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2011-2012 **FINANCIAL REPORT**

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**Missouri State**<sup>TM</sup>  
U N I V E R S I T Y



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

Board of Governors  
Missouri State University  
Springfield, Missouri

We have audited the accompanying basic financial statements of Missouri State University and its discretely presented component unit, collectively a component unit of the state of Missouri, as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Missouri State University and of its discretely presented component unit as of June 30, 2012 and 2011, 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 14, 2012, 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.

Board of Governors  
Missouri State University  
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other post-employment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The Condensed Statements by Campus listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*BKD, LLP*

November 14, 2012

## **Missouri State University**

### **Management's Discussion and Analysis**

### **Years Ended June 30, 2012 and 2011**

We are providing Missouri State University's (the "University") discussion and analysis of our financial statements and related notes as of June 30, 2012 and 2011, and for the fiscal years then ended. Three statements are described in the following discussion and analysis: The Statement of Net Assets, which presents the assets, liabilities and net assets of the institution as of the end of the fiscal year, the Statement of Revenues, Expenses and Changes in Net Assets, which reflects revenues and expenses recognized during the fiscal year, and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

We hope this information will assist you as you seek to understand the University's financial position and operating activities, accomplishments and challenges. As you read through the next few pages, please review and refer to the Statements of Net Assets, Revenues, Expenses and Changes in Net Assets and Cash Flows in addition to the Notes to the Financial Statements that we have described above.

#### **Overview**

Missouri State University is a public, comprehensive metropolitan university system with a statewide mission in public affairs with an enrollment of over 23,000, whose purpose is to develop educated persons while guided by three overarching and enduring commitments to student learning, inclusive excellence and institutional impact. The University's identity is distinguished by its statewide mission in public affairs, requiring a campus-wide commitment to foster competence and responsibility in the common vocation of citizenship. The academic experience is grounded in a general education curriculum which draws heavily from the liberal arts and sciences. This foundation provides the basis for mastery of disciplinary and professional studies. It also provides essential forums in which students develop the capacity to make well-informed, independent critical judgments about the cultures, values and institutions in society.

The task of developing educated persons obligates the University to expand the store of human understanding through research, scholarship and creative endeavor, and drawing from that store of understanding, to provide service to the communities that support it. In all of its programs, the University uses the most effective methods of discovering and imparting knowledge and the appropriate use of technology in support of these activities.

The Missouri State University campuses are structured to address the special needs of the urban and rural populations they serve. Missouri State University-Springfield is a selective admissions, graduate level teaching and research institution. Missouri State University-West Plains is an open admissions campus serving seven counties in south central Missouri. Missouri State University-Mountain Grove serves Missouri's fruit industry through operation of the State Fruit Experiment Station. The Extended Campus provides anytime, anyplace learning opportunities through telecourses, Internet-based instruction and through its interactive video network (BearNet). The University also operates various other special facilities, such as the Darr Agricultural Center in southwest Springfield, the Jordan Valley Innovation Center in downtown Springfield, the Bull Shoals Field Station near Forsyth, Baker's Acres and Observatory near Marshfield, the Missouri State University Graduate Center in Joplin and a branch campus at Liaoning Normal University in Dalian, China. In addition, Missouri State has the operations and program offerings of one entire academic department, its Department of Defense and Strategic Studies, located near Washington, D.C., in Fairfax, Virginia.

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

This discussion and analysis of the Missouri State University's (the "University") 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.

### ***Statements of Net Assets***

The Statement of Net Assets presents the 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 and long-term debt 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, 2012, 2011 and 2010:

**Statements of Net Assets**  
**As of June 30, 2012, 2011 and 2010**  
(In Millions)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Current Assets</b>	\$ 174.4	\$ 184.6	\$ 148.9
<b>Noncurrent Assets</b>	<u>419.4</u>	<u>398.8</u>	<u>377.2</u>
<b>Total Assets</b>	<u>\$ 593.8</u>	<u>\$ 583.4</u>	<u>\$ 526.1</u>
<b>Current Liabilities</b>	\$ 44.9	\$ 40.4	\$ 37.4
<b>Noncurrent Liabilities</b>	<u>117.3</u>	<u>122.4</u>	<u>92.9</u>
<b>Total Liabilities</b>	<u>\$ 162.2</u>	<u>\$ 162.8</u>	<u>\$ 130.3</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 300.5	\$ 274.4	\$ 279.5
Restricted	8.3	7.1	7.0
Unrestricted	<u>122.8</u>	<u>139.1</u>	<u>109.3</u>
<b>Total Net Assets</b>	<u>\$ 431.6</u>	<u>\$ 420.6</u>	<u>\$ 395.8</u>

**Comparative Analysis of Fiscal Years 2012, 2011 and 2010**

**Current Assets** – Current assets for Fiscal Year 2012 totaled \$174.4 million which is a decrease of \$10.2 million from Fiscal Year 2011 current assets of \$184.6 million. This decrease is primarily attributed to the use of restricted cash bond proceeds for capital projects offset by increased cash and inventories. Current assets for Fiscal Year 2011 increased \$35.7 million from Fiscal Year 2010 current assets of \$148.9 million. The increase is primarily attributed to increased cash, restricted cash from bond proceeds and accounts receivable.

**Noncurrent Assets** – Noncurrent assets for Fiscal Year 2012 totaled \$419.4 million which is an increase of \$20.6 million from Fiscal Year 2011 noncurrent assets of \$398.8 million and Fiscal Year 2011 increased \$21.6 million from Fiscal Year 2010 noncurrent assets of \$377.2 million. The increases are due to increased capital assets.

**Current Liabilities** – Current liabilities for Fiscal Year 2012 totaled \$44.9 million which is an increase of \$4.5 million from Fiscal Year 2011 current liabilities of \$40.4 million. This increase is primarily attributed to increased deferred revenue. Current liabilities for Fiscal Year 2011 increased \$3.0 million from Fiscal Year 2010 current liabilities of \$37.4 million. The increase is primarily attributed to increased accounts payable and increased current portion of long-term debt offset by decreased deferred revenue.

**Noncurrent Liabilities** – Noncurrent liabilities for Fiscal Year 2012 totaled \$117.3 million which is a decrease of \$5.1 million from Fiscal Year 2011 noncurrent liabilities of \$122.4 million. This decrease is primarily attributed to long-term bond and capital lease payments. Noncurrent liabilities for Fiscal Year 2011 increased \$29.5 million from Fiscal Year 2010 noncurrent liabilities of \$92.9 million. The increase is primarily attributed to the issuance of auxiliary revenue bonds and bonds issued through the Missouri Health and Educational Facilities authority.

**Net Assets** – Net assets totaled \$431.6 million for Fiscal Year 2012, \$420.6 million for Fiscal Year 2011 and \$395.8 million for Fiscal Year 2010.

### **Statements of Revenues, Expenses and Changes in Net Assets**

The Statements of Revenues, Expenses and Changes in Net Assets (SRECNA) present the operating results of the University as a whole. The statements, prepared in accordance with GASB, distinguish revenues and expenses between operating and nonoperating categories and provide a view of the University's operating margin. Comparative summary statements of revenue, expenses and changes in net assets for the years ended June 30, 2012, 2011 and 2010, are as follows:

#### **Operating Results Years Ended June 30, 2012, 2011 and 2010 (In Millions)**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Operating Revenue</b>			
Tuition and fees	\$ 130.4	\$ 124.4	\$ 122.7
Scholarship allowances	<u>(29.0)</u>	<u>(28.9)</u>	<u>(26.0)</u>
Net tuition and fees	101.4	95.5	96.7
Sales and services	11.9	11.7	10.8
Grants and contracts	29.2	33.8	31.0
Auxiliary enterprises	33.8	32.5	33.1
Other	<u>2.6</u>	<u>2.0</u>	<u>1.7</u>
<b>Total Operating Revenues</b>	178.9	175.5	173.3
<b>Operating Expenses</b>	<u>280.4</u>	<u>271.6</u>	<u>277.1</u>
<b>Operating Loss</b>	<u>(101.5)</u>	<u>(96.1)</u>	<u>(103.8)</u>
<b>Nonoperating Revenue (Expenses)</b>			
State appropriations	77.2	82.8	87.3
Federal grants and contracts	27.8	28.5	26.6
Loss on disposal/impairment of fixed assets	(2.2)	(0.2)	0.0
Gifts	10.4	8.5	8.5
Investment income	0.7	1.0	1.4
Interest on capital asset – related debt	<u>(4.4)</u>	<u>(4.3)</u>	<u>(4.3)</u>
<b>Net Nonoperating Revenues</b>	<u>109.5</u>	<u>116.3</u>	<u>119.5</u>
<b>Capital Grants, Gifts and Appropriations</b>	<u>3.0</u>	<u>4.6</u>	<u>7.5</u>
<b>Increase in Net Assets</b>	11.0	24.8	23.2
<b>Net Assets, Beginning of Year</b>	<u>420.6</u>	<u>395.8</u>	<u>372.6</u>
<b>Net Assets, End of Year</b>	<u>\$ 431.6</u>	<u>\$ 420.6</u>	<u>\$ 395.8</u>

### **Comparative Analysis of Fiscal Years 2012, 2011 and 2010**

**Operating Revenues** – Operating Revenues for Fiscal Year 2012 totaled \$178.9 million which is an increase of \$3.4 million from Fiscal Year 2011 operating revenues of \$175.5 million and Fiscal Year 2011 increased \$2.2 million from Fiscal Year 2010 operating revenues of \$173.3 million.

**Nonoperating Revenues** – Nonoperating Revenues for Fiscal Year 2012 totaled \$109.5 million which is a decrease of \$6.8 million from Fiscal Year 2011 nonoperating revenues of \$116.3 million and Fiscal Year 2011 decreased \$3.2 million from Fiscal Year 2010 nonoperating revenues of \$119.5 million. State appropriations were \$77.2 million, \$82.8 million and \$87.3 million for Fiscal Years 2012, 2011 and 2010, respectively.

#### **Operating Expenses Years Ended June 30, 2012, 2011 and 2010**

	June 30, 2012	June 30, 2011	June 30, 2010
Salaries	\$ 129.2	\$ 125.9	\$ 129.1
Benefits	41.2	39.1	38.1
Scholarships and fellowships	24.6	25.6	26.6
Utilities	5.8	6.2	5.7
Supplies and other services	59.0	55.9	59.0
Depreciation	<u>20.6</u>	<u>18.9</u>	<u>18.6</u>
Total	<u>\$ 280.4</u>	<u>\$ 271.6</u>	<u>\$ 277.1</u>

**Operating Expenses** – Operating Expenses for Fiscal Year 2012 totaled \$280.4 million which is an increase of \$8.8 million from Fiscal Year 2011 operating expenses of \$271.6 million and Fiscal Year 2011 decreased \$5.5 million from Fiscal Year 2010 operating expenses of \$277.1 million. Salaries and supplies and other services decreased from Fiscal Year 2010 to 2011 and increased to comparable levels in Fiscal Year 2012. Depreciation also increased in Fiscal Year 2012.

### **Statements of Cash Flows**

The Statements of Cash Flows report the major sources and uses of cash and reveal further information for assessing the University's ability to meet financial obligations as they become due. Inflows and outflows of cash are summarized by operating, noncapital financing, capital and related financing and investing activities. Comparative summary statements of revenue, expenses and changes in net assets for the years ended June 30, 2012, 2011 and 2010, are as follows:

**Cash Flows**  
**Years Ended June 30, 2012, 2011 and 2010**  
(In Millions)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Cash Provided By (Used In)</b>			
Operating activities	\$ (79.1)	\$ (83.0)	\$ (85.5)
Noncapital financing activities	115.5	119.8	122.4
Capital and related financing activities	(48.3)	(6.9)	(21.9)
Investing activities	<u>7.3</u>	<u>1.0</u>	<u>12.0</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(4.6)	30.9	27.0
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>70.9</u>	<u>40.0</u>	<u>13.0</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 66.3</u>	<u>\$ 70.9</u>	<u>\$ 40.0</u>

The Statement of Cash Flows shows the sources and uses of University cash. The statement presents a beginning and ending cash balance.

***Debt and Capital Activities***

During Fiscal Year 2012, the University received \$1.0 million of loan proceeds for energy saving capital projects and paid \$5.8 million for principal bond payments. During 2011, the University paid \$1.5 million to retire the 2002 auxiliary bond issue. During 2011, the University issued \$24.9 million of auxiliary revenue bonds and \$21.5 of auxiliary revenue bonds to refund a portion of the 2005 series. The University issued \$10.2 million in bonds through Missouri Health and Educational Facilities Authority. At June 30, 2012, total bonds payable equaled \$108.1 million, total bonds payable equaled \$112.9 million as of June 30, 2011, and total bonds payable equaled \$82.1 million at June 30, 2010.

The following table summarizes the construction in progress and capital assets, net for the Fiscal Years 2012, 2011 and 2010.

**Capital Assets**  
**As of June 30, 2012, 2011 and 2010**  
(In Millions)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
<b>Capital Assets</b>			
Construction in progress	\$ 36.4	\$ 36.2	\$ 8.5
Capital assets, net	379.9	359.2	365.4

On June 30, 2012, the University had 29 construction projects in progress with costs totaling approximately \$36.4 million incurred to date. The project costs budgeted for these projects totals \$61.3 million. These projects are being funded by bond proceeds, pledged gifts, restricted and unrestricted net assets.

Project Name	Project (Not Capitalized)	Amount Expended (Construction in Progress)	Project Balance
Bill R. Foster and Family Recreation Center	\$ 27,060,079	\$ 24,893,144	\$ 2,166,935
JQH Arena Enhancement - Locker Rooms	749,264	16,412	732,852
Intersection Improvements	367,500	99,451	268,049
Robert E. Plaster Center for Free Enterprise	7,939,735	1,147,597	6,792,138
FY10 Classroom Upgrades	850,000	770,323	79,677
Emergency Response - Generator Install	225,000	222,699	2,301
Animal Care Facility	2,500,000	247,591	2,252,409
Darr Agriculture Center Phase III	743,685	672,406	71,279
One Card & Access Control System	714,284	694,910	19,374
Network Upgrade - Expansion Project	386,968	319,282	67,686
JVIC Exterior Envelope Repairs	445,000	431,829	13,171
Kings Street South Plaza-Drainage Improvements	1,674,000	604,221	1,069,779
Replace Boiler Number 4	1,480,000	44,078	1,435,922
Addition & Renovation of Garst Dining	3,797,495	1,025,265	2,772,230
Addition & Renovation of Blair Shannon Dining	1,645,700	690,389	955,311
Food Service Renovation PSU	575,000	187,465	387,535
Classroom Upgrade PSC	842,000	39,725	802,275
Electric Service Feeder Modification - HSC	200,000	128,199	71,801
PIV for Res Life & HSC	758,000	34,881	723,119
Exterior Improvements-Wells-Woods-Blair Shannon	780,000	297,173	482,827
Res Life Site Improvements	130,000	119,454	10,546
Residence Hall Renovations	3,000,000	2,417,559	582,441
Bookstore Renovation-Hammons HSE/Bear Park South	500,000	89,408	410,592
McQuery Technology	155,000	8,483	146,517
Modifications to Prof Bldg 370 & 372	230,000	2,322	227,678
New Offices-PSU	320,000	24,762	295,238
Glass Hall Student Study Room Renovation	358,000	19,934	338,066
West Plains Gohn Hall	2,500,000	810,018	1,689,982
West Plains Melton Hall Roof Replacement	390,000	332,131	57,869
	<u>\$ 61,316,710</u>	<u>\$ 36,391,111</u>	<u>\$24,925,599</u>

### **Long-Range Plan**

The University's 2011-16 Long-Range Plan is guided by three overarching and enduring commitments to student learning, inclusive excellence and institutional impact. The purpose of the long-range plan is to direct strategic actions that yield demonstrable outcomes and progress in support of these commitments.

**Student Learning** - Student learning is the primary goal of the University and the key indicator of our success. As a community of learners, we embrace learning outcomes that encompass liberal arts education, professional preparation and a concentration on public affairs, and we pledge to support student learning in curricular, co-curricular, extra-curricular and research contexts.

**Inclusive Excellence** - Inclusive excellence is the recognition that an educational institution's success is dependent on how well it values, engages and includes the rich diversity of faculty, staff and students with all the valuable social dimensions that they bring to the enterprise of higher education. Missouri State University shall demonstrate a comprehensive commitment to inclusive excellence, which will be reflected by policy, planning and actions throughout the institution.

**Institutional Impact** - Institutional impact refers to the positive, enduring effects of the University's work in the region and the state as well as to our broader contributions to knowledge and innovation. Essential to this commitment are focused activities in: basic and applied research, economic and community development, community partnerships and advanced workforce development. As a major employer we also pledge to model ethical behavior with respect to people, resources and the environment.

At the conclusion of this five-year plan, Missouri State University will have completed a number of specific tactics to achieve major objectives under six strategic directions. The purpose of the long-range plan is to direct strategic actions that yield demonstrable outcomes and progress in support of these commitments. Through this plan and its directions, measures, targets and tactics, by 2016 the University intends to accomplish four major goals.

**The Four Major Goals Are:**

- Improve the undergraduate programs across campus through emphasis on student learning outcomes, and elevate multiple programs to “destination program” status
- Strengthen and expand focused graduate programs to positively impact the region and state
- Create a more diverse student body and workforce
- Establish the University as an “Employer of Choice”

**Missouri State University**  
**Statements of Net Assets**  
**June 30, 2012 and 2011**

**Assets**

	<b>University 2012</b>	<b>University 2011</b>	<b>Component Unit Foundation 2012</b>	<b>Component Unit Foundation 2011</b>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 64,028,262	\$ 53,850,732	\$ 17,195,250	\$ 17,427,580
Restricted cash and cash equivalents	2,271,676	17,062,181	-	-
Short-term investments	82,106,000	88,606,000	1,582,839	1,562,709
Accounts receivable, net	14,425,034	14,981,718	38,916	8,500
Pledges receivable	-	-	5,074,368	4,834,199
Grants receivable	2,424,419	2,341,638	-	-
Appropriations due from State of Missouri	16,612	2,357	-	-
Accrued interest receivable - unrestricted	95,492	180,250	32,044	53,157
Inventories	6,718,135	5,620,418	-	-
Loans to students, net	390,344	315,008	-	-
Prepaid expenses	1,935,798	1,608,491	-	-
Assets for resale	-	-	319,508	334,508
	<u>174,411,772</u>	<u>184,568,793</u>	<u>24,242,925</u>	<u>24,220,653</u>
Total current assets				
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	-	-	1,686,717	2,262,403
Pledges receivable, net	-	-	32,508,813	30,139,118
Restricted long-term investments	-	-	59,547,032	57,842,904
Investments held in trust	-	-	821,161	913,497
Other long-term investments	35,322	44,771	443,360	455,949
Deferred bond issue costs	1,248,808	1,347,183	-	-
Loans to students, net	1,652,916	1,853,576	-	-
Due from Foundation	199,762	199,762	-	-
Construction in progress	36,391,111	36,151,351	-	202,454
Capital assets, net	<u>379,919,438</u>	<u>359,271,066</u>	<u>1,319,981</u>	<u>990,154</u>
Total noncurrent assets	<u>419,447,357</u>	<u>398,867,709</u>	<u>96,327,064</u>	<u>92,806,479</u>
Total assets	<u>\$593,859,129</u>	<u>\$583,436,502</u>	<u>\$ 120,569,989</u>	<u>\$ 117,027,132</u>

See Notes to Financial Statements

**Liabilities**

	<b>University 2012</b>	<b>University 2011</b>	<b>Component Unit Foundation 2012</b>	<b>Component Unit Foundation 2011</b>
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	\$ 12,326,163	\$ 12,092,215	\$ 1,153,590	\$ 3,386,280
Accrued compensated absences	4,995,383	4,404,824	-	-
Accrued payroll	4,748,050	5,461,466	-	-
Deferred revenue	13,140,495	9,197,546	-	-
Deposits	469,822	476,574	-	-
Accrued interest payable	1,431,074	1,481,824	-	-
Long-term liabilities - current portion	6,438,193	6,274,793	29,714	40,551
Insurance claims payable	1,400,745	1,099,755	-	-
<b>Total current liabilities</b>	<b>44,949,925</b>	<b>40,488,997</b>	<b>1,183,304</b>	<b>3,426,831</b>
<b>Noncurrent Liabilities</b>				
Accrued compensated absences	4,879,440	5,288,627	-	-
Annuity obligations	-	-	259,286	289,376
Capital lease obligations	6,968,723	7,683,147	-	-
Revenue bonds payable	102,370,515	107,071,431	-	-
Other long-term liabilities	3,049,045	2,351,594	-	-
Due to Missouri State University	-	-	199,762	199,762
<b>Total noncurrent liabilities</b>	<b>117,267,723</b>	<b>122,394,799</b>	<b>459,048</b>	<b>489,138</b>
<b>Total liabilities</b>	<b>162,217,648</b>	<b>162,883,796</b>	<b>1,642,352</b>	<b>3,915,969</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	300,533,118	274,393,046	1,319,981	1,192,608
Restricted for				
Nonexpendable				
Scholarships and fellowships	199,762	199,762	26,066,683	24,996,680
Other	-	-	15,577,439	15,158,867
Expendable				
Scholarships and fellowships	-	-	15,241,782	13,366,879
Loans	3,454,887	3,568,536	-	-
Capital projects	3,983,562	2,623,410	-	-
Debt service	680,438	680,713	-	-
Other	-	-	55,243,609	54,780,388
Unrestricted	122,789,714	139,087,239	5,478,143	3,615,741
<b>Total net assets</b>	<b>\$431,641,481</b>	<b>\$420,552,706</b>	<b>\$118,927,637</b>	<b>\$113,111,163</b>

## Missouri State University

### Statements of Revenues, Expenses and Changes in Net Assets

#### June 30, 2012 and 2011

	University 2012	University 2011	Component Unit Foundation 2012	Component Unit Foundation 2011
<b>Operating Revenues</b>				
Student tuition and fees	\$ 130,401,722	\$ 124,382,228	\$ -	\$ -
Less scholarship allowances	(28,994,269)	(28,842,986)	-	-
Total net student tuition and fees	101,407,453	95,539,242	-	-
Sales and services of educational departments	11,865,999	11,718,276	-	-
Federal grants and contracts	12,331,159	15,130,349	-	-
State and local grants and contracts	6,539,169	8,152,042	-	-
Nongovernmental grants and contracts	10,362,988	10,504,888	-	-
Gifts and contributions	-	-	21,605,328	12,351,096
Auxiliary enterprises:				
Residential life (net of scholarship allowances of \$5,107,973 in 2012 and \$5,541,863 in 2011)	22,109,355	21,202,200	-	-
Bookstore (net of scholarship allowances of \$2,167,651 in 2012 and \$2,639,247 in 2011)	2,132,909	1,395,013	-	-
Parking (net of scholarship allowances of \$298,328 in 2012 and \$324,664 in 2011)	1,684,633	1,646,996	-	-
Taylor Health and Wellness Center	1,782,321	1,587,180	-	-
Athletics	4,792,346	5,302,080	-	-
Recreational facilities	566,986	541,161	-	-
Student Union	703,831	748,657	-	-
Other operating revenues	2,611,395	2,014,388	920,233	947,182
Total operating revenues	178,890,544	175,482,472	22,525,561	13,298,278
<b>Operating Expenses</b>				
Salaries	129,219,073	125,855,673	-	-
Benefits	41,172,272	39,061,453	-	-
Scholarships and fellowships	24,576,012	25,622,057	1,813,282	1,599,021
Utilities	5,777,736	6,218,550	132,956	133,564
Supplies and other services	59,048,520	55,935,980	3,957,775	2,502,272
Depreciation	20,628,087	18,917,596	100,301	78,795
Total operating expenses	280,421,700	271,611,309	6,004,314	4,313,652
<b>Operating Income (Loss)</b>	(101,531,156)	(96,128,837)	16,521,247	8,984,626
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	77,192,869	82,755,488	-	-
Federal grants and contracts	27,863,647	28,553,795	-	-
Gifts	10,405,638	8,457,856	-	-
Investment income	751,503	972,447	(925,705)	9,961,130
Interest on capital asset-related debt	(4,392,409)	(4,319,367)	-	-
Gain (loss) on assets held in trust	-	-	590	(1,093)
Other non-operating expenses and losses	-	-	(206,626)	(260,702)
Expenditures to Missouri State University	-	-	(10,405,638)	(8,457,856)
Loss on disposal/impairment of fixed assets	(2,196,512)	(167,293)	-	-
Net nonoperating revenues (expenses)	109,624,736	116,252,926	(11,537,379)	1,241,479
<b>Income Before Other Revenues, Expenses, Gains or Losses</b>	8,093,580	20,124,089	4,983,868	10,226,105

See Notes to Financial Statements

**Missouri State University**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**June 30, 2012 and 2011**

	<b>University 2012</b>	<b>University 2011</b>	<b>Component Unit Foundation 2012</b>	<b>Component Unit Foundation 2011</b>
<b>Other Revenues, Expenses, Gains or Losses</b>				
Capital gifts	\$ 655,969	\$ 3,562,903	\$ (655,969)	\$ (3,562,903)
Capital grants and contracts	1,874,803	755,311	-	-
Capital appropriations	464,423	315,812	-	-
Additions to permanent endowments	-	-	1,488,575	2,378,791
Total other revenues, expenses, gains or losses	<u>2,995,195</u>	<u>4,634,026</u>	<u>832,606</u>	<u>(1,184,112)</u>
<b>Increase in Net Assets</b>	11,088,775	24,758,115	5,816,474	9,041,993
<b>Net Assets, Beginning of Year</b>	<u>420,552,706</u>	<u>395,794,591</u>	<u>113,111,163</u>	<u>104,069,170</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 431,641,481</u></u>	<u><u>\$ 420,552,706</u></u>	<u><u>\$ 118,927,637</u></u>	<u><u>\$ 113,111,163</u></u>

**Missouri State University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating Activities</b>		
Tuition and fees	\$ 105,886,079	\$ 88,475,186
Sales and services of educational departments	11,865,999	11,718,276
Federal grants and contracts	12,248,378	14,699,642
State and local grants and contracts	6,539,169	8,152,042
Nongovernmental grants and contracts	10,362,988	10,504,888
Payments to suppliers	(92,650,126)	(86,566,513)
Payments to employees	(170,225,938)	(164,402,103)
Collections of loans to students	125,324	296,987
Auxiliary enterprise charges:		
Residential Life	22,109,355	21,202,200
Bookstore	2,132,909	1,395,013
Parking	1,684,633	1,646,996
Taylor Health and Wellness Center	1,782,321	1,587,180
Athletics	4,792,346	5,302,080
Recreational facilities	566,986	541,161
Student Union	703,831	748,657
Other receipts	2,912,385	1,732,015
	<u>(79,163,361)</u>	<u>(82,966,293)</u>
Net cash used in operating activities		
<b>Noncapital Financing Activities</b>		
State appropriations	77,192,869	82,755,488
Federal grants and contracts	27,863,647	28,553,795
Gifts and grants received for other than capital purposes	10,405,638	8,457,856
	<u>115,462,154</u>	<u>119,767,139</u>
Net cash provided by noncapital financing activities		
<b>Capital and Related Financing Activities</b>		
Cash received from disposal of fixed assets	95,365	56,249
Purchase of capital assets	(10,036,942)	(6,881,941)
Construction in progress	(30,662,507)	(28,692,106)
Capital grants and contracts	1,874,803	755,311
Capital appropriations	464,423	362,189
Gifts of cash for capital purposes	655,969	3,562,903
Principal paid on capital debt and leases	(6,540,581)	(26,541,755)
Proceeds from issuance of new debt	1,022,852	56,590,000
Cash paid to defease outstanding debt	-	(543,689)
Cash paid to issue new bonds	-	(607,213)
Interest paid on capital debt and lease	(5,130,860)	(4,904,311)
	<u>(48,257,478)</u>	<u>(6,844,363)</u>
Net cash used in capital and related financing activities		

**Missouri State University**  
**Statements of Cash Flows**  
**Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Investing Activities</b>		
Proceeds from sales and maturities of investments	\$ 6,509,449	\$ 9,411
Interest on investments	<u>836,261</u>	<u>970,171</u>
Net cash provided by investing activities	<u>7,345,710</u>	<u>979,582</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(4,612,975)	30,936,065
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>70,912,913</u>	<u>39,976,848</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 66,299,938</u>	<u>\$ 70,912,913</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Assets</b>		
Cash and cash equivalents	\$ 64,028,262	\$ 53,850,732
Restricted cash and cash equivalents	<u>2,271,676</u>	<u>17,062,181</u>
Total cash and cash equivalents	<u>\$ 66,299,938</u>	<u>\$ 70,912,913</u>
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>		
Operating loss	\$ (101,531,156)	\$ (96,128,837)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	20,628,087	18,917,596
Changes in operating assets and liabilities		
Accounts receivable	542,429	(3,447,068)
Loans to students	125,324	296,987
Federal and state grants receivable	(82,781)	(430,707)
Inventories	(1,097,717)	(562,663)
Prepaid expenses	(327,307)	(353,076)
Accounts payable and accrued expenses	(1,822,834)	2,996,247
Accrued compensated absences	181,372	(500,992)
Accrued payroll	(713,416)	145,581
Deferred revenue	3,942,949	(3,548,750)
Deposits	(6,752)	(68,238)
Insurance claims payable	<u>998,441</u>	<u>(282,373)</u>
<b>Net Cash Used in Operating Activities</b>	<u>\$ (79,163,361)</u>	<u>\$ (82,966,293)</u>
<b>Supplemental Cash Flows Information</b>		
Increase in accounts payable incurred for capital asset purchases	<u>\$ 2,056,782</u>	<u>\$ 3,760,066</u>

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

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

##### ***Nature of Institution***

Missouri State University (the “University”) is a state assisted University with campuses in Springfield and West Plains and locations in Mountain Grove, Missouri and Dalian, China. A nine-member Board of Governors, appointed by the Governor and confirmed by the Senate of the State of Missouri, governs the University, a component unit of the State of Missouri.

##### ***Component Units***

The Missouri State University Foundation, Inc. (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 board of the Foundation is self-perpetuating and consists of graduates and friends 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 \$11,061,607 and \$12,020,759, respectively, of support to the University. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: 901 S. National, Springfield, MO 65897.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (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.

Springfield Innovation, Inc., A Missouri Innovation Center, is a legally separate, tax-exempt component unit of the University. The mission of Springfield Innovation, Inc. is to support advanced product development with a focus on advancing the competitiveness of Missouri-based industries and supporting technology based entrepreneurs while providing interdisciplinary work experiences for Missouri State University students. The board of Springfield Innovation, Inc. is self-perpetuating and consists of graduates and friends of the University.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

The University does not control the timing or amount of transactions for Springfield Innovation, Inc. Since this entity will establish resources to maintain a Missouri innovation center program at Missouri State University and provide work experiences for Missouri State University students, Springfield Innovation, Inc. is considered a component unit of the University and will be discretely presented in the University's financial statements.

There were no financial transactions for Springfield Innovation, Inc. for the fiscal years ended June 30, 2012 and 2011. If financial transactions occur in the future, Springfield Innovation, Inc. is a private nonprofit organization which will report under Financial Accounting Standards Board (FASB) standards, including ASC Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications will be made to the Springfield Innovation, Inc. statements in the University's financial reporting entity for these differences.

#### ***Basis of Presentation***

The financial statements have been prepared to incorporate all fund groups utilized internally by the University. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB. The University prepares its financial statements as a business-type activity in conformity with applicable pronouncements of GASB. Pursuant to GASB Statement No. 20, these reports are based on all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Review Boards of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

#### ***Measurement Focus and Basis of Accounting***

The financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 state appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Government-mandated nonexchange transactions that are not program specific such as state appropriations, gifts, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. Revenues for nonexchange transactions are recognized when all eligibility requirements have been satisfied. 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.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

Operating revenues of the University consist of student fees, sales and services of educational activities, grants and contracts that are exchange transactions and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities and state appropriations are components of nonoperating income.

#### **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, gains, losses 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.

#### **Investments and Investment Income**

The University accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the statements of revenues, expenses and changes in net assets.

#### **Accounts and Notes Receivable**

Student accounts receivable consists of fees charged to students and charges for auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts of \$2,244,748 and \$2,383,644 at June 30, 2012 and 2011, respectively. The University reserves for uncollectible accounts that are at least 90 days past due.

Student accounts receivable are stated at the amount billed to the students less applied scholarships and loan proceeds. The University provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. All charges are due at the beginning of the semester unless the student is enrolled in the Deferred Payment Plan. Fee payment deadlines vary depending upon when the student registers. If charges are not paid in full by that date, a finance charge is assessed on the remaining balance. Charges that are past due without payments for one year and have had no response to the due diligence process are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

Loans receivable consists of amounts due under the Federal Perkins Loan Program and institutional loan programs and are stated at their outstanding principal amount, net of an allowance for doubtful notes. Loans are made to students based on demonstrated financial need for both Perkins and institutional loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on Federal Perkins Loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for doubtful loans which is based upon a review of outstanding loans, historical collection information and existing economic conditions. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent institutional loans are written off based on individual credit evaluation and specific circumstances of the student. Loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$1,705,199 and \$1,627,639 at June 30, 2012 and 2011, respectively.

#### ***Inventories***

Nonauxiliary inventories consist of supplies for use by the University and merchandise available for sale such as art supplies. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Auxiliary enterprises inventories consist of merchandise available for sale at the bookstore, student union, pharmacy and recreation facilities. These inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

#### ***Capital Assets***

Land is stated at cost. Buildings and improvements are stated at June 30, 1953, estimated replacement costs with subsequent additions stated at cost. Library materials are stated at June 30, 1978, estimated historical cost, with subsequent additions stated at cost.

Building additions and improvements with a cost in excess of \$200,000 are capitalized if the life of the building is extended. Equipment with a cost in excess of \$5,000 with a useful life greater than one year is capitalized. Donated assets are transferred from the Missouri State University Foundation and are recorded at the fair value at the date of donation to the Foundation. Infrastructure assets are included in the financial statements and are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. Expenditures for construction in progress are capitalized with depreciation beginning when the project is completed. The following estimated useful lives are being used by the University:

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

Land improvements	20 years
Buildings and improvements	7-40 years
Furniture, fixtures and equipment	3-15 years
Infrastructure	20 years
Library materials	10 years

The University capitalizes interest costs as a component of construction in progress, based on either the weighted average rates paid for long-term borrowing or the rates associated with specific debt. Interest expense is capitalized net of interest income earned on resources set aside for this purpose. Total interest capitalized for the year ended June 30, 2012, was \$1,051,865 and for the year ended June 30, 2011, was \$1,304,085.

#### ***Foundation Real Estate and Equipment***

Buildings, improvements and equipment are stated at cost and are depreciated over the estimated useful life of each asset. Annual depreciation is computed using the straight-line method.

#### ***Foundation Valuation of Gifts and Property***

Gifts of real and personal property are reported at their estimated fair value as of the date the property is received. Fair value is determined either by a staff member of the University with expertise in the valuation of the particular property, or by appropriate documentation furnished by the donor.

#### ***Deferred Revenue***

Deferred revenue represents unearned student fees and advances on program tickets.

#### ***Compensated Absences***

It is the University's policy to permit employees to accumulate earned but unused sick and vacation pay benefits using the vesting method. Accrued vacation is the amount earned by all eligible employees through June 30, 2012. All eligible employees can accrue an unlimited amount of sick leave. Employees who retire under one of the University's public retirement plans will be paid for 40 percent of any accumulated unused sick leave rounded up or down to the nearest full day (up to a maximum of 48 days) and the remaining unused sick leave will be reported to Missouri State Employees' Retirement System (MOSERS) for inclusion as creditable service in accordance with MOSERS' policies regarding the reporting of unused sick leave. Accrued sick leave is based on a historic factor with these policies taken into consideration.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### **Deferred Bond Issue Costs**

Bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization for the year ended June 30, 2012, was \$98,375 and for the year ended June 30, 2011, was \$609,201.

#### **Noncurrent Liabilities**

Noncurrent liabilities include (1) principal amounts of revenue bonds payable and capital lease obligations with contractual maturities greater than one year and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

#### **Net Assets**

The University's net assets are classified as follows:

Invested in capital assets, net of related debt – This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – nonexpendable – Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. The endowment funds represent the amount of endowment given to the University before the organization of the Missouri State University Foundation.

Restricted net assets – expendable – Restricted expendable net assets include resources in which the University is legally and contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets – Unrestricted net assets represent resources derived from student fees, state appropriations and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. Auxiliary enterprises, which are substantially self-supporting activities, provide services for students, faculty and staff.

The Foundation's net assets, which under FASB standards are reported as either unrestricted, temporarily restricted or permanently restricted based on the presence or absence of donor restrictions, have been presented based on the GASB classifications with like characteristics.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### **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 fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises and (3) grants and contracts meeting certain criteria.

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

#### **Federal Financial Assistance Programs**

The University participates in the following federal student financial aid programs: Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Direct Loan and Federal Perkins Loan Programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Compliance Supplement*.

#### **Scholarship Allowances**

Student tuition and fees and auxiliary enterprise revenues, presented net of scholarships and fellowships of \$36,568,221 and \$37,348,760 at June 30, 2012 and 2011, respectively, are applied to student accounts, while stipends and other payments made directly to students are reported as scholarships and fellowships expense. Net tuition and fees, except for summer session, are recognized as revenues as they are assessed. The portion of summer session tuition and fees applicable to the following fiscal year is deferred.

#### **Bad Debt Expense**

Bad debt expense is \$959,641 and \$1,446,654 for the years ended June 30, 2012 and 2011, respectively, and is netted against tuition and fee revenues.

#### **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; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### **Reclassification**

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

#### **Note 2: Deposits, Investments and Investment Income**

##### **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 requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Missouri; bonds of any city having a population of not less than 2,000, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2012 and 2011, none of the University's bank balances held by the current domestic depository, a United States financial institution, were exposed to custodial credit risk. All of these domestic deposits were fully collateralized at the end of fiscal year 2012 and 2011. The funds held by international banks for the University's foreign education activities were not collateralized. The University is exposed to custodial credit risk for these deposits as follows:

	<b>2012</b>	<b>2011</b>
Uninsured and uncollateralized	\$ 713,003	\$ 245,112

*Foreign Currency Risk.* This risk relates to adverse effects on the fair value of a deposit from changes in exchange rates. The University does not have any policies related to foreign currency risk. The University has \$713,003 and \$245,112 of foreign deposits denominated in Chinese Yuan and the Hong Kong Dollar at June 30, 2012 and 2011, respectively.

##### **Investments**

The University may invest in United States Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptances.

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

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

		<b>June 30, 2012</b>		
		<b>Maturities in Years</b>		
<b>Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>
U.S. Treasury obligations	\$ 35,322	\$ -	\$ 35,322	\$ -
CDARS - 26 week	44,006,000	44,006,000	-	-
CDARS - 52 week	38,100,000	38,100,000	-	-
	<u>\$ 82,141,322</u>	<u>\$ 82,106,000</u>	<u>\$ 35,322</u>	<u>\$ -</u>

  

		<b>June 30, 2011</b>		
		<b>Maturities in Years</b>		
<b>Type</b>	<b>Fair Value</b>	<b>Less than 1</b>	<b>1-5</b>	<b>6-10</b>
U.S. Treasury obligations	\$ 44,771	\$ -	\$ 44,771	\$ -
CDARS - 26 week	50,506,000	50,506,000	-	-
CDARS - 52 week	38,100,000	38,100,000	-	-
	<u>\$ 88,650,771</u>	<u>\$ 88,606,000</u>	<u>\$ 44,771</u>	<u>\$ -</u>

*Interest Rate Risk.* As a means of limiting its exposure to fair value losses, the University's investment policy limits the type of investments to those which are not exposed to fair value losses arising from increasing interest rates. The maturities are structured to meet the cash flow needs of the University. The prohibition of speculative investments precludes pursuit of gain or profit through unusual risk. Investment trading in response to changes in market value or market direction is warranted under active portfolio managements. Interest rate risk is not specifically discussed in the University's investment policy.

*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 investment in bankers acceptances to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). At June 30, 2012 and 2011, the University had no investments not directly guaranteed by the U.S. government or U.S. government agencies.

*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 had no investments exposed to custodial credit risk at the end of June 30, 2012 and 2011.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

*Concentration of Credit Risk.* The University's investment policy places maximum percentages on the total investment funds held in each type of instrument. The type of investments that can be held in the University's portfolio include U.S. Treasury and U.S. agency securities, repurchase agreements, corporate bonds, commercial paper and bankers acceptance. It is the University's policy that no more than 15% of the total portfolio will be held in any one bank. There are no restrictions on direct obligations of the U.S. government, U.S. government agency issues or U.S. government guaranteed securities.

There are no restrictions for repurchase agreements which are fully collateralized by U.S. government securities. No more than 20% of the portfolio will be held in corporate bonds or bankers acceptances with no more than 5% of the portfolio to be held with any one issuer. No more than 30% of the portfolio will be held in commercial paper, with no more than 5% of the portfolio to be held with any one issuer.

*Foreign Currency Risk.* This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The University's exposure to foreign currency risk did not exist at June 30, 2012 and 2011, because there were no foreign investments in the University's investment portfolio at any time during these two fiscal years.

#### Summary of Carrying Values

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

	<b>2012</b>	<b>2011</b>
Carrying value		
Deposits	\$ 66,299,938	\$ 70,912,913
Investments	82,141,322	88,650,771
	<u>\$148,441,260</u>	<u>\$159,563,684</u>

Included in the following statements of net assets captions:

	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 64,028,262	\$ 53,850,732
Restricted cash and cash equivalents	2,271,676	17,062,181
Short-term investments	82,106,000	88,606,000
Long-term investments	35,322	44,771
	<u>\$148,441,260</u>	<u>\$159,563,684</u>

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

#### **Investment Income**

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

	<b>2012</b>	<b>2011</b>
Interest and dividend income	\$ 751,503	\$ 972,447

#### **Foundation Pooled Investments**

Funds treated as endowment by the Foundation are managed as a pooled investment fund. This pool includes funds from the unrestricted, temporarily restricted and permanently restricted net asset classes. The various subsidiary accounts purchase shares in the investment pool when additions are received. The investment pool is operated on a unit market basis. The following schedule summarizes data related to the investment pool for the years ended June 30, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Pooled investments at market value	\$ 61,029,559	\$ 59,837,782
Number of pool shares	274,677	249,918
Market value per pool share	\$ 222	\$ 239
Fiscal year return	-1.70%	20.1%
Interest and dividend earnings	\$ 83,089	\$ 200,226
Net gains (losses)	\$ (1,127,364)	\$ 9,572,142

#### **Foundation Investments and Investment Return**

Investments in equity securities and debt securities are carried at fair value. All other investments are valued at estimated fair value. The estimated fair value of investments in hedge funds, where a readily determinable market price is not available, has been estimated using the net asset value per share of investments. Investment income and gains that are restricted by donor stipulation are initially included in temporarily restricted net assets. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Other investment income, gains and losses are reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

While the Foundation does not invest directly in derivative securities, it does, through investment holdings with various money managers, indirectly hold these securities. The Foundation has significant investments in marketable securities, which are subject to price fluctuation. These instruments could potentially subject the Foundation to significant concentrations of market risk. This risk is controlled through a diversified portfolio and regular monitoring procedures.

**Missouri State University**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

Investments are summarized as follows at June 30:

	<b>2012</b>	<b>2011</b>
Accrued income	\$ 71,785	\$ 93,291
Money market accounts	555,028	73,302
U.S. equity mutual funds	15,179,612	14,999,269
Non-U.S. equity mutual funds	15,163,477	16,598,404
U.S. fixed income mutual funds	15,044,354	12,721,072
Non-U.S. fixed income mutual funds	1,973,028	1,829,766
Other mutual funds	7,297,291	7,710,710
Real estate funds	1,168,797	1,065,670
Hedge funds	3,666,381	3,433,759
Private equity	1,081,903	973,661
Other	3,500	3,500
	<u>\$ 61,205,156</u>	<u>\$ 59,502,404</u>

Investment return consists of the following:

	<b>2012</b>	<b>2011</b>
Investment income	\$ 197,036	\$ 345,564
Net realized and unrealized gains (losses) on investments reported at fair value	<u>(1,122,741)</u>	<u>9,615,566</u>
	<u>\$ (925,705)</u>	<u>\$ 9,961,130</u>

Investments held in trust are deposited with U.S. Bank Institutional Trust, Benjamin F. Edwards & Co., and Bank of America, N.A. or are in municipal bonds and other investments. Investment expenses incurred for the years ended June 30, 2012 and 2011, totaled \$113,150 and \$122,149, respectively.

**Missouri State University**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 3: Foundation Pledges Receivable**

Pledges receivable are a credit risk to the extent donors choose not to complete their pledge payments. Discount rates ranged from 0.3% to 3.3% for the year ended 2012 and 0.6% to 3.3% for the year ended 2011. Pledges receivable consist of the following unconditional promises to give at June 30:

	<u>2012</u>	<u>2011</u>
Due in less than one year	\$ 5,170,016	\$ 4,929,410
Due in one to five years	16,918,671	12,923,957
Due in more than five years	<u>30,597,907</u>	<u>32,983,587</u>
	<u>52,686,594</u>	<u>50,836,954</u>
Less: Allowance for doubtful accounts	309,854	242,202
Unamortized discount	<u>14,793,559</u>	<u>15,621,435</u>
	<u>15,103,413</u>	<u>15,863,637</u>
	<u><u>\$ 37,583,181</u></u>	<u><u>\$ 34,973,317</u></u>

**Note 4: Related Party Transactions**

In 1982, the University's Board of Governors authorized the transfer of its endowment fund of \$199,762 to the Foundation for management purposes. This balance is shown on the University's statements of net assets as amounts due from the Foundation, in noncurrent assets. All investment earnings from these funds have been recorded in the accounting records of the Foundation and are not shown on the University's financial statements. All endowment additions since 1982, including gifts and other income, have been recorded in the Foundation's accounting records.

Additionally, the Foundation owed the University approximately \$1,248,177 and \$3,369,668 at June 30, 2012 and 2011, respectively, for pledges receivable and expenses paid by the University for costs to be funded by the Foundation. The balance is shown on the University's statements of net assets as current assets and is included in accounts receivable.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### Note 5: Pension Plan

The University participates in the Missouri State Employees' Retirement System (MOSERS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. MOSERS is administered by an 11-member Board of Trustees. A publicly available financial report that includes the financial statements and required supplemental information is issued. This report may be obtained by writing to P.O. Box 209, Jefferson City, MO 65102, or calling 573-751-2342.

MOSERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are established by State statute which may be changed by the Missouri legislature with concurrence of the Governor.

The University is required to contribute to MOSERS at an actuarially determined rate; the rate was 13.97%, 13.81% and 12.75% of annual covered payroll for the years ended June 30, 2012, 2011 and 2010, respectively. Eligible employees hired as of or after January 1, 2011, must contribute 4% of wages to the MOSERS program. Contributions, which equaled the contribution requirements for years ended June 30, 2012, 2011 and 2010, were \$12,592,537, \$12,189,240 and \$11,589,022, respectively. The MOSERS funded status ratio was 79.2% and 80.4% as of June 30, 2012 and 2011, 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. Any amendments to the plan are established by changes in State statute.

Beginning July 1, 2002, all faculty on full-time, regular appointment are enrolled in the College and University Retirement Plan (CURP) if they have not previously been enrolled in MOSERS. CURP is a noncontributory 401(a) defined contribution retirement plan which uses TIAA-CREF as its third-party administrator. The University was required to contribute 6.92%, 7.77% and 7.71% of the participant's salary to CURP for the years ended June 30, 2012, 2011 and 2010, respectively. The total contributed for years ended June 30, 2012, 2011 and 2010, was \$1,457,615, \$1,513,483 and \$1,472,821, 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 the Missouri State Employees' Retirement System (MOSERS).

#### Note 6: Postemployment Health Care

*Plan Description:* Missouri State University Employee Benefit Plan (MSUEBP) is a single-employer defined benefit plan administered by Missouri State University. MSUEBP provides medical benefits to eligible retirees and their spouses. The Missouri State Board of Governors

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

provides the authority to Missouri State University to establish and amend benefit provisions. The postemployment healthcare plan information is included in the Missouri State University Annual Financial Report and can be obtained by contacting Missouri State University's Financial Services department.

*Funding Policy:* The contribution requirements of plan members are established by the Missouri State Board of Governors. The postemployment healthcare benefits are funded on a pay-as-you-go basis. Missouri State University funds on a cash basis as benefits are paid. For fiscal year 2012 Missouri State University contributed \$609,000 to the postemployment retirement plan portion of the MSUEBP and the retirees contributed \$640,000 through their required monthly contributions of \$418.16 for retiree and \$290.91 for spouse for the medical portion. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan Assets under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

**Annual OPEB Cost and Net OPEB Obligation:** Missouri State University's annual OPEB expense is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45.

The following table shows the components of Missouri State University's annual OPEB expense for the year:

Amortization of Unfunded Actuarial Value of Assets (UAAL)	\$	451,000
Normal cost (with interest)		819,000
Interest on amortization of UAAL		20,000
		<hr/>
Annual Required Contribution (ARC)		1,290,000
Interest on net OPEB obligation		106,000
Adjustment to the ARC		(90,000)
		<hr/>
Annual OPEB Cost (Expense)		1,306,000
Contributions made		(609,000)
		<hr/>
Increase in net OPEB obligation		697,000
Net OPEB obligation - Beginning of Year		2,352,000
		<hr/>
Net OPEB obligation - End of Year	\$	<u>3,049,000</u>

Missouri State University's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation 2012 and the preceding year are as follows:

	<u>2012</u>	<u>2011</u>
Annual OPEB cost	\$ 1,306,000	\$ 1,225,000
Net employer contributions	\$ 609,000	\$ 355,000
Percentage contributed	46.63%	28.97%
End of year net OPEB obligation	\$ 3,049,000	\$ 2,352,000

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

*Funded Status and Funding Progress:* As of June 30, 2012 and 2011, the Actuarial Accrued Liability (AAL) was \$11,820,000 and \$13,463,000, respectively. No assets have been segregated and restricted to provide postretirement benefits within the definition of Plan Assets under GASB Statement No. 45. The covered payroll (annual payroll of active employees covered by the plan) was \$101,328,000 and \$113,300,000 in 2012 and 2011, respectively. The ratio of the UAAL to the covered payroll was 11.67% and 11.88% in 2012 and 2011, respectively.

*Actuarial Methods and Assumptions:* Actuarial valuations reflect a long-term perspective and involve estimates of the 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 presents 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 was implemented prospectively in 2008. 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.

Benefit obligations shown in this report are computed using the projected unit credit method. Benefits are attributed to service based on the plan's benefit eligibility provisions. The beginning of the attribution period is the date of hire and the end is the full eligibility date. The unfunded actuarial accrued liability is amortized over a 30-year open period in level dollar amounts. Cumulative gains and losses are amortized over the same 30-year period as other UAAL. Other assumptions are as follows:

Discount rate 4.50% per annum

Health care cost trend rates:

	Medical/Rx	Admin/Stop Loss
2012 - 2013	10.00%	5.00%
2013 - 2014	9.50%	5.00%
2014 - 2015	9.00%	5.00%
2015 - 2016	8.50%	5.00%
2016 - 2017	8.00%	5.00%
2017 - 2018	7.50%	5.00%
2018 - 2019	7.00%	5.00%
2019 - 2020	6.50%	5.00%
2020 - 2021	6.00%	5.00%
2021 - 2022	5.50%	5.00%
2022 and beyond	5.00%	5.00%

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### Note 7: 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, dental and accidental benefits. Commercial insurance coverage is purchased for claims arising from such matters other than those related to general liability, workers' compensation, natural disasters and employee health benefits.

Settled claims have not exceeded this commercial coverage in any of the three preceding years. Additional coverage is provided through the State Self Insurance program, through the Risk Management Division of the Department of Administration Services, in Jefferson City. The State of Missouri self-insures the workers' compensation benefits for all state employees, including University employees. Claims are administered by the Missouri Office of Administration, Risk Management Section.

Liabilities for employee health and dental benefits are included in liabilities for claims incurred but not yet reported or paid. The liability is estimated based on subsequent payments and historical information. Changes in the balance of claims liabilities for the years ended June 30, 2012 and 2011, is summarized as follows:

	<b>2012</b>	<b>2011</b>
Balance at beginning of year	\$ 1,099,755	\$ 1,382,128
Health and dental claims	16,302,417	14,063,153
Health insurance payments	<u>(16,001,427)</u>	<u>(14,345,526)</u>
Balance at end of year	<u><u>\$ 1,400,745</u></u>	<u><u>\$ 1,099,755</u></u>

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### Note 8: Operating Expenses by Function

Operating expenses by functional classification for the year ended June 30, 2012, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2012 Total
Instruction	\$ 62,497,527	\$ 20,504,226	\$ -	\$ -	\$ 10,882,816	\$ -	\$ 93,884,569
Research	5,592,055	1,768,484	-	(477)	5,522,902	-	12,882,964
Public service	3,786,675	1,090,202	-	-	3,790,704	-	8,667,581
Academic support	14,559,953	4,631,819	-	-	6,849,402	-	26,041,174
Student services	6,891,392	2,108,594	-	-	5,702,153	-	14,702,139
Institutional support	15,158,585	4,992,343	-	-	2,910,186	-	23,061,114
Operation and maintenance of plant	5,520,308	1,765,773	-	3,710,173	5,619,103	-	16,615,357
Scholarship and fellowships	610,476	60,796	20,545,370	-	(123,795)	-	21,092,847
Auxiliary enterprises	14,602,102	4,250,035	4,030,642	2,068,040	17,895,049	-	42,845,868
Depreciation	-	-	-	-	-	20,628,087	20,628,087
Total operating expenses for fiscal year 2012	<u>\$ 129,219,073</u>	<u>\$ 41,172,272</u>	<u>\$ 24,576,012</u>	<u>\$ 5,777,736</u>	<u>\$ 59,048,520</u>	<u>\$ 20,628,087</u>	<u>\$ 280,421,700</u>

Operating expenses by functional classification for the year ended June 30, 2011, are summarized as follows:

	Salaries	Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	2011 Total
Instruction	\$ 61,566,287	\$ 19,414,416	\$ -	\$ -	\$ 9,616,246	\$ -	\$ 90,596,949
Research	5,866,459	1,802,174	-	299	5,788,673	-	13,457,605
Public service	3,202,481	975,869	-	-	3,322,320	-	7,500,670
Academic support	14,178,783	4,507,021	-	-	6,322,599	-	25,008,403
Student services	6,598,840	2,012,894	-	-	5,291,801	-	13,903,535
Institutional support	14,077,349	4,475,002	-	3,446	3,412,016	-	21,967,813
Operation and maintenance of plant	5,534,777	1,755,701	-	3,661,609	5,858,726	-	16,810,813
Scholarship and fellowships	557,917	57,006	21,060,142	-	12,784	-	21,687,849
Auxiliary enterprises	14,272,780	4,061,370	4,561,915	2,553,196	16,310,815	-	41,760,076
Depreciation	-	-	-	-	-	18,917,596	18,917,596
Total operating expenses for fiscal year 2011	<u>\$ 125,855,673</u>	<u>\$ 39,061,453</u>	<u>\$ 25,622,057</u>	<u>\$ 6,218,550</u>	<u>\$ 55,935,980</u>	<u>\$ 18,917,596</u>	<u>\$ 271,611,309</u>

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

### Note 9: Long-Term Liabilities

Long-term debt and other obligations consist of the following as of June 30, 2012:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Current Portion
Revenue issue								
Auxiliary enterprise system								
1988 Note Payable		3%	2018	\$ 1,163,991	\$ -	\$ 151,805	\$ 1,012,186	\$ 156,393
2005	A	2.75% to 4.05%	2025	1,625,000	-	-	1,625,000	-
2007	A	4.00% to 5.00%	2035	53,780,000	-	1,600,000	52,180,000	1,665,000
2010	A	1.00% to 2.55%	2016	4,320,000	-	695,000	3,625,000	700,000
2010	B	4.25% to 6.25%	2035	20,565,000	-	-	20,565,000	-
2010	C	1% to 2.8%	2017	21,485,000	-	3,090,000	18,395,000	3,125,000
				<u>102,938,991</u>	<u>-</u>	<u>5,536,805</u>	<u>97,402,186</u>	<u>5,646,393</u>
Classroom Building								
2010	A	.3% to 2.55%	2016	1,725,000	-	275,000	1,450,000	280,000
2010	B	4.25% to 6.25%	2035	8,235,000	-	-	8,235,000	-
2012	DNR	0%	2015	-	64,852	-	64,852	15,617
2012	DNR	2%	2021	-	958,000	-	958,000	-
				<u>-</u>	<u>958,000</u>	<u>-</u>	<u>958,000</u>	<u>-</u>
Total bonds and notes payable				112,898,991	1,022,852	5,811,805	108,110,038	5,942,010
Unamortized premium on bond issue				1,165,798	-	91,334	1,074,464	88,568
Unamortized loss on prior bond defeasance				(1,447,342)	-	(357,123)	(1,090,219)	(306,810)
				<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bonds and notes payable less unamortized loss				112,617,447	1,022,852	5,546,016	108,094,283	5,723,768
Compensated absences				9,693,451	5,317,437	5,136,065	9,874,823	4,995,383
Capital lease obligations		4.31%	2012-2021	8,411,924	-	728,776	7,683,148	714,425
Other long-term liabilities				2,351,594	697,451	-	3,049,045	-
				<u>20,456,969</u>	<u>6,014,888</u>	<u>5,864,841</u>	<u>20,607,016</u>	<u>5,709,808</u>
Total long-term debt and other obligations				\$ 133,074,416	\$ 7,037,740	\$ 11,410,857	\$ 128,701,299	\$ 11,433,576

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

Long-term debt and other obligations consist of the following as of June 30, 2011:

	Bond Series	Interest Rate	Maturity	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Current Portion
Revenue issue								
Auxiliary enterprise system								
1988 Note Payable		3%	2018	\$ 1,311,342	\$ -	\$ 147,351	\$ 1,163,991	\$ 151,805
2002	A	3.00% to 3.2%	2010	1,470,000	-	1,470,000	-	-
2005	A	2.75% to 4.05%	2025	24,030,000	-	22,405,000	1,625,000	-
2007	A	4.00% to 5.00%	2035	55,320,000	-	1,540,000	53,780,000	1,600,000
2010	A	1.00% to 2.55%	2016	-	4,320,000	-	4,320,000	695,000
2010	B	4.25% to 6.25%	2035	-	20,565,000	-	20,565,000	-
2010	C	1% to 2.8%	2017	-	21,485,000	-	21,485,000	3,090,000
				<u>82,131,342</u>	<u>46,370,000</u>	<u>25,562,351</u>	<u>102,938,991</u>	<u>5,536,805</u>
Classroom Building								
2010	A	.3% to 2.55%	2016	-	1,985,000	260,000	1,725,000	275,000
2010	B	4.25% to 6.25%	2035	-	8,235,000	-	8,235,000	-
Total bonds and notes payable				82,131,342	56,590,000	25,822,351	112,898,991	5,811,805
Unamortized premium on bond issue				1,259,792	-	93,994	1,165,798	91,334
Unamortized loss on prior bond defeasance				(1,305,486)	(543,689)	(401,833)	(1,447,342)	(357,123)
Total bonds and notes payable less unamortized loss				<u>82,085,648</u>	<u>56,046,311</u>	<u>25,514,512</u>	<u>112,617,447</u>	<u>5,546,016</u>
Compensated absences				10,194,443	5,040,698	5,541,690	9,693,451	4,404,824
Capital lease obligations		4.392%	2011-2021	9,131,327	-	719,403	8,411,924	728,777
Other long-term liabilities				1,481,160	870,434	-	2,351,594	-
Total other obligations				<u>20,806,930</u>	<u>5,911,132</u>	<u>6,261,093</u>	<u>20,456,969</u>	<u>5,133,601</u>
Total long-term debt and other obligations				<u>\$ 102,892,578</u>	<u>\$ 61,957,443</u>	<u>\$ 31,775,605</u>	<u>\$ 133,074,416</u>	<u>\$ 10,679,617</u>

The University has bonds, notes and capital lease obligations due in the total amount of \$115,793,186 and \$121,310,915 as of June 30, 2012 and 2011, respectively. At June 30, 2012, these bonds and notes bear interest at rates ranging from 0% to 6.25% annually, and mature at various dates through fiscal year 2036. The notes payable and revenue bonds are payable, both as to principal and interest, solely and only out of net income arising from the operation of the various revenue funds.

The revenue bond issues and the 1988 Housing System note payable require the University to establish and fund various debt service reserve funds. At June 30, 2012 and 2011, all debt service reserve funds have been fully funded. The University also is required to maintain certain rate covenants related to the Auxiliary Enterprise System bonds.

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

During 2003, Auxiliary System bonds, Series 1993A and 1993B of \$5,295,000 and \$14,235,000, respectively, and Classroom Building 1996 Bonds of \$5,155,000 were defeased. At June 30, 2012 and 2011, the current outstanding balance of these defeased bonds was \$2,285,000 and \$3,755,000, respectively.

During 2005, Auxiliary System bonds Series 1997A and 1999A of \$13,960,000 and \$16,835,000, respectively, were defeased. At June 30, 2012 and 2011, the current outstanding balance of these defeased bonds was \$20,995,000 and \$22,375,000, respectively.

On July 30, 2010, the University issued Auxiliary Enterprise System Revenue bonds in the principal amount of \$46,370,000 in Tax-Exempt and Build America Bonds for additions and improvements to the auxiliary enterprise system and the partial refunding of the 2005A Series Bonds. The refunding portion of this issue is \$21,485,000. Build America Bonds issued are in the amount of \$20,565,000 and Tax-Exempt Bonds issued are in the amount of \$25,805,000. The refunding issue was used to retire \$20,890,000 of 2005 series bonds, meet \$360,881 of interest escrow requirements and the remainder used for cost of issuance. This refunding was undertaken to reduce total debt service payments by \$841,223 and resulted in an economic gain (present value savings) of \$801,402. Projects to be funded by these bonds included the following:

- Construction of the Bill R. Foster and Family Recreation Center on the Springfield campus
- Construction of a multipurpose recreation center on the West Plains campus, which will be constructed as a storm shelter
- Residence hall life safety upgrades to three residence halls on the Springfield campus
- Miscellaneous capital improvements to certain residential facilities on the Springfield campus

On July 30, 2010, the University issued bonds through the Missouri Health and Educational Facilities Authority (MOHEFA) in the principal amount of \$10,220,000 in Tax-Exempt and Build America Bonds for the acquisition, renovation and improvement of various health and educational facilities of the University. Build America Bonds issued are in the amount of \$8,235,000 and Tax-Exempt Bonds issued are in the amount of \$1,985,000. Projects to be funded by these bonds included the following:

- Construction of an educational building for the Darr Agricultural Center
- Renovation of Looney Hall (West Plains campus) to return it to use exclusively as an academic facility
- Construction of an animal research compliance facility (Springfield campus) to properly house animals needed for research on campus

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

- An addition to the Physical Therapy Building, the McQueary Family Health Sciences Hall
- Renovations to various academic buildings on the Springfield campus
- Other miscellaneous capital improvements to academic facilities on the Springfield and West Plains campuses

In accordance with accounting principles generally accepted in the United States of America, the outstanding balances of the defeased bonds are not reflected on the statements of net assets of the University.

The principal and interest requirements on notes and bonds payable to maturity at June 30, 2012, are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 5,942,010	\$ 4,599,422	\$ 10,541,432
2014	6,212,248	4,483,401	10,695,649
2015	6,039,589	4,346,370	10,385,959
2016	6,189,212	4,188,218	10,377,430
2017	6,361,858	4,009,956	10,371,814
2018 - 2022	21,535,121	17,240,061	38,775,182
2023 - 2027	21,740,000	12,294,771	34,034,771
2028 - 2032	26,155,000	6,278,856	32,433,856
2033 - 2036	7,935,000	1,017,031	8,952,031
	\$108,110,038	\$ 58,458,086	\$166,568,124

#### ***Capital Lease Obligations***

The University is obligated under leases accounted for as capital leases. Assets under capital leases at June 30, 2012 and 2011, totaled \$8,299,037 and \$8,917,450, respectively, net of accumulated depreciation of \$3,807,806 in 2012 and \$3,189,393 in 2011.

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

The following is a schedule by year of future minimum lease payments under the capital leases including interest at the rate of 4.31% together with the present value of the future minimum lease payments as of June 30, 2012:

2013	\$ 1,051,869
2014	1,051,869
2015	1,051,869
2016	1,051,869
2017	1,051,869
2018 - 2021	<u>4,207,474</u>
Total minimum lease payments	9,466,819
Less amount representing interest	<u>1,783,671</u>
 Present value of future minimum lease payments	 <u><u>\$ 7,683,148</u></u>

#### **Foundation Leases**

Noncancelable leases for space in the Kenneth E. Meyer Alumni Center expire in various years through 2015. Several of these leases contain renewal options for periods ranging from one to three years. Future minimum lease income at June 30, 2012, is as follows:

2013	\$564,721
2014	\$49,304
2015	\$2,025

#### **Note 10: Auxiliary Enterprise System**

The outstanding debt of the University consists of Auxiliary Enterprise System Revenue Bonds. The most recent Auxiliary Enterprise System Revenue Bonds were issued in accordance with a Resolution adopted by the Board of Governors in July 2010. The Resolution provides that the bonds are payable from the gross income and revenues derived from the housing, parking, health center and recreational facilities serving the University and its students. The housing facilities consist of 10 residence halls, four dining facilities and the Student Union Building. The parking facilities consist of all facilities, lots and equipment for the parking of vehicles and the movement of passengers around campus. The health center consists of a Taylor Health and Wellness Center facility which provides medical and wellness services to students and their spouses and University employees and their spouses and eligible dependents. The recreational facilities include the Bill R. Foster and Family Recreation Center, Hammons Student Center, the Plaster Sports Complex, the JQH Arena and the athletic programs of the University. The Auxiliary Enterprise System also includes the University's Bookstore and certain auxiliary operations at the University's West Plains campus.

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

Financial information for the Auxiliary Enterprise System for June 30, 2012 and 2011, is summarized as follows:

	<b>2012</b>	<b>2011</b>
<b>Condensed Statements of Net Assets</b>		
<b>Assets</b>		
Current assets	\$ 38,312,776	\$ 49,829,443
Noncurrent assets	198,472,787	178,332,999
Total assets	236,785,563	228,162,442
<b>Liabilities</b>		
Current liabilities	19,975,451	12,528,472
Long-term liabilities	94,029,727	98,472,511
Total liabilities	114,005,178	111,000,983
<b>Net Assets</b>		
Invested in capital assets, net of related debt	96,702,248	72,073,992
Restricted		
Expendable	552,079	21,772,668
Unrestricted	25,526,058	23,314,799
Total net assets	\$ 122,780,385	\$ 117,161,459
<b>Condensed Statements of Revenues, Expenses and Changes in Net Assets</b>		
Operating Revenues	\$ 51,211,713	\$ 50,913,410
Operating expenses		
Depreciation	6,755,803	5,667,404
All other operating expenses	42,845,868	41,760,076
Total operating expenses	49,601,671	47,427,480
Operating income	1,610,042	3,485,930
Nonoperating revenues (expenses)	11,708	2,302,947
Excess of revenues over expenses	1,621,750	5,788,877
Transfer from other University units	3,997,176	6,318,829
Increase in Net Assets	5,618,926	12,107,706
<b>Beginning Net Assets</b>	<b>117,161,459</b>	<b>105,053,753</b>
<b>Ending Net Assets</b>	<b>\$ 122,780,385</b>	<b>\$ 117,161,459</b>

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

### Note 11: Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	2012				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 30,814,970	\$ 258,243	\$ -	\$ -	\$ 31,073,213
Infrastructure	46,979,436	-	-	-	46,979,436
Buildings	423,380,820	2,068,716	-	32,827,813	458,277,349
Furniture, fixtures and equipment	46,183,370	3,423,359	(2,093,192)	833,829	48,347,366
Library materials	50,358,409	2,368,917	-	-	52,727,326
Capitalized collections	391,858	-	-	-	391,858
Construction in progress	36,151,351	35,688,861	(1,787,459)	(33,661,642)	36,391,111
	<u>634,260,214</u>	<u>43,808,096</u>	<u>(3,880,651)</u>	<u>-</u>	<u>674,187,659</u>
Less accumulated depreciation					
Infrastructure	18,337,228	2,677,161	-	-	21,014,389
Buildings	150,273,061	11,863,895	-	-	162,136,956
Furniture, fixtures and equipment	31,267,749	4,021,678	(1,588,774)	-	33,700,653
Library materials	38,703,884	2,038,156	-	-	40,742,040
Capitalized collections	255,875	27,197	-	-	283,072
Total accumulated depreciation	<u>238,837,797</u>	<u>20,628,087</u>	<u>(1,588,774)</u>	<u>-</u>	<u>257,877,110</u>
Net capital assets	<u>\$ 395,422,417</u>	<u>\$ 23,180,009</u>	<u>\$ (2,291,877)</u>	<u>\$ -</u>	<u>\$ 416,310,549</u>

Capital asset activity for the year ended June 30, 2011, was as follows:

	2011				Ending Balance
	Beginning Balance	Additions	Retirements	Transfers	
Land	\$ 30,320,427	\$ 494,543	\$ -	\$ -	\$ 30,814,970
Infrastructure	46,979,436	-	-	-	46,979,436
Buildings	417,597,242	123,346	519,174	6,179,406	423,380,820
Furniture, fixtures and equipment	44,211,632	4,046,850	2,075,112	-	46,183,370
Library materials	48,023,787	2,334,622	-	-	50,358,409
Capitalized collections	391,858	-	-	-	391,858
Construction in progress	8,476,502	34,501,117	646,862	(6,179,406)	36,151,351
	<u>596,000,884</u>	<u>41,500,478</u>	<u>3,241,148</u>	<u>-</u>	<u>634,260,214</u>
Less accumulated depreciation					
Infrastructure	15,645,716	2,691,512	-	-	18,337,228
Buildings	140,214,716	10,465,962	407,617	-	150,273,061
Furniture, fixtures and equipment	29,278,757	3,736,701	1,747,709	-	31,267,749
Library materials	36,707,660	1,996,224	-	-	38,703,884
Capitalized collections	228,678	27,197	-	-	255,875
Total accumulated depreciation	<u>222,075,527</u>	<u>18,917,596</u>	<u>2,155,326</u>	<u>-</u>	<u>238,837,797</u>
Net capital assets	<u>\$ 373,925,357</u>	<u>\$ 22,582,882</u>	<u>\$ 1,085,822</u>	<u>\$ -</u>	<u>\$ 395,422,417</u>

# Missouri State University

## Notes to Financial Statements

### June 30, 2012 and 2011

#### Note 12: Commitments and Contingencies

##### ***Claims and Litigation***

As is common with most large governmental entities, various parties have asserted claims against the University through litigation and by other means. The University is vigorously defending each of these matters, the eventual outcomes of which management presently believes will not be material.

##### ***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 Commitments***

The University has outstanding commitments for various construction contracts of approximately \$24.9 million at June 30, 2012, including major outstanding contracts related to the construction of the new recreation center.

##### ***Current Economic Conditions***

The current economic environment continues to present universities with 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. 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 accounts receivable. The University could experience difficulty maintaining sufficient liquidity should significant changes occur.

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

### Note 13: Foundation Endowment

The Foundation's endowment consists of approximately 932 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation's governing body has interpreted the State of Missouri Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Foundation and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Foundation
7. Investment policies of the Foundation

The composition of net assets by type of endowment fund at June 30, 2012, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Donor-restricted endowment funds	\$ (191,530)	\$ 18,490,299	\$ 41,105,624	\$ 59,404,393
Board-designated endowment funds	2,858,124	-	-	2,858,124
Total endowment funds	<u>\$ 2,666,594</u>	<u>\$ 18,490,299</u>	<u>\$ 41,105,624</u>	<u>\$ 62,262,517</u>

The composition of net assets by type of endowment fund at June 30, 2011, was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Donor-restricted endowment funds	\$ (62,242)	\$ 18,733,386	\$ 39,542,447	\$ 58,213,591
Board-designated endowment funds	3,014,478	-	-	3,014,478
Total endowment funds	<u>\$ 2,952,236</u>	<u>\$ 18,733,386</u>	<u>\$ 39,542,447</u>	<u>\$ 61,228,069</u>

**Missouri State University**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

Changes in endowment net assets for the year ended June 30, 2012, were:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2012 Total</b>
Endowment net assets, beginning of year	\$ 2,952,236	\$ 18,733,386	\$ 39,542,447	\$ 61,228,069
Investment return				
Investment income	-	542,526	-	542,526
Net appreciation	(323,335)	(803,712)	-	(1,127,047)
Total investment return	(323,335)	(261,186)	-	(584,521)
Contributions	-	-	1,501,087	1,501,087
Other income	32,706	8,462	62,090	103,258
Appropriation of endowment assets for expenditure	-	(3,246,185)	-	(3,246,185)
Other additions	4,987	3,255,822	-	3,260,809
Endowment net assets, end of year	\$ 2,666,594	\$ 18,490,299	\$ 41,105,624	\$ 62,262,517

Changes in endowment net assets for the year ended June 30, 2011, were:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>2011 Total</b>
Endowment net assets, beginning of year	\$ 1,042,164	\$ 13,217,420	\$ 37,044,515	\$ 51,304,099
Investment return				
Investment income	564	866,123	-	866,687
Net appreciation	1,868,931	7,702,351	-	9,571,282
Total investment return	1,869,495	8,568,474	-	10,437,969
Contributions	-	-	2,416,971	2,416,971
Other income	35,564	26,871	80,961	143,396
Appropriation of endowment assets for expenditure	-	(3,082,772)	-	(3,082,772)
Other additions	5,013	3,393	-	8,406
Endowment net assets, end of year	\$ 2,952,236	\$ 18,733,386	\$ 39,542,447	\$ 61,228,069

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Foundation is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets and aggregated approximately \$192,000 at June 30, 2012. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new permanently restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

## Missouri State University

### Notes to Financial Statements

#### June 30, 2012 and 2011

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Foundation must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Foundation's policies, endowment assets are invested in a manner that is intended to produce results that exceed the endowment's financial requirement over time, while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 9.7% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Foundation has a policy (the spending policy) of appropriating for expenditure each year 5.7% of its endowment fund's average fair value over the prior 36 months through the year end preceding the year in which expenditure is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**Required Supplementary Information**

## Missouri State University

### Schedule of Funding Progress – Other Post-Employment Benefits

#### June 30, 2012 and 2011

	<b>Year Ended June 30, 2012</b>	<b>Year Ended June 30, 2011</b>
Actuarial valuation date	July 1, 2011	July 1, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Actuarial accrued liability	\$ 11,820,000	\$ 13,462,874
Actuarial value of assets	-	-
Total unfunded actuarial liability	<u>\$ 11,820,000</u>	<u>\$ 13,462,874</u>
Funded ratio	0.00%	0.00%
Annual coverage payroll	\$ 101,328,000	\$ 113,300,265
Ratio of unfunded actuarial liability to covered payroll	11.67%	11.88%
Participant summary		
Active employees	2,086	2,132
Retirees	107	83
Spouses of retirees	34	59
Total	<u>2,227</u>	<u>2,274</u>
Actuarial assumptions:		
UAAL amortization method	Level % of Pay	
UAAL amortization period, closed/open	30 years, open	
Investment return (discount) rate	4.50%	
	<b>Medical/Rx</b>	<b>Admin/Stop Loss</b>
2012-2013	10.0%	5.0%
2013-2014	9.5%	5.0%
2014-2015	9.0%	5.0%
2015-2016	8.5%	5.0%
2016-2017	8.0%	5.0%
2017-2018	7.5%	5.0%
2018-2019	7.0%	5.0%
2019-2020	6.5%	5.0%
2020-2021	6.0%	5.0%
2021-2022	5.5%	5.0%
2022 and beyond	5.0%	5.0%

# Supplementary Information

## Missouri State University

### Condensed Statements by Campus

June 30, 2012

#### Condensed Statements of Net Assets

	Springfield	West Plains	Total
<b>Assets</b>			
Current assets	\$ 165,949,525	\$ 8,462,247	\$ 174,411,772
Noncurrent assets	402,863,738	16,583,619	419,447,357
Total assets	<u>568,813,263</u>	<u>25,045,866</u>	<u>593,859,129</u>
<b>Liabilities</b>			
Current liabilities	43,841,590	1,108,335	44,949,925
Long-term liabilities	115,727,560	1,540,163	117,267,723
Total liabilities	<u>159,569,150</u>	<u>2,648,498</u>	<u>162,217,648</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	285,610,348	14,922,770	300,533,118
Restricted			
Nonexpendable	181,237	18,525	199,762
Expendable	7,288,882	830,005	8,118,887
Unrestricted	<u>116,163,646</u>	<u>6,626,068</u>	<u>122,789,714</u>
Total net assets	<u>\$ 409,244,113</u>	<u>\$ 22,397,368</u>	<u>\$ 431,641,481</u>

#### Condensed Statements of Revenues, Expenses and Changes in Net Assets

<b>Operating Revenues</b>	<u>\$ 175,508,905</u>	<u>\$ 3,381,639</u>	<u>\$ 178,890,544</u>
<b>Operating Expenses</b>			
Depreciation	20,000,925	627,162	20,628,087
All other operating expenses	247,165,610	12,628,003	259,793,613
Total operating expenses	<u>267,166,535</u>	<u>13,255,165</u>	<u>280,421,700</u>
<b>Operating Income</b>	(91,657,630)	(9,873,526)	(101,531,156)
<b>Nonoperating Revenues</b>	108,144,081	11,064,771	119,208,852
<b>Nonoperating Expenses</b>	<u>(6,527,571)</u>	<u>(61,350)</u>	<u>(6,588,921)</u>
<b>Excess of Revenues Over Expenses</b>	9,958,880	1,129,895	11,088,775
<b>Transfer from Other University Units</b>	<u>(1,863,238)</u>	<u>1,863,238</u>	<u>-</u>
<b>Increase in Net Assets</b>	8,095,642	2,993,133	11,088,775
<b>Beginning Net Assets</b>	<u>401,148,471</u>	<u>19,404,235</u>	<u>420,552,706</u>
<b>Ending Net Assets</b>	<u>\$ 409,244,113</u>	<u>\$ 22,397,368</u>	<u>\$ 431,641,481</u>

**Missouri State University**  
**Condensed Statements by Campus**  
**June 30, 2011**

**Condensed Statements of Net Assets**

	<b>Springfield</b>	<b>West Plains</b>	<b>Total</b>
<b>Assets</b>			
Current assets	\$ 176,138,271	\$ 8,430,522	\$ 184,568,793
Noncurrent assets	383,691,663	15,176,046	398,867,709
Total assets	<u>559,829,934</u>	<u>23,606,568</u>	<u>583,436,502</u>
<b>Liabilities</b>			
Current liabilities	37,746,015	2,742,982	40,488,997
Long-term liabilities	120,935,448	1,459,351	122,394,799
Total liabilities	<u>158,681,463</u>	<u>4,202,333</u>	<u>162,883,796</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	261,925,209	12,467,837	274,393,046
Restricted			
Nonexpendable	182,342	17,420	199,762
Expendable	5,780,392	1,092,267	6,872,659
Unrestricted	<u>133,260,528</u>	<u>5,826,711</u>	<u>139,087,239</u>
Total net assets	<u>\$ 401,148,471</u>	<u>\$ 19,404,235</u>	<u>\$ 420,552,706</u>

**Condensed Statements of Revenues,  
Expenses and Changes in Net Assets**

<b>Operating Revenues</b>	<u>\$ 172,614,800</u>	<u>\$ 2,867,672</u>	<u>\$ 175,482,472</u>
<b>Operating Expenses</b>			
Depreciation	18,817,371	100,225	18,917,596
All other operating expenses	239,807,821	12,885,892	252,693,713
Total operating expenses	<u>258,625,192</u>	<u>12,986,117</u>	<u>271,611,309</u>
<b>Operating Income</b>	(86,010,392)	(10,118,445)	(96,128,837)
<b>Nonoperating Revenues</b>	113,430,912	11,775,407	125,373,612
<b>Nonoperating Expenses</b>	<u>(4,274,888)</u>	<u>(44,479)</u>	<u>(4,486,660)</u>
<b>Excess of Revenues Over Expenses</b>	23,145,632	1,612,483	24,758,115
<b>Transfer from Other University Units</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase in Net Assets</b>	23,145,632	1,612,483	24,758,115
<b>Beginning Net Assets</b>	<u>378,002,839</u>	<u>17,791,752</u>	<u>395,794,591</u>
<b>Ending Net Assets</b>	<u>\$ 401,148,471</u>	<u>\$ 19,404,235</u>	<u>\$ 420,552,706</u>

## The Board of Governors, as of June 30, 2012



Gordon Elliott  
*Chair*  
*Seventh District*



Cathy Smith  
*Vice Chair*  
*Sixth District*



Orvin T. Kimbrough  
*First District*



Stephen B. Hoven  
*Second District*



John L. Winston  
*Third District*



Beverly Miller  
*Fourth District*



Stephen Bough  
*Fifth District*



Peter Hofherr  
*Eighth District*



Elizabeth Bradbury  
*Ninth District*



Paige Jenkins  
*Student Member*

## Officers of the University, as of November 16, 2012

Clifton M. Smart III, *President*

James P. Baker, *Vice-President for  
Research and Economic Development  
and International Programs*

Drew A. Bennett, *Chancellor—West  
Plains Campus*

Kenneth Coopwood, *Vice-President for  
Diversity and Inclusion*

Earle Doman, *Vice-President  
for Student Affairs and  
Dean of Students*

Brent Dunn, *Vice-President for  
University Advancement*

Frank Einhellig, *Interim Provost*

Stephen Foucart, *Interim Chief Financial  
Officer*

Penni Groves, *Interim General Counsel*

Paul K. Kincaid, *Chief of Staff and  
Assistant to the President for  
University Relations*

Ken McClure, *Vice-President for  
Administration and Information  
Services*

June McHaney, *Director of Internal  
Auditor*

## Financial Services Staff

Tina McManus, CPA, *Director of  
Accounting and Budgeting*

Pam Morrissey, *Director—Financial  
Systems, Reporting and Planning*



# Missouri State<sup>™</sup>

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