including the annual recording of costs associated with GASB 45. Supplies and Materials increased \$1.3 million and Contractual Services decreased \$1.2 million.

Cash Flows
Years Ended June 30, 2011 and 2010
(In Millions)

	June 30, 2011	June 30, 2010
Cash Provided By (Used In)		
Operating activities	\$ (58.9)	\$ (55.9)
Noncapital financing activities	80.0	82.6
Capital and related financing activities	(24.2)	(24.8)
Investing activities	<u>11.3</u>	<u>(2.6)</u>
Increase (Decrease) in Cash and Cash Equivalents	8.2	(0.7)
Cash and Cash Equivalents, Beginning of Year	<u>5.2</u>	<u>5.9</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13.4</u>	<u>\$ 5.2</u>

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, 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 noncapital financing activities of \$80.0 million includes state appropriations, gifts and grants for other than capital purposes and other receipts.

Cash used for capital and related financing activities was (\$24.2) million. The University had capital expenditures of \$20.4 million including; \$0.2 million in land acquisitions, \$5.4 million Student Recreation and Wellness Center, \$4.1 million Morrow/Garrison Renovation, \$6.6 million ESCO and other building improvements totaling approximately \$4.1 million including Highway 13 fence, parking lot improvements, Todd Hall upgrades, Ellis Hall improvements, Union Food Court upgrades and various building improvements. In addition, capital related financing included principal and interest on capital debt and leases of \$9.0 million which were partially offset by state capital appropriations 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.

During the year ended June 30, 2010, cash used in operating activities amounted to (\$55.9) 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 noncapital financing activities of \$82.6 million includes state appropriations, gifts and grants for other than capital purposes and other receipts. Cash used for capital and related financing activities was \$24.8 million. This included debt refinance proceeds (\$9.7 million), purchases of capital assets (\$26.4) million, principal and interest on capital debt and leases (\$15.0 million) which were partially offset by gifts and grants for capital purposes \$0.7 million and state appropriations for capital purposes of \$6.2 million. Cash and cash equivalents at June 30, 2010, were \$5.2 million, which decreased \$0.7 million from June 30, 2009.

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Net Assets
June 30, 2011 and 2010

Assets

	2011	2010
Current assets		
Cash and cash equivalents	\$ 12,614,895	\$ 3,349,631
Restricted cash and investments - current	3,039,233	13,096,321
Short-term investments	32,171,337	58,207,473
Accounts receivable, net of allowance; 2011 - \$5,089,716; 2010 - \$4,389,315	5,800,876	5,247,766
Interest receivable	118,024	161,711
Federal and state grants receivable	1,098,730	1,085,840
State appropriations receivable	-	1,342,290
Due from Foundation - current portion	50,000	50,000
Inventories	3,040,926	3,251,859
Loans to students, net	1,343,797	1,374,170
Prepaid expenses	1,095,777	1,105,275
Total current assets	60,373,595	88,272,336
 Noncurrent assets		
Noncurrent cash and investments	28,110,777	4,000,000
Loans to students, net	6,007,230	5,911,886
Due from Foundation	470,577	499,916
Capital assets, net	190,459,443	177,364,062
Deferred bond issue costs, net	690,469	771,218
Total noncurrent assets	225,738,496	188,547,082
Total assets	\$ 286,112,091	\$ 276,819,418

Liabilities

	<u>2011</u>	<u>2010</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 17,156,439	\$ 18,850,329
Accrued compensated absences	2,095,113	2,162,308
Deferred revenue	2,829,420	2,875,524
Interest payable	753,785	769,194
Long-term debt - current portion	5,455,259	5,847,212
Accrued settlement - current portion	50,000	50,000
Student deposits	129,452	266,286
	<u>28,469,468</u>	<u>30,820,853</u>
Total current liabilities		
Noncurrent liabilities		
Accrued compensated absences	1,756,157	1,604,082
Accrued settlement	470,577	499,916
Other long-term liability	1,075,430	836,433
Long-term debt	65,563,538	66,274,572
	<u>68,865,702</u>	<u>69,215,003</u>
Total noncurrent liabilities		
Total liabilities	<u>97,335,170</u>	<u>100,035,856</u>

Net Assets

Invested in capital assets, net of related debt	118,624,276	107,155,010
Restricted for		
Nonexpendable		
Loans	6,706,829	6,812,842
Expendable		
Scholarships and fellowships	59,383	77,437
Loans	1,215,610	1,205,671
Other	788,368	783,444
Unrestricted	61,382,455	60,749,158
	<u>61,382,455</u>	<u>60,749,158</u>
Total net assets	<u>\$ 188,776,921</u>	<u>\$ 176,783,562</u>

University of Central Missouri Foundation
Statements of Financial Position
June 30, 2011 and 2010

Assets

	2011	2010
Cash and cash equivalents	\$ 2,406,933	\$ 3,240,301
Investments	34,777,863	29,416,651
Contributions receivable, net	537,890	1,146,203
Accrued investment income	142,982	158,687
Cash surrender value of life insurance	315,966	297,061
Prepaid expenses	5,371	-
Total assets	\$ 38,187,005	\$ 34,258,903

Liabilities and Net Assets

Liabilities

Annuities payable	\$ 1,422,624	\$ 1,390,167
Accrued expenses	226,663	234,446
	1,649,287	1,624,613

Net Assets

Unrestricted	7,695,565	3,578,158
Temporarily restricted	11,419,574	13,101,228
Permanently restricted	17,422,579	15,954,904
Total net assets	36,537,718	32,634,290
Total liabilities and net assets	\$ 38,187,005	\$ 34,258,903

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Revenues		
Tuition and fees, net of scholarship allowances; 2011 - \$15,129,177, 2010 - \$13,593,347 and bad debt expense; 2011 - \$642,717, 2010 - \$745,373	\$ 56,722,687	\$ 54,280,160
Federal grants and contracts	1,815,209	1,443,791
State grants and contracts	32,347	72,344
Interest on student receivables	529,905	571,485
Sales and services of educational activities	1,548,216	1,826,755
Auxiliary enterprises		
Housing, net of scholarship allowances; 2011 - \$4,367,642; 2010 - \$3,839,724	16,734,947	14,833,927
Bookstore	6,180,485	6,005,675
Other auxiliaries	4,664,702	4,464,854
Other operating revenues	5,130,392	5,839,974
Total operating revenues	93,358,890	89,338,965
Operating Expenses		
Compensation and benefits	102,570,791	100,026,331
Contractual services	11,916,173	12,135,674
Supplies and materials	14,691,431	12,985,568
Scholarships and fellowships	7,683,090	6,513,128
Depreciation	11,074,930	10,664,219
Utilities	5,412,356	5,471,297
Other	12,094,269	11,943,547
Total operating expenses	165,443,040	159,739,764
Operating Loss	(72,084,150)	(70,400,799)
Nonoperating Revenues (Expenses)		
State appropriations	54,873,873	59,066,637
Federal grants and contracts	19,875,928	17,266,770
State grants and contracts	623,419	1,961,383
Other grants and contracts	1,174,307	1,042,407
Contributions	3,780,624	2,353,794
Loss on disposal of capital assets	(23,348)	(132,846)
Investment income	341,916	576,391
Interest on capital asset - related debt	(565,283)	(854,065)
Other nonoperating expenses	(151,797)	(321,784)
Net nonoperating revenues (expenses)	79,929,639	80,958,687

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Revenues, Expenses and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Income Before Other Revenues, Expenses, Gains or Losses	\$ 7,845,489	\$ 10,557,888
Capital Appropriations - State	3,899,412	7,591,648
Capital Grants and Gifts	<u>248,458</u>	<u>2,323,819</u>
Increase in Net Assets	11,993,359	20,473,355
Net Assets, Beginning of Year	<u>176,783,562</u>	<u>156,310,207</u>
Net Assets, End of Year	<u><u>\$ 188,776,921</u></u>	<u><u>\$ 176,783,562</u></u>

University of Central Missouri Foundation
Statement of Activities
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
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)	-	-
Total revenue and other support	<u>8,742,404</u>	<u>(1,691,894)</u>	<u>1,288,067</u>	<u>8,338,577</u>
Expenses				
Foundation expenses				
General administrative expenses	379,836	-	-	379,836
Fundraising expenses	236,097	-	-	236,097
Total Foundation expenses	<u>615,933</u>	<u>-</u>	<u>-</u>	<u>615,933</u>
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
Total contributions to the University	<u>4,048,504</u>	<u>-</u>	<u>-</u>	<u>4,048,504</u>
Total expenses	<u>4,664,437</u>	<u>-</u>	<u>-</u>	<u>4,664,437</u>
Increase (Decrease) in Net Assets Before Other Changes	<u>4,077,967</u>	<u>(1,691,894)</u>	<u>1,288,067</u>	<u>3,674,140</u>
Other Changes				
Adjustments to actuarial liability of annuities payable	-	(20,661)	282,671	262,010
Other	39,440	30,901	(103,063)	(32,722)
	<u>39,440</u>	<u>10,240</u>	<u>179,608</u>	<u>229,288</u>
Increase (Decrease) in Net Assets	4,117,407	(1,681,654)	1,467,675	3,903,428
Net Assets, June 30, 2010	<u>3,578,158</u>	<u>13,101,228</u>	<u>15,954,904</u>	<u>32,634,290</u>
Net Assets, June 30, 2011	<u>\$ 7,695,565</u>	<u>\$ 11,419,574</u>	<u>\$ 17,422,579</u>	<u>\$ 36,537,718</u>

University of Central Missouri Foundation
Statement of Activities
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Gifts	\$ 281,394	\$ 2,669,159	\$ 570,104	\$ 3,520,657
In-kind gifts	602	380,399	-	381,001
Other income	7,351	34,479	-	41,830
Investment income	184,500	556,957	4,972	746,429
Net realized and unrealized gain on investments	2,251,926	683	62,361	2,314,970
Net assets released from restrictions	2,253,128	(2,253,128)	-	-
Total revenue and other support	<u>4,978,901</u>	<u>1,388,549</u>	<u>637,437</u>	<u>7,004,887</u>
Expenses				
Foundation expenses				
General administrative expenses	416,024	-	-	416,024
Fundraising expenses	305,275	-	-	305,275
Total Foundation expenses	<u>721,299</u>	<u>-</u>	<u>-</u>	<u>721,299</u>
Contributions to the University for the following purposes				
Program expenses				
Scholarships	764,103	-	-	764,103
Academic support - TV/Radio	408,821	-	-	408,821
Student services - athletics	562,622	-	-	562,622
Instruction and other departmental	384,781	-	-	384,781
Support services				
Institutional support - plant facilities	80,949	-	-	80,949
Total contributions to the University	<u>2,201,276</u>	<u>-</u>	<u>-</u>	<u>2,201,276</u>
Total expenses	<u>2,922,575</u>	<u>-</u>	<u>-</u>	<u>2,922,575</u>
Increase in Net Assets Before Other Changes	<u>2,056,326</u>	<u>1,388,549</u>	<u>637,437</u>	<u>4,082,312</u>
Other Changes				
Adjustments to actuarial liability of annuities payable	-	(21,654)	184,153	162,499
Other	(58,967)	(12,166)	(53,867)	(125,000)
	<u>(58,967)</u>	<u>(33,820)</u>	<u>130,286</u>	<u>37,499</u>
Increase (Decrease) in Net Assets	1,997,359	1,354,729	767,723	4,119,811
Net Assets, June 30, 2009	<u>1,580,799</u>	<u>11,746,499</u>	<u>15,187,181</u>	<u>28,514,479</u>
Net Assets, June 30, 2010	<u>\$ 3,578,158</u>	<u>\$ 13,101,228</u>	<u>\$ 15,954,904</u>	<u>\$ 32,634,290</u>

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Operating Activities		
Tuition and fees	\$ 58,538,583	\$ 52,971,349
Grants and contracts	1,847,556	1,516,135
Sales and services of educational activities	1,548,216	1,826,755
Payments to suppliers	(25,573,386)	(22,316,211)
Payments for utilities	(5,412,356)	(5,471,297)
Payments to employees	(100,888,829)	(99,929,908)
Payments for scholarships and fellowships	(7,683,090)	(6,513,128)
Loans issued to students	(1,381,979)	(1,186,633)
Collection of loans to students	1,846,913	2,066,821
Sales and services of auxiliary enterprises	25,194,732	27,240,917
Other payments	(6,963,877)	(6,103,573)
Net cash used in operating activities	(58,927,517)	(55,898,773)
Noncapital Financing Activities		
State appropriations	54,873,873	59,066,637
Gifts and grants for other than capital purposes	25,221,646	23,571,002
Other payments	(71,048)	(56,038)
Net cash provided by noncapital financing activities	80,024,471	82,581,601
Capital and Related Financing Activities		
Proceeds from issuance of capital debt	-	9,715,000
Bond issuance costs paid	-	(148,507)
Gifts and grants for capital purposes	-	752,630
Capital appropriations - state	5,241,702	6,249,358
Proceeds from sale of capital assets	31,199	67,733
Purchase of capital assets	(20,430,195)	(26,418,220)
Principal paid on capital debt and leases	(5,911,932)	(13,177,750)
Interest paid on capital debt and leases	(3,130,514)	(1,814,955)
Net cash used in capital and related financing activities	(24,199,740)	(24,774,711)

University of Central Missouri
A Component Unit of the State of Missouri
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Investing Activities		
Investment income	\$ 424,524	\$ 996,000
Proceeds from sales and maturities of investments	70,227,861	66,696,413
Purchases of investments	(59,341,620)	(70,344,647)
	<u>11,310,765</u>	<u>(2,652,234)</u>
Net cash provided by (used in) investing activities	11,310,765	(2,652,234)
Increase (Decrease) in Cash and Cash Equivalents	8,207,979	(744,117)
Cash and Cash Equivalents, Beginning of Year	5,185,080	5,929,197
Cash and Cash Equivalents, End of Year	\$ 13,393,059	\$ 5,185,080
Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets		
Cash and cash equivalents	\$ 12,614,895	\$ 3,349,631
Cash and cash equivalents in restricted cash and investments – current	778,164	1,835,449
	<u>\$ 13,393,059</u>	<u>\$ 5,185,080</u>
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	\$ (72,084,150)	\$ (70,400,799)
Depreciation expense	11,074,930	10,664,219
Changes in operating assets and liabilities		
Receivables, net	(618,081)	761,591
Inventories	210,933	188,792
Prepaid expenses	9,498	(206,194)
Accounts payable and accrued liabilities	813,787	2,822,433
Deferred revenue	120,438	243,908
Accrued salaries and benefits	1,681,962	96,423
Student deposits	(136,834)	(69,146)
	<u>\$ (58,927,517)</u>	<u>\$ (55,898,773)</u>
Net Cash Used in Operating Activities	\$ (58,927,517)	\$ (55,898,773)
Supplemental Cash Flows Information		
Accounts payable incurred for capital asset purchases	\$ 816,370	\$ 4,682,132
Capital lease obligation incurred for capital asset purchase	\$ 4,752,178	\$ 26,576,217
Capital assets donated	\$ 53,200	\$ 19,005

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

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

Nature of Operations

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

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

Basis of Accounting and Presentation

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

The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). Pursuant to GASB Statement No. 20, the University has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB) that were issued on or before November 30, 1989, and do not conflict with or contradict GASB pronouncements.

Use of Estimates

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

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2011 and 2010, 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 \$80,749 and \$265,746 for the years ended June 30, 2011 and 2010, respectively.

Inventories

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

Loans to Students

The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$991,381 at June 30, 2011 and 2010.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

The following estimated useful lives are being used by the University:

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

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

	2011	2010
Total interest expense incurred on borrowings for project	\$ 2,469,670	\$ 1,897,623
Interest income from investment of proceeds of borrowings for project	(25,864)	(143,477)
Net interest cost capitalized on borrowings for specific projects	2,443,806	1,754,146
Interest costs capitalized for projects with no specific borrowings	162,783	113,338
Total interest capitalized	<u>\$ 2,606,589</u>	<u>\$ 1,867,484</u>
Interest capitalized	\$ 2,632,453	\$ 2,010,961
Interest charged to expense	565,283	854,065
	<u>\$ 3,197,736</u>	<u>\$ 2,865,026</u>

Compensated Absences

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

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

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 expendable.

Classification of Revenues

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

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

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

Scholarship Allowances

Student tuition and fee revenues and certain other revenues from students are reported net of scholarship allowances in the statements of revenues, expenses and changes in net assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance. The scholarship allowances on tuition and fees for the years ended June 30,

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

2011 and 2010, were \$15,129,177 and \$13,593,347, respectively. The scholarship allowances on housing for the years ended June 30, 2011 and 2010, were \$4,367,642 and \$3,839,724, respectively.

Income Taxes

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

Accrued Settlement

In 2001, the University was named the beneficiary of an estate, which was contested by a relative of the deceased. During Fiscal Year 2003, the University settled the dispute. The University has recorded a liability at June 30, 2011 and 2010, of \$520,577 and \$549,916, 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, 2011 and 2010, the Foundation provided \$4,029,082 and \$2,353,794, 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.

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Deposits, Investments and Investment Return

Deposits

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

At June 30, 2011 and 2010, respectively, the University's bank balances were \$27,956,190 and \$41,895,967. None of these deposits were exposed to custodial credit risk at June 30, 2011 or 2010.

Investments

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

At June 30, 2011 and 2010, the University had the following investments and maturities:

Type	Fair Value	June 30, 2011			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 40,204,332	\$ 20,140,648	\$ 20,063,684	\$ -	\$ -
U.S. agencies obligations	<u>8,094,527</u>	<u>4,047,434</u>	<u>4,047,093</u>	<u>-</u>	<u>-</u>
	<u>\$ 48,298,859</u>	<u>\$ 24,188,082</u>	<u>\$ 24,110,777</u>	<u>\$ -</u>	<u>\$ -</u>

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

Type	Fair Value	June 30, 2010 Maturities in Years			
		Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	\$ 38,171,142	\$ 38,171,142	\$ -	\$ -	\$ -
	<u>\$ 38,171,142</u>	<u>\$ 38,171,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the University’s policy to limit its investments in corporate bonds to “A”, “AA” and “AAA” as rated by Standard and Poor’s and Moody’s Investors Services. At June 30, 2011 and 2010, the University had no investments in corporate bonds.

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, 2011 and 2010, are held in the University’s name and are 100% collateralized.

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

University of Central Missouri
A Component Unit of the State of Missouri
Notes to Financial Statements
June 30, 2011 and 2010

Summary of Carrying Values

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

	<u>2011</u>	<u>2010</u>
Carrying value		
Deposits	\$ 27,637,383	\$ 40,482,283
Investments	48,298,859	38,171,142
	<u>\$ 75,936,242</u>	<u>\$ 78,653,425</u>
Included in the following statements of net assets captions		
Cash and cash equivalents	\$ 12,614,895	\$ 3,349,631
Restricted cash and investments – current	3,039,233	13,096,321
Short-term investments	32,171,337	58,207,473
Noncurrent cash and investments	28,110,777	4,000,000
	<u>\$ 75,936,242</u>	<u>\$ 78,653,425</u>

Investment Income

Investment income for the years ended June 30, 2011 and 2010, consisted of:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 268,823	\$ 588,576
Net increase (decrease) in fair value of investments	73,093	(12,185)
	<u>\$ 341,916</u>	<u>\$ 576,391</u>

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Note 3: Capital Assets

Capital assets activity for the years ended June 30, 2011 and 2010, were:

	Beginning Balance	2011			Ending Balance
		Additions	Disposals	Transfers	
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
	<u>340,072,651</u>	<u>24,210,486</u>	<u>2,966,555</u>	<u>-</u>	<u>361,316,582</u>
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
	<u>162,708,589</u>	<u>11,074,930</u>	<u>2,926,380</u>	<u>-</u>	<u>170,857,139</u>
Net capital assets	<u>\$ 177,364,062</u>	<u>\$ 13,135,556</u>	<u>\$ 40,175</u>	<u>\$ -</u>	<u>\$ 190,459,443</u>
	Beginning Balance	2010			Ending Balance
		Additions	Disposals	Transfers	
Land	\$ 12,356,633	\$ 726,832	\$ -	\$ -	\$ 13,083,465
Collections	2,793,084	700	-	-	2,793,784
Infrastructure	16,835,171	-	-	2,604,115	19,439,286
Buildings and improvements	195,017,186	-	1,842,552	5,457,968	198,632,602
Furniture, fixtures and equipment	32,628,527	1,747,007	2,610,240	-	31,765,294
Library materials	12,302,347	786,356	937,177	-	12,151,526
Construction in progress	13,257,102	57,011,675	-	(8,062,083)	62,206,694
	<u>285,190,050</u>	<u>60,272,570</u>	<u>5,389,969</u>	<u>-</u>	<u>340,072,651</u>
Less accumulated depreciation					
Infrastructure	9,801,082	826,157	-	-	10,627,239
Buildings and improvements	117,108,890	5,911,755	1,720,238	-	121,300,407
Furniture, fixtures and equipment	24,138,251	2,664,296	2,413,970	-	24,388,577
Library materials	6,067,532	1,262,011	937,177	-	6,392,366
	<u>157,115,755</u>	<u>10,664,219</u>	<u>5,071,385</u>	<u>-</u>	<u>162,708,589</u>
Net capital assets	<u>\$ 128,074,295</u>	<u>\$ 49,608,351</u>	<u>\$ 318,584</u>	<u>\$ -</u>	<u>\$ 177,364,062</u>

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Note 4: Long-Term Liabilities

The following is a summary of long-term obligation transactions for the University for the years ended June 30, 2011 and 2010:

	Beginning Balance	Additions	2011 Deductions	Ending Balance	Current Portion
Revenue bonds					
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
Capital lease obligations	<u>32,133,005</u>	<u>4,752,178</u>	<u>1,733,980</u>	<u>35,151,203</u>	<u>1,786,953</u>
	72,508,644	4,752,178	5,911,932	71,348,890	5,455,259
Unamortized discount on bonds payable	<u>(386,860)</u>	<u>-</u>	<u>(56,767)</u>	<u>(330,093)</u>	<u>-</u>
Total long-term debt	<u>72,121,784</u>	<u>4,752,178</u>	<u>5,855,165</u>	<u>71,018,797</u>	<u>5,455,259</u>
Other noncurrent liabilities					
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 liabilities	<u>836,433</u>	<u>238,997</u>	<u>-</u>	<u>1,075,430</u>	<u>-</u>
Total other noncurrent liabilities	<u>5,152,739</u>	<u>2,486,185</u>	<u>2,191,647</u>	<u>5,447,277</u>	<u>2,145,113</u>
Total long-term debt and other obligations	<u><u>\$ 77,274,523</u></u>	<u><u>\$ 7,238,363</u></u>	<u><u>\$ 8,046,812</u></u>	<u><u>\$ 76,466,074</u></u>	<u><u>\$ 7,600,372</u></u>

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	2010				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds					
Student Housing System, Series 2002A	\$ 9,560,000	\$ -	\$ 9,560,000	\$ -	\$ -
Student Housing System, Series 2009A	-	9,715,000	1,565,000	8,150,000	1,490,000
Education Facility, Series 1999	1,165,000	-	565,000	600,000	600,000
Stadium Facility, Series 1999	1,730,000	-	260,000	1,470,000	270,000
Advance Refunding of Library Facility, Series 1995 Bond Issue, 15-Year Alternative, Series 2002	4,535,000	-	435,000	4,100,000	450,000
Student Housing System, Energy Savings Program, Series 2002	5,095,000	-	490,000	4,605,000	505,000
Education Facility, Series 2007	1,053,490	-	102,851	950,639	107,952
Student Recreation Center, Series 2009	20,500,000	-	-	20,500,000	755,000
Capital lease obligations	<u>5,756,687</u>	<u>26,576,217</u>	<u>199,899</u>	<u>32,133,005</u>	<u>1,669,260</u>
	49,395,177	36,291,217	13,177,750	72,508,644	5,847,212
Unamortized discount on bonds payable	<u>(445,036)</u>	<u>-</u>	<u>(58,176)</u>	<u>(386,860)</u>	<u>-</u>
Total long-term debt	<u>48,950,141</u>	<u>36,291,217</u>	<u>13,119,574</u>	<u>72,121,784</u>	<u>5,847,212</u>
Other noncurrent liabilities					
Accrued compensated absences	3,680,397	2,176,019	2,090,026	3,766,390	2,162,308
Accrued settlement	578,262	-	28,346	549,916	50,000
Other long-term liabilities	<u>699,430</u>	<u>137,003</u>	<u>-</u>	<u>836,433</u>	<u>-</u>
Total other noncurrent liabilities	<u>4,958,089</u>	<u>2,313,022</u>	<u>2,118,372</u>	<u>5,152,739</u>	<u>2,212,308</u>
Total long-term debt and other obligations	<u>\$ 53,908,230</u>	<u>\$ 38,604,239</u>	<u>\$ 15,237,946</u>	<u>\$ 77,274,523</u>	<u>\$ 8,059,520</u>

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Revenue Bonds Payable

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 begin October 1, 2010, and continue until 2029. Proceeds from the issuance of these bonds are being used to renovate the Morrow-Garrison Complex and to construct a new student recreation and wellness center. The bonds are secured by the net revenues available for debt service of the University and other funds pledged to the payment of the bonds.

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

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

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

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

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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, 2011, are as follows:

Year Ending June 30,	Total to be Paid	Principal	Interest
2012	\$ 5,036,565	\$ 3,668,306	\$ 1,368,259
2013	5,028,128	3,768,927	1,259,201
2014	5,041,990	3,904,825	1,137,165
2015	4,491,196	3,486,017	1,005,179
2016	3,855,159	2,977,515	877,644
2017 – 2021	10,527,287	7,262,097	3,265,190
2022 – 2026	7,678,513	5,600,000	2,078,513
2027 – 2030	6,104,323	5,530,000	574,323
	<u>\$ 47,763,161</u>	<u>\$ 36,197,687</u>	<u>\$ 11,565,474</u>

Capital Lease Obligations

The University is obligated under leases accounted for as capital leases. Assets under capital lease at June 30, 2011 and 2010, totaled \$38,665,780 and \$32,868,383, respectively, net of accumulated depreciation of \$615,244 and \$614,336, 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, 2011:

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Year Ending June 30,

2012	\$ 3,517,066
2013	3,517,066
2014	3,517,066
2015	3,517,066
2016	3,517,067
2017 – 2021	17,299,719
2022 – 2026	14,462,605
Total minimum lease payments	49,347,655
Less amount representing interest	14,196,452
Present value of future minimum lease payments	\$ 35,151,203

Note 5: Related Party Transactions

At June 30, 2011 and 2010, the University had a receivable from the Foundation in the amount of \$520,577 and \$549,916, 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 \$299,580 and \$343,753 for the years ended June 30, 2011 and 2010, respectively. In addition, University employees provided services to the Foundation valued at \$673,116 and \$681,784 for the years ended June 30, 2011 and 2010, respectively, which were not reimbursed by the Foundation. Included in accounts receivable at June 30, 2011 and 2010, were receivables from the Foundation for reimbursements due of \$28,580 and \$37,636, respectively, for wages and benefits.

The University also has receivables from the Foundation at June 30, 2011 and 2010, of \$180,227 and \$193,407, respectively, for miscellaneous services performed on behalf of the Foundation.

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Note 6: Pension Plans

MOSERS

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

The authority to establish and amend requirements of plan members and the University is set forth in state law and is vested in the plan's Board of Trustees. The University is required to contribute at an actuarially determined rate; the rate was 13.81% and 12.75% of annual covered payroll for 2011 and 2010, respectively. The University made 100%, 100% and 100% of the required contributions of \$7,527,292, \$7,173,741 and \$6,818,601 in 2011, 2010 and 2009, respectively. The MOSERS funded status ratio was 80.4% and 83.0% as of June 30, 2010 and 2009, 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.

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 2011 and 2010, the University contributed 7.77% and 7.71%, respectively, of the participant's salary to CURP each month. The University's contributions to the plan for the years ended June 30, 2011, 2010 and 2009, were \$980,399, \$888,937 and \$840,886, respectively. CURP provides a retirement program, which offers interstate portability, immediate vesting and no minimum service requirement. Contributions made by the University are self-directed by participants into their selected individual accounts. After participating in CURP for at least six years, a faculty member may elect to become a member of MOSERS.

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Note 7: Health Care Benefits

Employee Health and Welfare Benefits

The University obtains employee health and welfare insurance through commercial insurers. The coverage is fully insured and the University neither assumes nor discharges claims for its participating members or their dependents. Employee health and welfare expense was \$6,773,904 and \$6,459,505 for the years ended June 30, 2011 and 2010, 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.

At June 30, 2011 and 2010, 236 and 250 retirees of the University, respectively, had elected to participate in the health care plan. The plan is authorized by the Board of Governors until the employee reaches the age of 65, and benefits and amendments to the plan are approved by the Board. The plan is funded on a pay-as-you-go basis. The University pays the full portion of the premium for retirees that retired prior to January 1, 2007, until the retiree reaches Medicare eligibility. For retirees retiring between January 1, 2007, and December 31, 2016, the University will pay a portion of the premium, based on retirement date. Qualified retirees retiring after December 31, 2016, will be eligible to participate in the University's plan prior to age 65 only by paying the full cost of the premium established for pre-Medicare eligible retirees. Premiums are reviewed and set annually based on projections and claims history provided by the insurance carrier. Retiree claims are included in the cost pool with active employees, resulting in a lower retiree age-adjusted premium. The difference between actual age-adjusted premiums and the actual premium charged retirees results is included in the calculation of the University's obligation under GASB 45.

Annual OPEB Cost and Net OPEB 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

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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 state's net OPEB obligation to the plan:

Normal cost	\$ 25,300
Amortization payment	1,200,089
Annual required contribution (ARC)	1,225,389
Interest on normal cost and amortization payment	33,457
Adjustment to ARC	(180,659)
Annual OPEB cost	1,078,187
Less contributions made	(864,190)
Increase in net OPEB obligation	213,997
Net OPEB obligation - beginning of year	836,433
Net OPEB obligation - end of year	\$ 1,050,430

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	\$ 1,275,788	83.0%	\$ 699,430
6/30/2010	1,102,466	87.5%	836,433
6/30/2011	1,078,187	80.2%	1,050,806

Actuarial valuations reflect a long-term perspective and involve estimates of the value reported amounts and assumptions about the probability of events far into the future. Actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities. These calculations are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. A schedule of funding progress, presented as required supplementary information, follows the notes to the financial statements. The Schedule of Funding Progress will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. As allowed by GASB, this reporting requirement is being implemented prospectively. Data is not available for prior years. The actuarial calculations have been based on the substantive plan in place at the time of valuation and on the pattern of cost sharing between the employers and members to that point.

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

Actuarial Assumptions	
Actuarial cost method	Projected Unit Credit
UAAL amortization method	Level dollar amount
UAAL amortization period, closed/open	5 years, open
Investment return (discount rate)	4.00%
Healthcare cost trend rate	8.5% decreasing to 5.5% in 2016

Note 8: Commitments and Contingencies

Claims and Litigation

The University is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The University administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the University. At June 30, 2011 and 2010, there was no accrual recorded in the statements of net assets.

Government Grants

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

Construction Contracts

The University had outstanding commitments of approximately \$3,234,009 related to construction contracts at June 30, 2011.

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.

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

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

Note 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.

Note 10: University of Central Missouri Foundation

Financial Statement Presentation

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

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Investments

The Foundation's investment portfolio at June 30, 2011 and 2010, is composed of the following:

	2011 Fair Value	2010 Fair Value
Domestic equity	\$ 14,769,282	\$ 12,750,702
International equity	1,937,313	1,770,710
Fixed income	16,407,829	14,795,275
Alternative	1,551,643	-
Real estate investment trust	20,796	8,964
Real estate held as an investment	91,000	91,000
	<u>\$ 34,777,863</u>	<u>\$ 29,416,651</u>

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

	2011 Fair Value	2010 Fair Value
Unrestricted	\$ 7,324,905	\$ 3,225,363
Temporarily restricted	10,869,545	11,809,488
Permanently restricted	16,583,413	14,381,800
	<u>\$ 34,777,863</u>	<u>\$ 29,416,651</u>

Permanently restricted investments include \$502,529 and \$504,135 at adjusted cost and \$557,157 and \$488,004 at fair value, respectively, of assets held in trust and administered by an outside fiscal agent under the terms of an irrevocable trust arrangement at June 30, 2011 and 2010. The Foundation is a beneficiary of this trust, and as such, receives periodic distributions of its income.

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Contributions Receivable

Contributions receivable consists of unconditional gifts and bequests to be received in future periods and have been discounted to their present value based on anticipated payment streams. The present value of the annual amount of contributions receivable to be realized at June 30, 2011 and 2010, is as follows:

	June 30, 2011	June 30, 2010
Due within one year	\$ 149,364	\$ 1,082,842
Due in one to five years	151,550	170,400
Due in more than five years	275,658	30,289
	576,572	1,283,531
Less		
Allowance for uncollectible contributions	28,641	124,213
Unamortized discount	10,041	13,115
	\$ 537,890	\$ 1,146,203

Net Assets

Endowment net assets at June 30, 2011 and 2010, by type of fund consisted of the following:

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

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Notes to Financial Statements
June 30, 2011 and 2010

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ -	\$ 14,231,290	\$ 14,231,290
Board-designated endowment funds	<u>3,526,512</u>	<u>7,164,211</u>	<u>-</u>	<u>10,690,723</u>
	<u>\$ 3,526,512</u>	<u>\$ 7,164,211</u>	<u>\$ 14,231,290</u>	<u>\$ 24,922,013</u>

The following classifications reflect the nature of restrictions on temporarily and permanently restricted net assets at June 30, 2011 and 2010:

	June 30, 2011		June 30, 2010	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Instruction	\$ 5,554,741	\$ 3,835,009	\$ 7,097,454	\$ 3,193,249
Scholarships	3,954,215	13,517,054	4,029,453	12,701,138
Academic support – TV/Radio	158,880	-	103,582	-
Institutional support – plant facilities	1,617,264	10,245	1,839,247	10,245
Student services – athletics	<u>134,474</u>	<u>60,271</u>	<u>31,492</u>	<u>50,272</u>
	<u>\$ 11,419,574</u>	<u>\$ 17,422,579</u>	<u>\$ 13,101,228</u>	<u>\$ 15,954,904</u>

Required Supplementary Information

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Other Postemployment Benefits Schedule of Funding Progress
June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2007	\$ -	\$ 7,032,034	\$ 7,032,034	\$ -	\$59,556,532	11.8%
7/1/2009	\$ -	\$ 5,556,294	\$ 5,556,294	\$ -	\$54,497,362	10.2%