

2016 Financial Report

University of Missouri System



COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

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Message from the President

The University of Missouri System, its four campuses, extension and health system are proud to serve as the state's premier land-grant public research institution. Given our vital role in the state, we work hard to carry out our mission of research, teaching, service and economic development daily to serve all Missourians.

As with many other higher education institutions, we faced a historically challenging year; a year with much leadership transition and one filled with hard decisions that affected our faculty, staff and students.

Despite tough conversations with our elected officials, the outcome of the 2016 legislative session resulted in an increase to \$465 million in operating support for FY17. This marks the fifth year of positive increases in state support with an average of 3% increase over those five years. We are appreciative of the continued support of the General Assembly.

We know the importance of being good stewards of these state resources as our fiscal position and health remains strong and stable with backing from our investment services. You will see in the following pages that we will continue to make the decisions in the best interest of the university to help ensure our financial stability well into the future.

As always, we invite you to learn more about the entire UM System and the reach we have statewide. You can find this information by visiting www.umsystem.edu.

Sincerely,



Michael A. Middleton, J.D.
Interim President, University of Missouri System



Curators of the University of Missouri

The University of Missouri Board of Curators is a nine-member board appointed by the governor of Missouri and confirmed by the Missouri Senate. Curators serve six-year terms. No more than two curators are appointed from each congressional district. Members must be citizens of the United States and residents of Missouri for a minimum of two years prior to appointment. No more than five curators may belong to any one political party. A student representative serves a two-year term, and is also appointed by the governor and confirmed by the senate.



Pamela Quigg Henrickson
District 3, Chairwoman
Jefferson City
Term expires Jan. 1, 2017



Maurice B. Graham
District 2, Vice Chairman
Clayton
Term expires Jan. 1, 2021



Donald L. Cupps
District 7
Cassville
Term expires Jan. 1, 2017



Mary E. Nelson
District 1
St. Louis
Term expires Jan. 1, 2019



John R. Phillips
District 5
Kansas City
Term expires Jan. 1, 2019



Phillip H. Snowden
District 6
Kansas City
Term expires Jan. 1, 2021



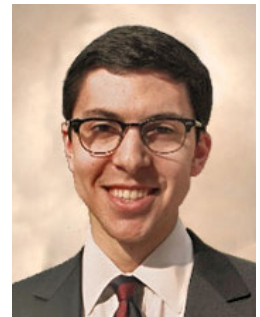
David L. Steelman
District 8
Rolla
Term expires Jan. 1, 2019



Jon T. Sundvold
District 4
Columbia
Term expires Jan. 1, 2017



Thomas R. Voss
District 3
Eureka
Term expires Jan. 1, 2021



Patrick Graham
Student Representative
MU
Term expires Jan. 1, 2018

University of Missouri System General Officers



Michael A. Middleton
Interim President



Stephen J. Owens, JD
General Counsel



Gary K. Allen, DVM, PhD
Vice President for Information
Technology



Brian D. Burnett, PhD
Vice President for Finance and
Chief Financial Officer



Stephen C. Knorr
Vice President for University
Relations



E. Jill Pollock, MBA
Vice President for Human
Resources



Robert Schwartz, PhD
Interim Vice President for
Academic Affairs, Research
and Economic Development



Henry C. Foley, PhD
Interim Chancellor,
University of Missouri-
Columbia



Thomas F. George, PhD
Chancellor,
University of Missouri-St. Louis



Leo E. Morton
Chancellor,
University of Missouri-
Kansas City



Cheryl B. Schrader, PhD
Chancellor,
Missouri University of Science
and Technology

Finance Staff

Brian D. Burnett, Vice President for Finance and Chief Financial Officer
Eric Vogelweid, Controller

University of Missouri-Columbia



Founded:
1839

Enrollment:
35,424*

Alumni:
300,315

The University of Missouri-Columbia (MU) was the first public university west of the Mississippi River. Today, with enrollment of more than 35,000 students, 12,000 full-time employees, and 300,000 alumni worldwide, MU is a \$2.2 billion enterprise. MU is one of only 60 public and private U.S. universities in the Association of American Universities. As the state's largest university, MU offers more than 300 degree programs, including 89 online options.

Supporters worldwide invest in MU by making private gifts for scholarships, academic programs, facilities and life-changing research. Hundreds are participating in the university's \$1.3 billion "Mizzou: Our Time to Lead" campaign to endow resources for MU's future. In its capacity as a land-grant institution, MU reaches more than two million citizens each year through extension programs that promote health and success for youth, families, communities and businesses.

*Enrollment numbers are reflective of 2015-2016 enrollment.

University of Missouri-Kansas City



Founded:
1929

Enrollment:
16,685*

Alumni:
109,720

The University of Missouri-Kansas City (UMKC) serves more than 16,000 students on its Volker and Hospital Hill campuses. This comprehensive, public research university offers more than 125 academic programs across a spectrum of acclaimed academic units. Notable programs include the UMKC Conservatory of Music and Dance, the Henry W. Bloch School of Management and the School of Dentistry. Additionally, the School of Medicine's Master of Science in Anesthesiology program is one of only five offered in the nation.

The university also supports underserved Missourians through medical, nursing and dental care; legal services; counseling; and music therapy. The Institute for Urban Education answers the unique needs and concerns of the urban classroom. In addition, UMKC has four health science schools on one campus that provide outreach for community health needs and hands-on experience for its students.

*Enrollment numbers are reflective of 2015-2016 enrollment.

Missouri University of Science & Technology



Founded:
1870

Enrollment:
8,886*

Alumni:
60,000

Missouri University of Science and Technology (Missouri S&T) is a leading technological research institution. The university is known for its 18 engineering and computing programs. However, Missouri S&T also offers an abundance of programs in business, humanities and social sciences, and liberal arts. Graduates are highly sought by the business community with the seventh highest starting salaries among all public universities in the nation.

Research is at the forefront of an S&T education, regardless of your major. Its four signature research areas include advanced manufacturing, advanced materials for sustainable infrastructure, enabling materials for extreme environments, and smart living. Among other accomplishments, the university was the first in the U.S. to attain ISO 14001 environmental management certification and is home to the Midwest's only rural hydrogen fueling station.

*Enrollment numbers are reflective of 2015-2016 enrollment.

University of Missouri-St. Louis



UMSL

Founded:
1963

Enrollment:
16,738*

Alumni:
92,000

The University of Missouri-St. Louis (UMSL) serves nearly 17,000 students and employs more than 2,150 faculty and staff. UMSL is a public research university in the state's most populated metropolitan area. The largest university in St. Louis, UMSL provides excellent learning experiences and leadership opportunities for a diverse student body through its outstanding faculty, nationally ranked programs, innovative research, and regional, national and international partnerships.

Some of UMSL's top-ranked programs include education, public policy administration, clinical psychology, nursing, social work, biology, chemistry and biochemistry, and criminology and criminal justice. While UMSL graduates can be found in all 50 states and 63 countries, their greatest impact is felt locally. More than 65,000 UMSL alumni call the St. Louis area home. They drive the region's economy and contribute mightily to its social well-being.

*Enrollment numbers are reflective of 2015-2016 enrollment.

University of Missouri Health System



Founded:
1956

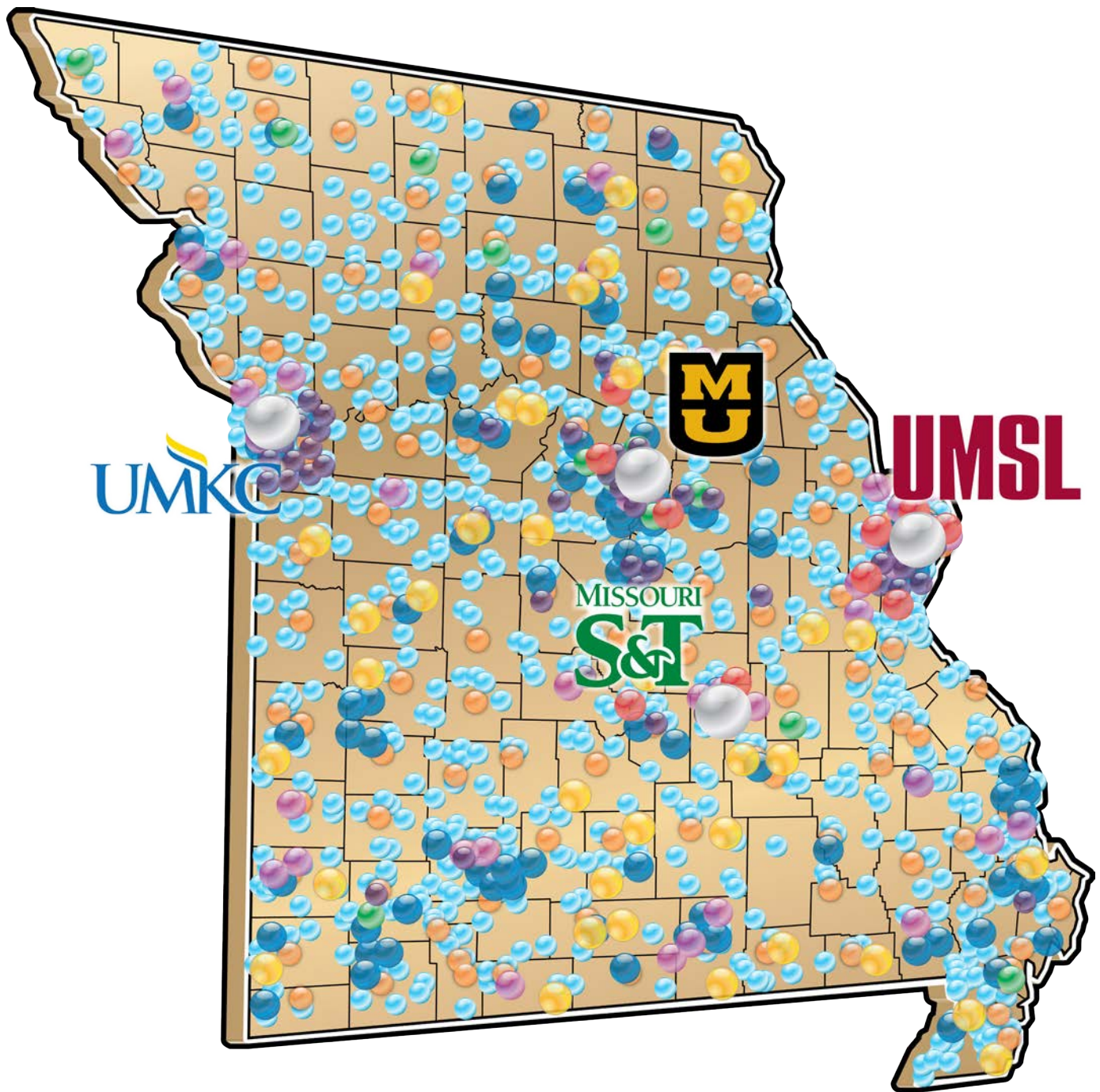
Based:
Columbia, MO

ER visits per year:
40,000

As part of the state's premier academic medical center, University of Missouri Health offers a full spectrum of care, ranging from primary care to highly specialized care for patients with the most severe illnesses and injuries. Patients from each of Missouri's 114 counties are served by approximately 6,000 physicians, nurses and health care professionals. MU Health's main component, MU Health Care, is composed of University Hospital and Clinics, Ellis Fischel Cancer Center, Rusk Rehabilitation Center, University Physicians, Missouri Orthopaedic Institute, Missouri Psychiatric Institute, and Women's and Children's Hospital.

The MU School of Health Professions educates students in rehabilitation and diagnostic sciences. The MU Sinclair School of Nursing provides bachelor's, master's, and doctoral degrees. And, the MU School of Medicine offers undergraduate and graduate medical education, plus doctoral and master's degree programs in the basic sciences, health management and informatics.

University of Missouri System Statewide Reach



- 4** UM System Campuses
- 10** Research Parks / Business Incubators
- 19** Agricultural Research Stations

- 38** School Districts Served by eMINTS Investing in Innovation (i3) Project
- 39** Small Business & Technology Development Centers
- 56** Health Centers & Affiliates

- 787** MOREnet Sites
- 200** Missouri Telehealth Network Sites
- 114** Counties Served by Extension Centers

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MISSOURI

October 13, 2016

The management of the University of Missouri System (the "University") is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 32 to 84, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

The financial statements have been audited by the independent accounting firm BKD LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Curators. The University believes that all representations made to the independent auditors during their audit were valid and appropriate. BKD's audit opinion is presented on pages 30-31.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Curators regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls.

The Board of Curators, through its Audit Committee, is responsible for engaging the independent auditors and meeting regularly with management, internal auditors, and the independent auditors to ensure that each is carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. Both internal auditors and the independent auditors have full and free access to the Audit Committee.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of the University.

Brian D. Burnett
Vice President for Finance and Chief Financial Officer

Financial Information



University of Missouri System
COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (unaudited)

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System (the "University") for the fiscal years ended June 30, 2016 and 2015, and should be read in conjunction with the financial statements and notes. The University is a component unit of the State of Missouri and an integral part of the State's Comprehensive Annual Financial Report.

This report includes five financial statements.

- The three financial statements for the University of Missouri, its Blended Component Unit, and its Discretely Presented Component Units include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, where applicable.
- The two financial statements for the University's fiduciary fund, which includes the Retirement and the Other Postemployment Benefits Trust Funds, are the Statement of Plan Net Position and the Statement of Changes in Plan Net Position.

The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting

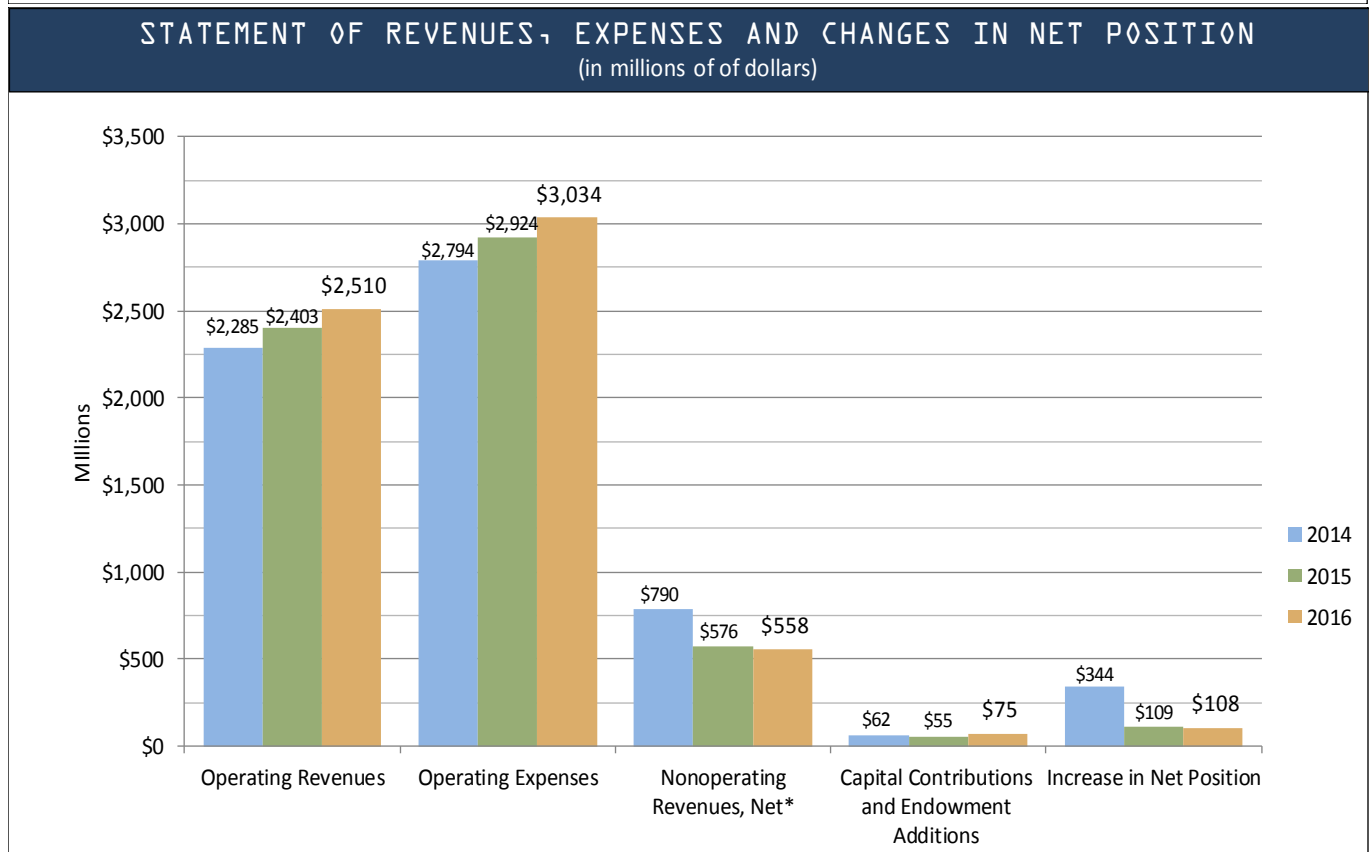
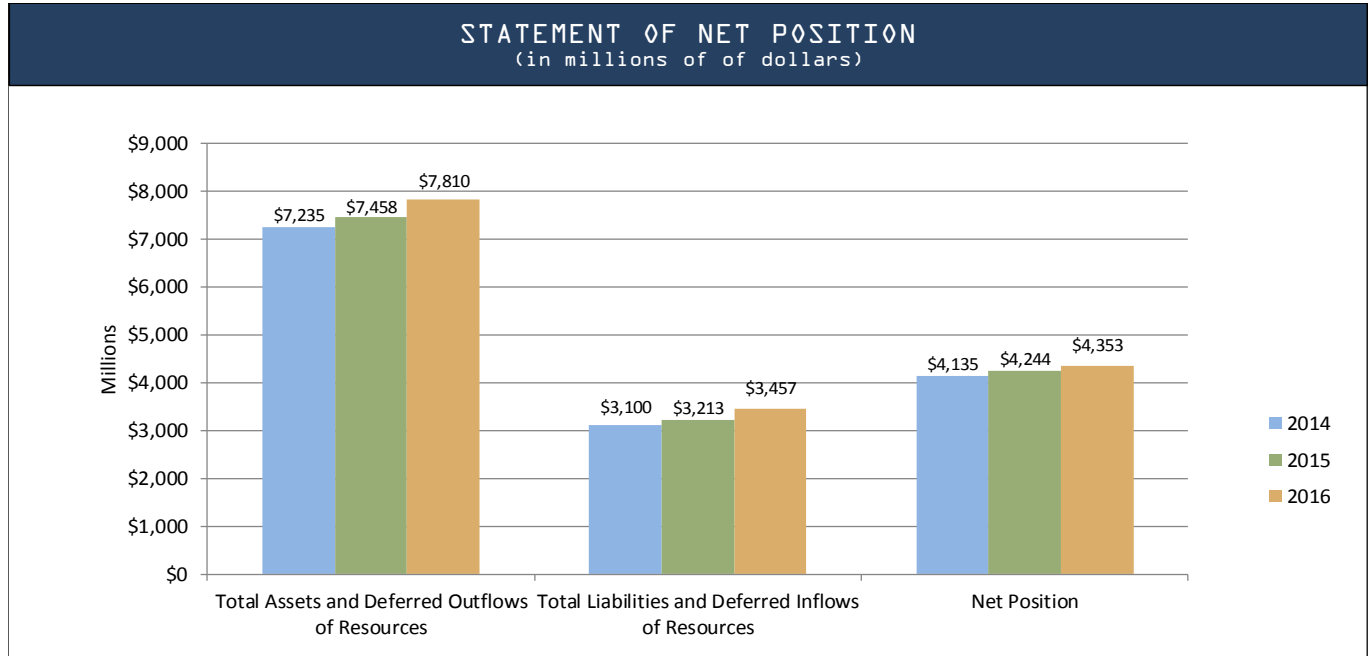
Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 of the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at the University of Missouri, 118 University Hall Columbia, Mo 65211, and at www.umsystem.edu.

FINANCIAL HIGHLIGHTS

At June 30, 2016, the University's financial position remained solid, with Total Assets and Deferred Outflows of Resources of \$7.8 billion. Net Position, which represents the residual value of the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources, totaled \$4.4 billion. When operating and non-operating changes are included, Net Position increased by approximately \$108.2 million as compared to fiscal year (FY) 2015, driven primarily by increased patient medical services revenues and state capital appropriations. The increase between FY 2015 and FY 2014 was primarily driven by increased state appropriations and softer investment and endowment income.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016 and 2015 (unaudited)

The following charts compare Total Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, and Net Position at June 30, 2016, 2015 and 2014, and the major components of changes in Net Position for the years ended June 30, 2016, 2015, and 2014:



* Includes State Appropriations

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (unaudited)

CONDENSED STATEMENT OF NET POSITION

The Statement of Net Position presents the University's financial position at the end of the fiscal year, including all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the University, segregating them into current and noncurrent components. Total Net Position is an indicator of financial condition and changes in Total Net Position indicate if the overall financial condition

has improved or worsened. Assets and deferred outflows of resources and liabilities and deferred inflows of resources are generally measured using current values with certain exceptions, such as capital assets which are stated at cost less accumulated depreciation, and long-term debt which is stated at cost.

The following table summarizes the University's assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2016, 2015, and 2014:

CONDENSED STATEMENTS OF NET POSITION (in thousands of dollars)			
As of June 30,	2016	2015	2014
Assets			
Current Assets	\$ 1,002,010	\$ 1,108,951	\$ 1,110,174
Noncurrent Assets			
Endowment and Other Long-Term Investments	3,119,048	2,936,609	2,827,084
Capital Assets, Net	3,280,744	3,198,011	3,123,172
Other	115,433	116,642	122,208
Deferred Outflows of Resources	292,836	97,615	52,417
Total Assets and Deferred Outflows of Resources	\$ 7,810,071	\$ 7,457,828	\$ 7,235,055
Liabilities			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 222,280	\$ 71,022	\$ 92,433
Long-Term Debt Subject to Remarketing Agreements	93,070	96,320	99,445
Other	723,093	725,367	770,196
Noncurrent Liabilities			
Long-Term Debt	1,379,590	1,527,661	1,411,225
Other	1,007,362	793,061	540,926
Deferred Inflows of Resources	32,052	-	185,860
Total Liabilities & Deferred Inflows of Resources	3,457,447	3,213,431	3,100,085
Net Position			
Net Investment in Capital Assets	1,636,428	1,613,846	1,626,371
Restricted -			
Nonexpendable	993,760	1,010,357	998,947
Expendable	490,982	490,839	477,728
Unrestricted	1,231,454	1,129,355	1,031,924
Total Net Position	4,352,624	4,244,397	4,134,970
Total Liabilities and Net Position	\$ 7,810,071	\$ 7,457,828	\$ 7,235,055

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (unaudited)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total Assets and Deferred Outflows of Resources increased by \$352.2 million, or 4.7%, to \$7.8 billion as of June 30, 2016 compared to the prior year. The increase during FY 2016 was driven primarily by a \$182.4 million increase in **Endowment and Long-Term Investments** and a \$195.2 million increase in **Deferred Outflows of Resources**. The FY 2015 increase was driven by a \$109.5 million increase in **Endowment and Other Long-Term Investments**. At the same time, the University continued to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs. At June 30, 2016, the University's working capital, which is current

assets less current liabilities, was a negative \$36.4 million, a decrease of \$252.7 million from the previous year. The largest driver of the decrease was a \$76.9 million decrease in **Cash and Cash Equivalents** as well as a \$146.0 increase in Commercial Paper. At June 30, 2015, the University's working capital was \$216.2 million, an increase of \$68.1 million over FY 2014. As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting guidelines, of Long-Term Debt Subject to Remarketing. If Long-Term Debt Subject to Remarketing were excluded from Current Liabilities, working capital would be \$56.6 million and \$312.6 million at June 30, 2016 and 2015, respectively, also expressed as Current Assets of 1.06 and 1.39 times Current Liabilities.

The following table illustrates actual working capital, as well as working capital adjusted for Long-Term Debt Subject to Remarketing:

SUMMARY OF WORKING CAPITAL (in thousands of dollars)			
As of June 30,	2016	2015	2014
Current Assets	\$ 1,002,010	\$ 1,108,951	\$ 1,110,174
Current Liabilities	1,038,443	892,709	962,074
Working Capital	\$ (36,433)	\$ 216,242	\$ 148,100
Ratio of Current Assets to Current Liabilities	0.96	1.24	1.15
Current Assets	1,002,010	1,108,951	1,110,174
Current Liabilities	1,038,443	892,709	962,074
Less: Long-Term Debt Subject to Remarketing	(93,070)	(96,320)	(99,445)
Current Liabilities, As Adjusted	945,373	796,389	862,629
Working Capital, As Adjusted	\$ 56,637	\$ 312,562	\$ 247,545
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.06	1.39	1.29

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (unaudited)

At June 30, 2016, the University held \$307.9 million in **Cash and Cash Equivalents**, a decrease of of \$76.9 million from June 30, 2015. At June 30, 2015, the University held \$384.9 million in cash and cash equivalents, an increase of \$238.0 million from June 30, 2014. The decrease in cash at June 30, 2016 is largely due to timing differences as more working capital was invested at June 30, 2016 as compared to June 30, 2015. **Short-Term and Long-Term Investments** totaled \$3.3 billion and \$3.1 billion as of June 30, 2016 and 2015, respectively as compared to near equal amounts

reported in FY 2015 and FY 2014. The financial markets softened during FY 2016; net realized and unrealized gains and losses decreased by \$16.0 million, going from a net gain of \$38.2 million in FY 2015 to a net gain of \$22.2 million in FY 2016. The Endowment Pool and General Pool experienced a net gain (loss) of (0.2%) and 1.6% in FY 2016. For comparison, the Endowment Pool and General Pool experienced a net gain (loss) of 1.9% and (1.0%) in FY 2015, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2016 and 2015 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS							
(in thousands of dollars)							
	June 30, 2016					June 30, 2015	
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	\$ 212,959	\$ 1,855,607	\$ 2,068,566	1.6%	3.3%	\$ 1,915,288	-1.0%
Endowment Funds							
Endowment Pool	79,776	1,284,634	1,364,410	-0.2%	0.2%	1,405,453	1.9%
Other	15,242	132,997	148,239	N/A	N/A	133,131	N/A
Total	\$ 307,977	\$ 3,273,238	\$ 3,581,215			\$ 3,453,872	

(A) Benchmark index returns are calculated by independent investment consultants based on returns of market indices.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016 and 2015 (unaudited)

At June 30, 2016, the University's investment in **Capital Assets** totaled \$3.3 billion compared to \$3.2 billion at June 30, 2015. The University added \$278.3 million in capital assets, net of retirements, during FY 2016, offset by

depreciation of \$190.3 million for the year. FY 2015 capital asset additions of \$268.9 million, net of retirements, were offset by \$194.1 million in depreciation.

Note 7 presents additional information by asset classification. Major capital projects either substantially completed in FY 2016 or ongoing are show in the following table.

SELECTED CAPITAL PROJECTS
 (Fiscal Year Ended June 30, 2016)

Campus	Project Budget	Expenditures		Source of Funding
		Through June 30, 2016		
Columbia:				
	\$ 139,603,000	\$ 38,135,000		Revenue Bonds, Campus Reserves
	44,785,000	22,663,000		State Appropriations, Campus Reserves
	42,500,000	13,361,000		Revenue Bonds, Campus Reserves
	20,000,000	530,000		State Appropriations, Gifts
	17,500,000	5,188,000		Revenue Bonds, Gifts
	18,625,000	1,044,000		State Appropriations, Campus Reserves
Hospital:				
	39,027,000	23,641,000		Revenue Bonds, Reserves
Kansas City:				
	16,572,000	731,000		State Appropriations, Gifts, Campus Reserves
	18,950,000	912,000		State Appropriations, Campus Reserves
Missouri S&T:				
	18,239,000	951,000		State Appropriations, Campus Reserves
St. Louis:				
	24,785,000	3,897,000		State Appropriations, Reserves
	20,000,000	4,666,000		State Appropriations, Gifts

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Total Liabilities and Deferred Inflows of Resources were \$244.0 million higher at June 30, 2016 as compared to June 30, 2015. The increase during FY 2016 was primarily driven by a \$197.5 million increase in **Net Pension Liability** as well as a \$26.9 million and \$20.3 million increase in **Accounts Payable** and **Investment Settlements Payable**, respectively. The increase in **Net Pension Liability** was largely driven by differences in actual and projected earnings on investments within the Pension Trust Fund.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$93.1 million, \$96.3 million and \$99.4 million at June 30, 2016, 2015 and 2014, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032.

Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

The University's Commercial Paper Program can issue up to an aggregate outstanding principal amount of \$375 million. During FY 2016, the University issued the \$108.7 million of commercial paper to refund Series 2006A System Facilities Revenue Bonds. In addition, \$37.3 million of commercial paper was issued for capital projects. During FY 2015, the University repaid \$45.0 million of commercial paper issued for working capital and issued an additional \$14.6 million for capital projects.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016 and 2015 (unaudited)

Noncurrent Liabilities represent those commitments beyond one year. There were no new bonds issued in FY 2016. During FY 2016, Series 2006A System Facilities Revenue Bonds were refunded with the issuance of commercial paper. In FY 2015, the University issued \$150.0 million in Series 2014B Taxable System Facilities Revenue

Bonds. Proceeds from the issuance of the 2014B bonds are being used to fund additions, improvements, and renovations to system facilities. The all-in-true interest cost of the Series 2014B bonds is 4.3%.

The following is a summary of long-term debt by type of instrument:

LONG-TERM DEBT			
(in thousands of dollars)			
As of June 30,	2016	2015	2014
System Facilities Revenue Bonds	\$ 1,414,630	\$ 1,551,330	\$ 1,420,420
Unamortized Premium	55,698	65,604	72,556
Total Bonds Payable	1,470,328	1,616,934	1,492,976
Notes Payable	33,975	32,499	33,389
Capital Lease Obligations	3,454	4,347	5,166
Commercial Paper	187,183	41,223	71,572
Total Long-Term Debt	\$ 1,694,940	\$ 1,695,003	\$ 1,603,103
Contractual Maturities Within One Year			
Bonds Payable - Fixed Rate	\$ 29,925	\$ 24,890	\$ 18,640
Bonds Payable - Variable Rate Demand	3,250	3,125	450
Notes Payable	956	894	951
Capital Lease Obligations	966	890	820
Commercial Paper	187,183	41,223	71,572
Total Contractual Maturities Within One Year	\$ 222,280	\$ 71,022	\$ 92,433

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016 and 2015 (unaudited)

The following is a summary of outstanding revenue bonds and commercial paper by campus and project type:

Revenue Bonds and Commercial Paper
(in thousands of dollars)

	June 30, 2016						
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Unallocated Bond Cost	Total
Athletics	\$ 90,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,076
Campus Utilities	146,820	9,224	-	29,714	-	-	185,758
Classroom & Research	68,457	25,284	44,132	14,767	-	-	152,640
Critical Repairs/Maintenance	16,652	7,095	4,380	4,924	-	-	33,051
Housing	305,267	101,963	18,957	84,631	-	-	510,818
Health Care	-	-	-	-	315,957	-	315,957
Parking	42,662	44,162	18,829	-	-	-	105,653
Recreational Facilities	37,241	6,938	35,325	910	-	-	80,414
Student Centers	26,575	38,821	15,727	9,335	-	-	90,458
Other	663	842	-	-	-	35,483	36,988
Unamortized Premium	-	-	-	-	-	55,698	55,698
Total	\$ 734,413	\$ 234,329	\$ 137,350	\$ 144,281	\$ 315,957	\$ 91,181	\$ 1,657,511

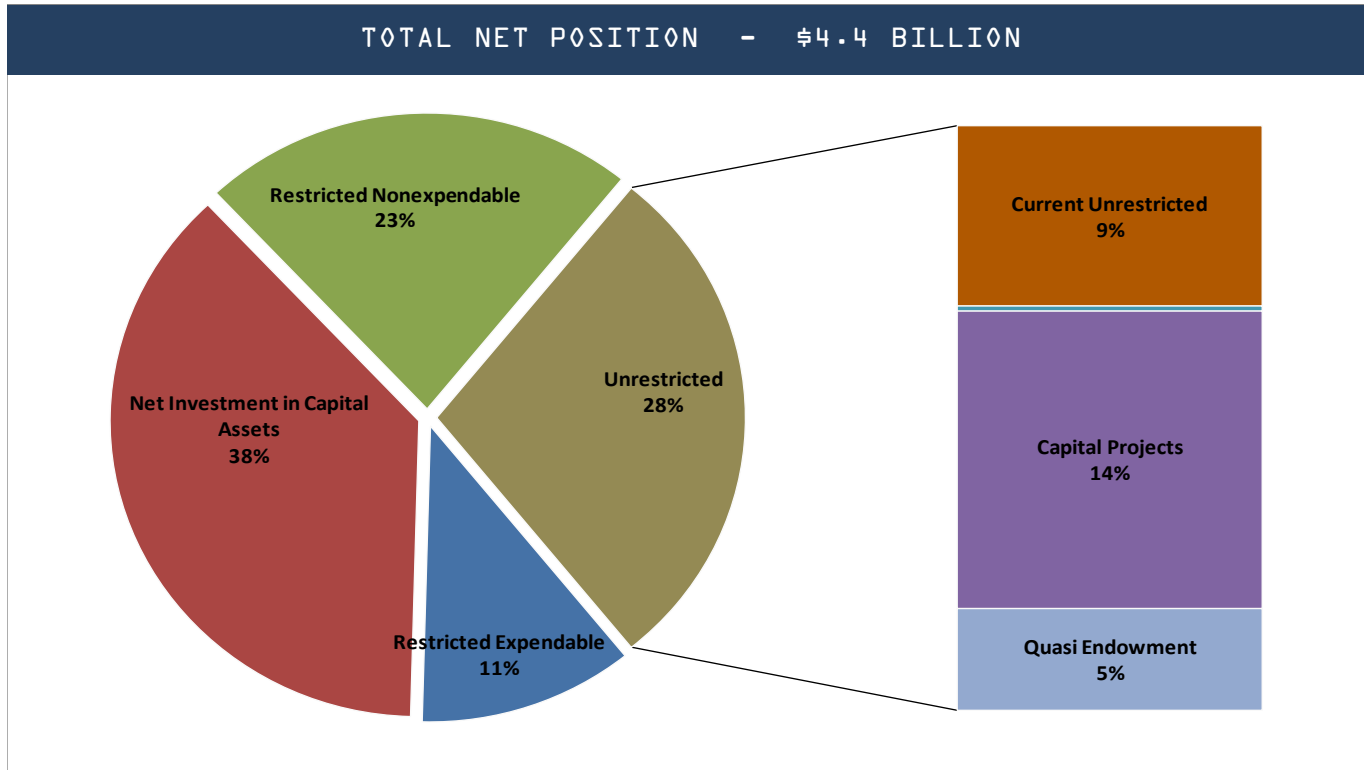
Deferred Inflows Resources represent an acquisition of net position by the University that is applicable to a future period. During FY 2016, the University recognized \$32.1 million of deferred inflows resources primarily representing the difference between actual and expected earnings on pension plan investments. There were no deferred inflows of resources recognized during FY 2015.

NET POSITION

Net Position represents the value of the University's assets after liabilities are deducted. The University's total **Net Position** increased by \$109.4 million during the year ended June 30, 2015 to \$4.2 billion and increased by \$108.2 million to \$4.4 billion for the year ended June 30, 2016.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2016 and 2015 (unaudited)

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2016, are as follows:



Total **Net Position** is reflected in the four component categories as follows.

Net Investment in Capital Assets, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category increased by \$22.6 million in FY 2016 and decreased by \$12.5 million in FY 2015. The increase in FY 2016 was driven by additional capital funding from the State while the decrease in FY 2015 was driven by increased debt funding of capital assets.

Restricted Nonexpendable Net Position includes endowment assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Unfavorable market experience led to a decline in Restricted Nonexpendable Net Position during FY 2016, resulting in a decrease of 1.6% or \$16.6 million compared to FY 2015. During FY 2015, Restricted Nonexpendable Net Position increased by 1.1% or \$11.4

million due to softer investment returns as compared to FY 2014.

Restricted Expendable Net Position represents resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. This category increased slightly during FY 2016 and increased \$13.1 million, or 2.7%, during FY 2015. As of June 30, 2016, this category includes:

- \$352.2 million of net position restricted for operations and giving purposes compared to \$367.8 million at June 30, 2015;
- \$84.5 million for student loan programs compared to \$83.5 million at June 30, 2015; and
- \$54.3 million for facilities compared to \$39.5 million at June 30, 2015.

Unrestricted Net Position is not subject to externally imposed stipulations although these resources may be

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designated for specific purposes by the University's management or Board of Curators. This category increased by \$102.1 million or 9.0% to \$1.2 billion in FY 2016 and increased by \$97.4 million, or 9.4%, to \$1.1 billion at June 30, 2015. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2016 and 2015, University Health Care designated funds totaled \$52.7 million and \$367.8 million, respectively;

capital project-designated funds totaled \$626.6 million and \$254.6 million, respectively; student loan program-designated funds totaled \$8.8 million and \$8.8 million, respectively; and unrestricted funds functioning as endowments totaled \$214.6 million and \$202.4 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$328.8 million and \$295.7 million at June 30, 2016 and 2015, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations. The Statement distinguishes revenues and expenses between operating and non-operating categories and provides a view of the University's operating margin.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands of dollars)			
Fiscal Year Ended June 30,	2016	2015	2014
Operating Revenues			
Net Tuition and Fees	\$ 672,274	\$ 652,989	\$ 627,273
Grants and Contracts	280,172	280,019	286,987
Patient Medical Services, Net	1,012,410	944,161	873,638
Other Auxiliary Enterprises	444,758	433,437	409,184
Other Operating Revenues	100,069	91,923	88,174
Total Operating Revenues	2,509,683	2,402,529	2,285,256
Operating Expenses			
Salaries, Wages and Benefits	1,881,485	1,804,314	1,709,706
Supplies, Services and Other Operating Expenses	891,465	858,939	833,799
Other Operating Expenses	260,649	260,935	250,169
Total Operating Expenses	3,033,599	2,924,188	2,793,674
Operating Loss Before State Appropriations	(523,916)	(521,659)	(508,418)
State Appropriations	438,813	435,511	412,650
Loss after State Appropriations, before Nonoperating Revenues (Expenses)	(85,103)	(86,148)	(95,768)
Nonoperating Revenues (Expenses)			
Investment and Endowment Income, Net of Fees	22,196	38,187	281,837
Private Gifts	80,972	68,615	66,780
Interest Expense	(64,218)	(67,651)	(59,916)
Other Nonoperating Revenues, Net	79,747	101,443	88,928
Net Nonoperating Revenues (Expenses)	118,697	140,594	377,629
Income before Capital Contributions and Additions to Permanent Endowments	33,594	54,446	281,861
State Capital Appropriations	29,166	3,610	-
Capital Gifts and Grants	15,990	21,083	14,727
Private Gifts for Endowment Purposes	29,477	30,288	47,390
Increase in Net Position	108,227	109,427	343,978
Net Position, Beginning of Year	4,244,397	4,134,970	4,300,939
Cumulative Effect of a Change in Accounting Principle	-	-	(509,947)
Net Position, Beginning of Year, Restated	4,244,397	4,134,970	3,790,992
Net Position, End of Year	\$ 4,352,624	\$ 4,244,397	\$ 4,134,970

OPERATING REVENUES

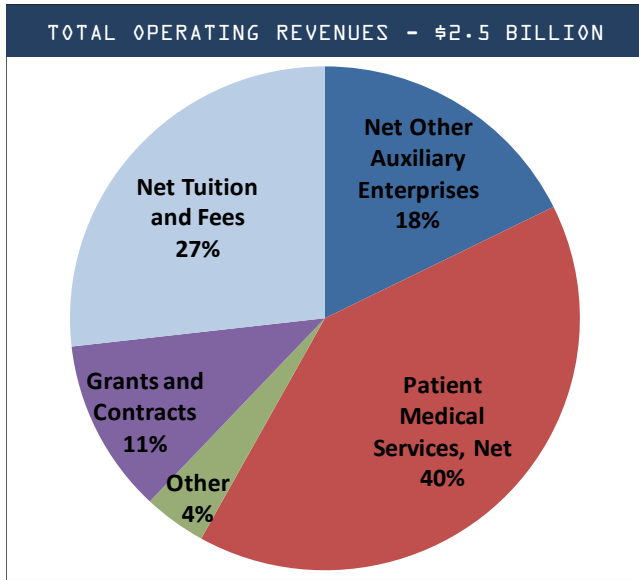
Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased

\$107.2 million, or 4.5% in FY 2016 and \$117.2 million, or 5.1%, in FY 2015.

Net Tuition and Fees and **Patient Medical Services** had the greatest growth over FY 2016, continuing the trend from

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the previous year. **Grants and Contracts** increased in FY 2016 and decreased in FY 2015 compared to the previous year. The following is a graphic illustration of operating revenues by source for FY 2016:



Tuition and Fees, net of **Scholarship Allowances**, increased by \$19.3 million, or 3.0%, in FY 2016 and \$25.7 million, or 4.1% in FY 2015 over a total of \$627.3 million in FY 2014. This FY 2016 operating revenue remained relatively flat compared to FY 2015. The increase in FY 2015 was driven by increases in non-resident tuition.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding increased by \$153,000, or 0.1%, in FY 2016 compared to a decrease of \$7.0 million, or 2.4%, in FY 2015 over a total of \$287.0 million in FY 2014. A decrease in private grants and contracts was the primary driver of the FY 2015 decrease.

The University's auxiliary enterprises include University Health Care, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$79.6 million, or 5.8% in FY 2016 and \$94.8 million, or 7.4% in FY 2015 over a total of \$1.3 billion in FY 2014. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase among auxiliaries at \$68.2 million in FY 2016 and \$70.5 million in FY 2015. This was largely driven by growth in both inpatient and outpatient areas with

increases in emergency room visits, discharges, surgeries, and clinic visits.

NONOPERATING REVENUES

Nonoperating Revenues are those not generated by the University's core missions and include such funding sources as State and Federal Appropriations, Pell Grants, Private Gifts and Investment and Endowment Income.

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs increased by \$3.3 million, or 0.8% in FY 2016 and \$22.9 million, or 5.5%, in FY 2015 over a total of \$412.7 million in FY 2014. For FY 2016, appropriations remained relatively flat due to less available appropriations for higher education even though the University met the performance metrics set by the state. For FY 2015, the increase in appropriations was driven by the University's performance on state-specified metrics. In FY 2014, the increase was not as high as expected as the State's lottery revenue fell short of expectations, resulting in increased withholdings.

As one of the more volatile sources of non-operating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting **Investment and Endowment Income** resulted in a net gain of \$22.2 million in FY 2016 as compared to a net gain of \$38.2 million in FY 2015, a decrease of \$16.0 million for the year ended June 30, 2016, as compared to a \$243.7 million decrease for the year ended June 30, 2015. As of June 30, 2014, Investment and Endowment Income was \$281.8 million.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2016, the University received gifts totaling \$126.4 million, as compared to \$120.0 million and \$128.9 million for FY 2015 and FY 2014, respectively.

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Total interest incurred for the years ended June 30, 2016, 2015 and 2014 was \$73.5 million, \$76.6 million, and \$67.9 million, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30,

2016, 2015, and 2014, capitalization of interest earned on unspent bond proceeds totaled \$9.3 million, \$8.9 million, and \$8.0 million, respectively, resulting in net interest expense of \$64.2 million, \$67.7 million, and \$59.9 million, respectively.

The following is a summary of interest expense associated with Long-Term Debt:

INTEREST EXPENSE			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2016	2015	2014
System Facilities Revenue Bonds	\$ 65,128	\$ 68,117	\$ 59,401
Net Payment on Interest Rate Swaps	6,958	7,157	7,176
Total System Facilities Revenue Bonds	72,086	75,274	66,577
Capitalized Lease Obligations	832	822	807
Notes Payable	471	471	385
Commercial Paper	134	28	150
Total Interest Expense Before Capitalization of Interest	73,523	76,595	67,919
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(9,305)	(8,944)	(8,003)
Total Interest Expense	\$ 64,218	\$ 67,651	\$ 59,916

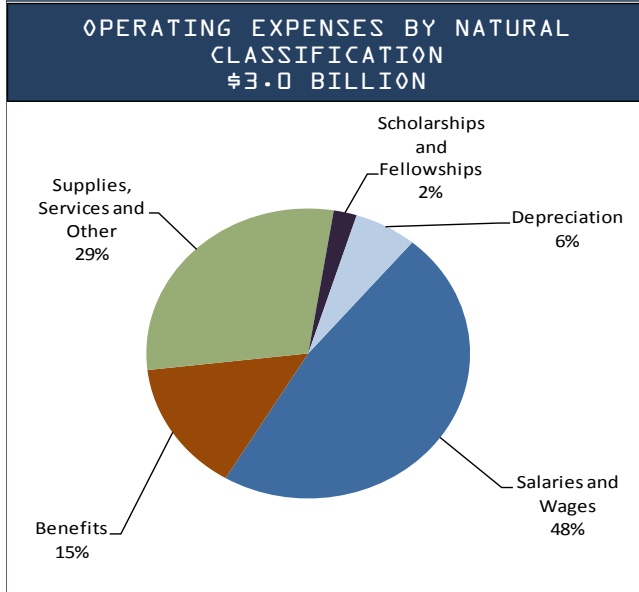
In FY 2016, **Other Nonoperating Revenues, Net** of \$79.7 million decreased \$21.7 million over FY 2015. The decrease is primarily due to a one-time recovery related to a patent infringement lawsuit in FY 2015.

In FY 2015 and FY 2016, Federal Appropriations include cash subsidy payments from the United States Treasury totaling \$9.7 million in each fiscal year for designated Build America Bonds outstanding. In FY 2014, the subsidy totaled \$9.8 million. Pell Grants were flat in FY 2016.

**UNIVERSITY OF MISSOURI SYSTEM
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June 30, 2016 and 2015 (unaudited)

OPERATING EXPENSES

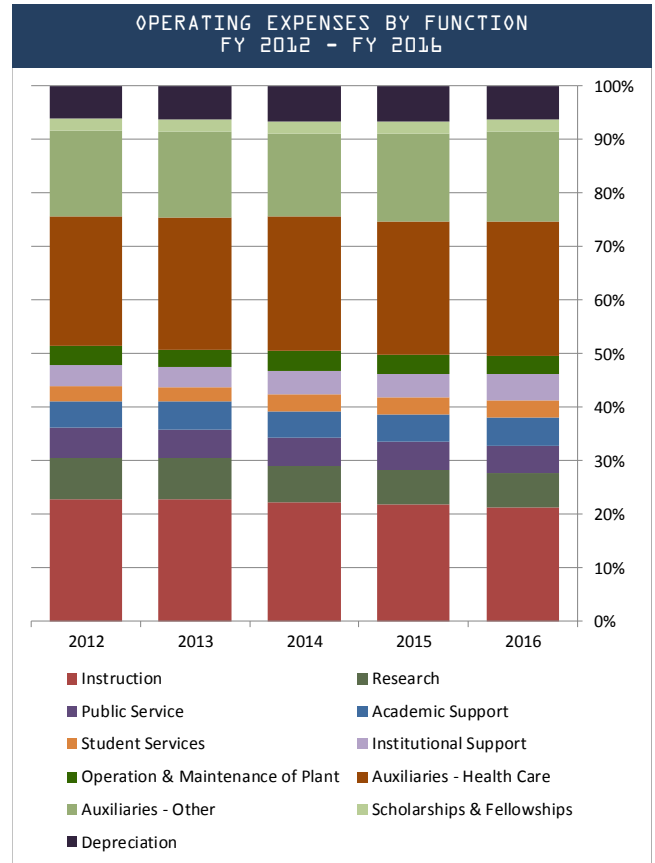
Total Operating Expenses increased by \$109.4 million, or 3.7%, in FY 2016 compared to an increase of \$130.5 million, or 4.7%, in FY 2015. For the year ended June 30, 2014, total operating expenses amounted to \$2.8 billion. The following graph illustrates the University's operating expenses by natural classification for FY 2016:



During FY 2016, **Salaries, Wages and Benefits** increased by approximately 4.3% as compared to a 5.5% increase in the prior fiscal year. Salaries and Wages increased by \$32.7 million, or 2.3%, driven by merit increases. Staff Benefits in FY 2016 increased \$44.4 million, or 11.2%, over FY 2015 primarily due to investment performance falling below expectation on the pension plan.

In FY 2016 and FY 2015, the University's **Supplies, Services, and Other Operating** expenses of \$891.5 million and \$858.9 million increased by \$32.5 million, or 3.8%, and \$25.1 million, or 3.1%, respectively, over the prior fiscal year. The slower growth in FY 2015 was due to cost containment measures.

The following illustrates the University's operating expenses by function for FY 2012 through FY 2016:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 32.9% and 33.6% for FY 2016 and FY 2015, respectively. University Health Care, included in auxiliary, constitutes the next highest proportion at 25.3% and 25.0% of expenses for FY 2016 and FY 2015, respectively. Excluding University Health Care, instruction, research, and public service account for 44.0% of Operating Expenses for FY 2016. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

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STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2016, 2015 and 2014:

CONDENSED STATEMENTS OF CASH FLOWS			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2016	2015	2014
Net Cash Used in Operating Activities	\$ (317,532)	\$ (303,355)	\$ (366,936)
Net Cash Provided from Noncapital Financing Activities	638,318	652,461	621,579
Net Cash Used in Capital and Related Financing Activities	(298,703)	(229,324)	(202,284)
Net Cash Provided by (Used) in Investing Activities	(99,020)	118,197	(163,876)
Net Increase (Decrease) in Cash and Cash Equivalents	(76,937)	237,979	(111,517)
Cash and Cash Equivalents, Beginning of Year	384,914	146,935	258,452
Cash and Cash Equivalents, End of Year	\$ 307,977	\$ 384,914	\$ 146,935

Net Cash Used in Operating Activities reflects the continued need for funding from the state of Missouri, as funding received from tuition and fees and related sales and services of auxiliary and educational activities are not sufficient to cover operational needs. In FY 2016, cash used in operating activities increased by \$14.2 million primarily due to increased payments to employees of which a majority of the increased payments were offset by an increase in patient services revenues. In FY 2015, cash used in operating activities decreased by \$63.6 million primarily due to increased collections from patient service revenues.

The University's most significant source of cash, **Net Cash Provided from Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$638.3 million, \$652.5 million, and \$621.6 million in FY 2016, FY 2015, and FY 2014, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital and Related Financing Activities increased by \$69.4 million in FY 2016 due to a decrease in debt proceeds received from issuances of new capital debt. In FY 2015, Net Cash Used in Capital and Related Financing Activities increased by \$27.0 million due largely to increased principal payments on capital debt. Net Cash Used in Capital and Related Financing Activities decreased by \$154.6 million in FY 2014 due largely to new issuances of debt to fund capital projects.

Net Cash Used in Investing Activities reflects a net outflow of \$99.0 million in FY 2016 as compared to cash inflow of \$118.2 million in FY 2015. The difference is largely driven by increased purchases of investments over the prior year. The net inflow of \$118.2 million in FY 2015 compared to a cash outflow of \$163.9 million in FY 2014 is largely driven by the purchase and sale of investments by the University.

ECONOMIC OUTLOOK

The University of Missouri is the State's premier public research university contributing to the economic development and vitality of the state through ground-breaking research, educating more than 75,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University remains a long-standing enterprise with high enrollment over the four campuses. The past fiscal year represented unprecedented challenges during which students protested over the racial climate on the Columbia campus and ultimately led to the resignation of the University System's president. The events of the year resulted in a decline in enrollment by 4% across the University; comprised mostly of first-time entering freshman, which could create challenges over multiple years. Leadership continues to address pressures from student declines and appropriately managing expenditures to maintain balanced financial performance.

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State appropriations for operations increased by less than 1% in FY 2016. For FY 2017, the University expects to receive an increase of approximately 4% in state operating appropriations. In addition, the University will receive capital appropriations in FY 2017 from the state for several building projects approved last budget cycle. However, without significant increases in general revenues, the state will continue to be challenged to increase ongoing funding for higher education for FY 2018 and beyond.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. Despite the challenges generated by relatively flat state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources, system-wide cost containment measures and historically low borrowing costs.

For FY 2016, University Health Care continues focus on advancing the health of all people, especially Missourians. For the future, University Health Care continues to pursue growth and its academic mission.

During FY 2016, the University of Missouri Health System (MU Health Care) continued to develop collaborative arrangements in central Missouri in an effort to improve

patient outcomes and access to care, share best practices, create efficiencies and lower healthcare costs to communities served by the network. MU Health Care remains a significant contributor to the University's financial performance and continues to improve market share and financial performance in support of the University's academic mission.

The University continues to monitor the changing environment surrounding State and Federal health care programs and the corresponding legislation, including the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as 'Health Care Reform.' This legislation will significantly impact the future of healthcare. MU Health Care management continues to respond to the effects of the legislation.

While the events of the past year have represented some struggle, there is still evidence of student demand for services. Diversified revenue streams that include higher education, research, gifts and health care help to offset the decline in enrollment and propel the University of Missouri forward. However, the state economy, limited increases in tuition revenue, and flat state support will continue to pose budgetary challenges for the University in the future.

INDEPENDENT AUDITORS' REPORT

The Board of Curators
University of Missouri System

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fund information of the University of Missouri System, collectively a component unit of the State of Missouri, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University of Missouri System's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units and the aggregate remaining fund information of the University of Missouri System as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Audited by Other Auditors

The 2015 financial statements were audited by other auditors and their report thereon, dated October 9, 2015, expressed unmodified opinions on all opinion units.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The accompanying information in the introductory and statistical sections 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2016, on our consideration of the University of Missouri System'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* in considering the University of Missouri System's internal control over financial reporting and compliance.

BKD, LLP

Kansas City, Missouri
October 13, 2016

UNIVERSITY OF MISSOURI SYSTEM

STATEMENTS OF NET POSITION

As of June 30, 2016 and 2015 (in thousands)

	University		Discretely Presented Component Units	
	2016	2015	2016	2015
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 212,835	\$ 268,211	\$ 5,368	\$ 6,950
Restricted Cash and Cash Equivalents	95,142	116,703	-	-
Short-Term Investments	127,968	105,587	-	-
Restricted Short-Term Investments	26,222	26,762	-	-
Investment of Cash Collateral	28,225	43,902	-	-
Accounts Receivable, Net	296,016	277,373	18,892	17,038
Pledges Receivable, Net	15,035	16,958	-	-
Investment Settlements Receivable	130,513	185,576	-	-
Notes Receivable, Net	8,659	8,781	-	-
Due (To) From Component Unit	(9,611)	(9,469)	9,611	9,469
Inventories	35,906	37,872	3,986	3,786
Prepaid Expenses and Other Current Assets	35,100	30,695	2,718	3,011
Total Current Assets	1,002,010	1,108,951	40,575	40,254
Noncurrent Assets				
Restricted Cash and Cash Equivalents	-	-	4,358	4,322
Pledges Receivable, Net	31,092	34,845	-	-
Notes Receivable, Net	76,380	79,418	-	-
Other Assets	7,961	2,379	4,724	4,262
Restricted Other Assets	-	-	3,981	4,297
Long-Term Investments	1,856,544	1,614,799	47,947	55,601
Restricted Long-Term Investments	1,262,504	1,321,810	-	-
Capital Assets, Net	3,280,744	3,198,011	84,228	83,117
Total Noncurrent Assets	6,515,225	6,251,262	145,238	151,599
Deferred Outflows of Resources	292,836	97,615	-	-
Total Assets and Deferred Outflows of Resources	\$ 7,810,071	\$ 7,457,828	\$ 185,813	\$ 191,853
Liabilities				
Current Liabilities				
Accounts Payable	\$ 137,219	\$ 110,231	\$ 5,263	\$ 9,570
Accrued Liabilities	157,844	187,149	12,414	13,237
Unearned Revenue	86,090	90,554	-	-
Funds Held for Others	76,892	77,021	-	-
Investment Settlements Payable	236,823	216,510	-	-
Collateral Held for Securities Lending	28,225	43,902	-	-
Commercial Paper and Current Portion of Long-Term Debt	222,280	71,022	1,974	1,992
Long-Term Debt Subject to Remarketing Agreements	93,070	96,320	-	-
Total Current Liabilities	1,038,443	892,709	19,651	24,799

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENTS OF NET POSITION

As of June 30, 2016 and 2015 (in thousands)

	University		Discretely Presented Component Units	
	2016	2015	2016	2015
Liabilities, Continued				
Noncurrent Liabilities				
Unearned Revenue	17,137	13,119	-	-
Long-Term Debt	1,379,590	1,527,661	26,326	27,939
Derivative Instrument Liability	55,332	42,353	-	-
Other Postemployment Benefits Liability	212,572	209,793	-	-
Net Pension Liability	658,186	460,723	-	-
Other Noncurrent Liabilities	64,135	67,073	7,400	7,006
Total Noncurrent Liabilities	2,386,952	2,320,722	33,726	34,945
Deferred Inflows of Resources	32,052	-	-	-
Total Liabilities and Deferred Inflows of Resources	3,457,447	3,213,431	53,377	59,744
Net Position				
Net Investment in Capital Assets	1,636,428	1,613,846	56,201	53,429
Restricted				
Nonexpendable -				
Endowment	993,760	1,010,357	-	-
Expendable -				
Scholarship, Research, Instruction and Other	352,175	367,832	3,981	4,297
Loans	84,509	83,546	-	-
Capital Projects	54,298	39,461	-	-
Unrestricted	1,231,454	1,129,355	72,254	74,383
Total Net Position	4,352,624	4,244,397	132,436	132,109
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 7,810,071	\$ 7,457,828	\$ 185,813	\$ 191,853

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2016 and 2015 (in thousands)

	University		Discretely Presented Component Units	
	2016	2015	2016	2015
Operating Revenues				
Tuition and Fees (Net of Provision for Doubtful Accounts of \$17,330 in 2016 and \$8,208 in 2015)	\$ 898,906	\$ 870,637	\$ -	\$ -
Less Scholarship Allowances	226,632	217,648	-	-
Net Tuition and Fees	672,274	652,989	-	-
Federal Grants and Contracts	155,134	155,797	-	-
State and Local Grants and Contracts	57,690	53,926	-	-
Private Grants and Contracts	67,348	70,296	-	-
Sales and Services of Educational Activities	25,406	25,074	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	1,012,410	944,161	192,674	172,238
Housing and Dining Services (Net of Scholarship Allowance of \$1,273 in 2016 and \$739 in 2015)	115,351	114,361	-	-
Bookstores	54,590	55,941	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$10,936 in 2016 and \$8,826 in 2015)	274,817	263,135	-	-
Other Operating Revenues	74,663	66,849	-	-
Total Operating Revenues	2,509,683	2,402,529	192,674	172,238
Operating Expenses				
Salaries and Wages	1,440,173	1,407,428	82,307	74,868
Benefits	441,312	396,886	19,897	18,622
Supplies, Services and Other Operating Expenses	891,465	858,939	81,773	68,288
Scholarships and Fellowships	70,353	66,860	-	-
Depreciation	190,296	194,075	11,434	9,895
Total Operating Expenses	3,033,599	2,924,188	195,411	171,673
Operating Income (Loss) before State Appropriations				
Appropriations	(523,916)	(521,659)	(2,737)	565
State Appropriations	438,813	435,511	-	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)				
	(85,103)	(86,148)	(2,737)	565
Nonoperating Revenues (Expenses)				
Federal Appropriations	27,041	28,399	-	-
Federal Pell Grants	57,313	59,072	-	-
Investment and Endowment Income, Net of Fees	22,196	38,187	500	499
Private Gifts	80,972	68,615	-	-
Interest Expense	(64,218)	(67,651)	(804)	(609)
Other Nonoperating Revenues (Expenses)	(4,607)	13,972	3,368	970
Net Nonoperating Revenues (Expenses)	118,697	140,594	3,064	860

(continued)

UNIVERSITY OF MISSOURI SYSTEM

STATEMENTS OF NET POSITION

As of June 30, 2016 and 2015 (in thousands)

	University		Discretely Presented Component Units	
	2016	2015	2016	2015
Income before Capital Contributions, and Additions				
to Permanent Endowments	33,594	54,446	327	1,425
State Capital Appropriations	29,166	3,610	-	-
Capital Gifts and Grants	15,990	21,083	-	-
Private Gifts for Endowment Purposes	29,477	30,288	-	-
Increase in Net Position	108,227	109,427	327	1,425
Net Position, Beginning of Year	4,244,397	4,134,970	132,109	130,684
Net Position, End of Year	\$ 4,352,624	\$ 4,244,397	\$ 132,436	\$ 132,109

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015 (in thousands)

Statements of Cash Flows

As of June 30, 2016 and 2015 (in thousands)

	2016	2015
Cash Flows from Operating Activities		
Tuition and Fees	\$ 679,883	\$ 663,453
Federal, State and Private Grants and Contracts	274,357	281,879
Sales and Services of Educational Activities and Other Auxiliaries	302,630	298,716
Patient Care Revenues	1,008,466	941,315
Student Housing Fees	115,896	114,158
Bookstore Collections	51,761	60,162
Payments to Suppliers	(885,402)	(888,288)
Payments to Employees	(1,469,444)	(1,384,114)
Payments for Benefits	(405,346)	(391,536)
Payments for Scholarships and Fellowships	(70,353)	(66,860)
Student Loans Issued	(7,350)	(9,791)
Student Loans Collected	10,044	9,964
Student Loan Interest and Fees	1,868	2,000
Other Receipts, Net	75,458	65,587
Net Cash Used in Operating Activities	(317,532)	(303,355)
Cash Flows from Noncapital Financing Activities		
State Educational Appropriations	438,813	435,511
Federal Appropriations and Pell Grants	84,799	89,205
Private Gifts	86,648	72,747
Endowment and Similar Funds Gifts	29,477	30,288
Direct Lending Receipts	305,231	325,555
Direct Lending Disbursements	(305,231)	(325,555)
PLUS Loan Receipts	92,612	83,279
PLUS Loan Disbursements	(92,612)	(83,279)
Other Receipts, Net	(1,499)	26,476
Deposits (Receipts) of Affiliates	80	(1,766)
Net Cash Provided by Noncapital Financing Activities	638,318	652,461
Cash Flows from Capital and Related Financing Activities		
Capital Gifts and Grants	15,990	21,083
Proceeds from Sales of Capital Assets	4,116	4,970
Purchase of Capital Assets	(271,992)	(276,481)
Proceeds from Issuance of Capital Debt, Net	148,328	164,701
Principal Payments on Capital Debt	(137,594)	(65,029)
Payments on Capital Lease	(890)	(820)
Payments of Bond Issuance Costs	-	(1,044)
Interest Payments on Capital Debt	(78,212)	(77,892)
State Capital Appropriations	21,551	1,188
Net Cash Used in Capital and Related Financing Activities	(298,703)	(229,324)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015 (in thousands)

Statements of Cash Flows

As of June 30, 2016 and 2015 (in thousands)

	2016	2015
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	5,145	29,875
Proceeds from (Purchases) of Investments, Net of Sales and Maturities	(104,307)	86,960
Other Investing Activities	142	1,362
Net Cash Provided by (Used in) Investing Activities	(99,020)	118,197
Net Increase (Decrease) in Cash and Cash Equivalents	(76,937)	237,979
Cash and Cash Equivalents, Beginning of Year	384,914	146,935
Cash and Cash Equivalents, End of Year	\$ 307,977	\$ 384,914
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (523,916)	\$ (521,659)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	190,296	194,075
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(11,473)	16,169
Inventory, Prepaid Expenses and Other Assets	(8,021)	(6,465)
Notes Receivable	3,600	1,018
Accounts Payable	(28,351)	(29,454)
Accrued Liabilities	27,592	65,869
Unearned Revenue	(446)	4,495
Pension Liability	33,187	(27,403)
Net Cash Used in Operating Activities	\$ (317,532)	\$ (303,355)
Supplemental Disclosure of Noncash Activities		
Net Increase (Decrease) in Fair Value of Investments	\$ (59,142)	\$ (140,525)
Noncash Gifts	17,135	19,817

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
As of June 30, 2016 and 2015 (in thousands)

	2016	2015
Assets		
Cash and Cash Equivalents	\$ 233,637	\$ 124,740
Investment of Cash Collateral	98,660	135,813
Investment Settlements Receivable	85,169	75,732
Investments:		
Debt Securities	594,844	409,975
Equity Securities	175,639	536,992
Commingled Funds	1,739,433	1,931,695
Nonmarketable Alternative Investments	490,628	360,270
Total Assets	3,418,010	3,575,217
Liabilities		
Accounts Payable and Accrued Liabilities	-	1,985
Collateral Held for Securities Lending	98,660	135,813
Investment Settlements Payable	63,579	99,745
Total Liabilities	162,239	237,543
Net Position Held in Trust for Retirement and OPEB	\$ 3,255,771	\$ 3,337,674

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2016 and 2015 (in thousands)

	2016	2015
Additions		
Investment Income:		
Interest & Dividend Income	\$ 38,995	\$ 52,655
Net Appreciation (Depreciation) in Fair Value of Investments	(18,616)	(8,371)
Less investment expense	(10,334)	(8,746)
Net Investment Income (Loss)	10,045	35,538
Contributions:		
University	125,661	129,604
Members	31,820	30,698
Total Contributions	157,481	160,302
Total Additions	167,526	195,840
Deductions		
Administrative Expenses	4,301	3,153
Payments to Retirees and Beneficiaries	245,128	239,339
Total Deductions	249,429	242,492
(Decrease) Increase in Net Position Held in Trust for Retirement and OPEB	(81,903)	(46,652)
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	3,337,674	3,384,326
Net Position Held in Trust for Retirement and OPEB, End of Year	\$ 3,255,771	\$ 3,337,674

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNIVERSITY OF MISSOURI SYSTEM

Organization – The University of Missouri System (the “University”), a Federal land grant institution, conducts education, research, public service, and related activities, which includes University of Missouri Health System (“MU Health Care”) and related facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis. The University also administers a statewide cooperative extension service with centers located in each county in the State of Missouri (the “State”). The University is a component unit of the State and is governed by a nine-member Board of Curators appointed by the State’s Governor.

The income generated by the University, as an instrumentality unit of the State, is generally excluded from federal income taxes under Section 115 of the Internal Revenue Code. However, the University remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it is exempt. No income tax provision has been recorded as the net income, if any, from unrelated trade or business income, is not material to the financial statements.

Reporting Entity – As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (“GASB”), the financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government’s financial statements to be misleading or incomplete.

The University of Missouri-Columbia Medical Alliance (the “Medical Alliance”) is considered a component unit of the University according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is discretely presented in the University’s financial statements.

The Medical Alliance, a not-for-profit corporation, provides an integrated health care delivery system for mid-Missouri by establishing affiliations with various medical facilities.

The purpose of the Medical Alliance is to develop a network of health care providers to support the missions of MU Health Care and provide medical services to the community. The Capital Region Medical Center (“CRMC”) in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit corporation that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a subsidiary of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Separately audited financial statements for the Medical Alliance are not available.

Columbia Surgical Services (CSS), is considered a component unit of the University according to the criteria in GASB No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is discretely presented in the University’s financial statements. CSS is a not-for-profit corporation that provides general surgery and surgical sub-specialties. The purpose is to promote clinical integration of medical services with the University of Missouri Health Care and the community. CSS is a public benefit corporation formed with the Curators of the University of Missouri as the sole member. CSS follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”). The University appoints the Board of Directors of CSS and can impose its will on the organization. Separately audited financial statements for CSS are not available. Combining financial statements for these funds are presented in Note 16.

The Missouri Renewable Energy Corporation (MREC) is considered a component unit of the University, for financial reporting purposes, according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is included in the University’s financial statements using the blended method. MREC is a for-profit corporation, and the University holds the majority equity interest. MREC provides green energy facilities exclusively to the University. At June 30, 2016, the University was the majority owner of MREC. Financial statements for MREC are available at the University of Missouri System Controller’s Office. Condensed combining information regarding MREC is provided in Note 15.

The University operates the University of Missouri Retirement, Disability, and Death Benefit Plan (the

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

“Retirement Plan”) and the University of Missouri Other Postemployment Benefits Plan (the “OPEB Plan,” which collectively with the Retirement Plan represent the “Pension Trust Funds”), which are single employer, defined benefit plans. The assets of the Retirement Plan and OPEB Plan are held in the Retirement Trust and OPEB Trust, respectively.

Financial Statement Presentation – University follows all applicable GASB pronouncements. Pursuant to GASB Statement No. 35, *Basic Financial Statement and Management’s Discussion and Analysis for Public Colleges and Universities*, the University’s activities are considered to be a single business-type activity and accordingly, are reported in a single column in the financial statements. Business-type activities are those that are financed in whole or part by funds received by external parties for goods or services.

Basis of Accounting – The University’s financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of cash flows.

On the Statement of Revenues, Expenses and Changes in Net Position, the University defines operating activities as those generally resulting from an exchange transaction. Nearly all of the University’s expenses are from exchange transactions, which involve the exchange of equivalent values such as payments for goods or services. Non-operating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as State and Federal appropriations, Federal Pell grants, private gifts, and investment income.

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 18.

Cash, Cash Equivalents and Investments – Cash and cash equivalents consist of the University’s bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis.

Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Position.

Nonmarketable alternative investments and certain commingled funds are recorded based on valuations provided by the general partners of the respective partnerships. The University believes that the carrying value of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and therefore may differ materially from the value that would have been used had a ready market for investments existed.

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment and endowment income on the Statement of Revenues, Expenses, and Changes in Net Position.

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$7,639,000 and \$6,776,000 as of June 30, 2016 and 2015, respectively, has been made for uncollectible pledges based upon management’s expectations regarding the collection of the pledges and the University’s historical collection experience.

Inventories – These assets are stated at the lower of cost or market. Cost is determined on an average cost basis except for MU Health Care’s inventories, for which cost is determined using the first-in, first-out method.

Capital Assets – If purchased, these assets are carried at cost or, if donated, at fair value at the date of gift. The

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

University capitalizes assets with useful lives greater than one year and acquisition cost greater than or equal to \$5,000. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, three to fifteen years for equipment and twenty years for library materials. Net interest expense incurred during the construction of debt-financed facilities is included when capitalizing resulting assets. The University capitalizes works of art, as these collections generally consist of historical artifacts and artworks, they are considered inexhaustible and not subject to depreciation. The University does not capitalize collections of historical treasures held for public exhibition, education, research, and public service. These collections are not disposed of for financial gain and, accordingly, are not capitalized for financial statement purposes. Proceeds from the sale, exchange, or other disposal of such items must be used to acquire additional items for the same collection. Land is considered inexhaustible and is not subject to depreciation.

Unearned Revenue – Unearned revenues are recognized for amounts received prior to the end of the fiscal year but related to the subsequent period, including certain tuition, fees, and auxiliary revenues. Unearned revenues also include grant and contract amounts that have been received but not yet earned.

Pension Trust Funds – Pension related items, including: net pension liability, deferred outflows of resources, deferred inflows of resources, net pension expense, fiduciary net assets, additions to and deductions from fiduciary net assets have been determined on the same basis as they are reported by the University of Missouri. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position – The University's net position is classified as follows:

Net Investment in Capital Assets represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

Restricted Nonexpendable net position is subject to externally imposed stipulations that the principal be maintained in perpetuity, such as the University's

permanent endowment funds. The University's policy permits any realized and unrealized appreciation to remain with these endowments after the spending distribution discussed in Note 3. *Restricted Expendable* net position is subject to externally imposed stipulations on the University's use of the resources.

Unrestricted net position is not subject to externally imposed stipulations, but may be designated for specific purposes by the University's management or the Board of Curators. Unrestricted net position is derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such sources, and are used for academics and the general operation of the University. When both restricted and unrestricted resources are available for expenditure, the University's policy is to first apply restricted resources, and then the unrestricted resources.

Tuition and Fees, Net of Scholarship Allowances – Student tuition and fees, housing, dining, and other similar auxiliary revenues are reported net of any related scholarships and fellowships applied to student accounts. However, scholarships and fellowships paid directly to students are separately reported as scholarship and fellowship expenses.

Patient Medical Services, Net – Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Women's and Children's Hospital, and University Physicians. The University has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Net patient service revenue is also shown net of estimated uncollectible accounts. Amounts receivable under Medicare and Tricare/Champus reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments decreased net patient services revenues by \$6,465,000 for the year ended June 30, 2016 and increased

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

net patient services by \$2,972,000 for the year ended June 30, 2015.

The Medicaid program reimburses inpatient services on a prospective established per diem rate. The Medicaid program reimburses outpatient services under a combination of prospective and fee schedule amounts. For the years ended June 30, 2016 and 2015, the MU Health Care's percentage of gross patient accounts receivable classified by major payor is as follows:

Table 1.1 - Percentage of Gross Patient Accounts Receivable (by Major Payor)

	2016	2015
Medicare	28%	29%
Commercial Insurance	12%	11%
Medicaid	21%	24%
Self Pay & Other	15%	16%
Managed Care Agreements	24%	20%
	100%	100%

Patient services revenue includes the State of Missouri Federal Reimbursement Allowance Program (FRA Program) for uncompensated care. MU Health Care recognizes FRA Program revenue in the period earned.

The Statement of Revenues, Expenses and Changes in Net Position reflect the gross to net patient medical services revenue as follows:

Table 1.2 - Gross to Net Patient Medical Services Revenue (in thousands)

	2016	2015
Patient Medical Services		
Revenue, Gross	\$ 2,504,046	\$ 2,272,219
Deductions for Contractuals	(1,438,908)	(1,238,876)
Deductions for Bad Debt	(52,728)	(89,182)
Patient Medical Services		
Revenue, Net	\$ 1,012,410	\$ 944,161

Uncompensated Care - The University provides some services to patients without regard to their ability to pay for those services. For some of its patient services, the University receives no payment or payment that is less than the full cost of providing the services.

The estimated costs of providing these services are as follows:

Table 1.3 - Uncompensated Care Revenue (in thousands)

	2016	2015
Cost of Charity Care	\$ 33,565	\$ 22,846
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	-	1,823
Cost of uncollectible accounts	25,270	34,878
Total Uncompensated Care	\$ 58,835	\$ 59,547

New Accounting Pronouncements – Effective for fiscal year 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which intends to improve financial reporting by requiring governments to measure certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The Statement also enhances related fair value disclosures in order to provide information on the impact of fair value measurements on a government's financial position. Adoption of GASB Statement No. 72 resulted in additional note disclosures in Note 4 to display investments by the category of measurement hierarchy.

Effective for fiscal year 2016, GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, which intends to improve financial reporting by establishing a single framework for the presentation of information about pensions. Adoption of GASB Statement No. 73 had no effect on the University's financial statements.

Effective for fiscal year 2016, the University adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which intends to improve financial reporting by reducing the variation in which governments apply financial reporting guidance. Adoption of GASB Statement No. 76 had no effect on the University's financial statements.

Effective for fiscal year 2016, the University adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which intends to enhance comparability of financial statements by establishing specific criteria to

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Adoption of GASB Statement No. 79 had no effect on the University's financial statements.

In June 2015, GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which intends to improve financial reporting by state and local governmental postemployment benefit plans other than pension plans. Also, in June 2015, GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which intends to improve financial reporting by requiring recognition of the entire Other Postemployment Benefits (OPEB) liability and a more comprehensive measure of OPEB expense. The adoption of Statements No. 74 and 75 will require the University to record a Net Postemployment Benefits Liability on its Statement of Net Position. The University has determined adoption will have a significant impact on its financial statements and will reduce unrestricted net position when implemented during the year ending June 30, 2018.

In August 2015, GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*, which intends to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. The University has determined adoption of this statement will have no effect on its financial statements.

In December 2015, GASB issued GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which amends the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The scope was amended to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan. The University has determined adoption of this statement will have no effect on its financial statements.

In January 2016, GASB issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which intends to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The University has not yet determined the effect that implementing GASB Statement No. 80 will have on its financial statements.

In March 2016, GASB issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which intends to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for beneficiaries of these type of agreements. The University has not yet determined the effect that implementing GASB Statement No. 81 will have on its financial statements.

In March 2016, GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues with regard to current GASB standards on pensions. The University has not yet determined the effect that implementing GASB Statement No. 82 will have on its financial statements.

Effective for fiscal year 2015, the University adopted GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which intends to improve financial reporting by establishing standards for reporting government combinations and disposals of government operations. Adoption of GASB Statement No. 69 had no effect on the University's financial statements.

Use of Estimates – The preparation of financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year amounts. As a result, there were no changes in Net Position.

DISCRETELY PRESENTED COMPONENT UNITS – MEDICAL ALLIANCE AND CSS

Nature of Operations – The Curators of the University of Missouri, for and on behalf of MU Health Care and CRMC entered into an Affiliation Agreement dated August 5, 1997. Pursuant to the Affiliation Agreement, the University created the Medical Alliance. The Medical Alliance then became the sole member of CRMC. The Medical Alliance's purpose is to develop a network of healthcare providers to

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

support the missions of MU Health Care and provide medical services to the community.

CRMC operates as a two-hospital system, which consists of the Southwest Campus and Madison Campus complemented by community medical clinics. CRMC primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Jefferson City, Missouri. It also operates medical clinics in the surrounding communities. The operating results of the facilities and clinics are included in these financial statements. CRMC is served by a group of admitting physicians that account for a significant portion of CRMC's net revenues. Additionally, CRMC is also associated with the Capital Region Medical Foundation, which is intended to support the interest of CRMC through its fundraising activities.

The Curators of the University of Missouri, for and on behalf of MU Health Care and Columbia Surgical Associates entered into an Affiliation Agreement effective January 1, 2015. Pursuant to the Affiliation Agreement, the University created Columbia Surgical Services, Inc (CSS). The Curators of the University of Missouri is the sole member of CSS. The purpose of CSS is to integrate health care resources to better serve patients by collaborating on patient-centered care across patient populations and surgical specialties.

Net Position – As not-for-profit organizations, the Medical Alliance and CSS record its net position in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. For presentation within the accompanying basic financial statements, the net position is redistributed amongst the net position components defined by GASB Statement No. 63.

Capital Assets – Capital Assets are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Equipment under capital lease obligations is amortized on the straight-line basis over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a cost of acquiring those assets.

Net Patient Medical Service Revenue – Net patient medical service revenue is reported at the net amounts to be realized from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments for reimbursement agreements with third-

party payers. Retroactive adjustments are estimated and accrued in the period the related services are provided, and these amounts are adjusted in future periods as final settlements are determined.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the State of Missouri; bonds of any city, 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. The University's cash deposits were fully insured or collateralized at June 30, 2016 and 2015, respectively.

3. INVESTMENTS

Investment policies are established by the Board of Curators ("the Board"). The policies ensure that funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. Additionally, investment policies established by the Board with respect to the Retirement Trust and Other Postemployment Benefit ("OPEB") Trust (collectively referred to as "Pension Trust Funds") and the Endowment Funds specifically recognize the fiduciary duties set forth in Section 105.688 of the Revised Statutes of Missouri. The use of external investment managers has been authorized by the Board.

Substantially all University cash and investments are managed centrally, generally in the following investment pools:

General Pool – General Pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed component of the General Pool may be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; money market funds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. The externally managed component of the General Pool is allowed to invest in the following asset

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sectors: fixed income, absolute return and risk parity strategies. The General Pool's total return (loss), including unrealized gains and losses, was 1.6% and (1.0%) for the years ended June 30, 2016 and 2015, respectively.

Endowment Funds – When appropriate and permissible, endowment and similar funds are pooled for investment purposes, with the objective of achieving long-term returns sufficient to preserve principal by protecting against inflation and to meet endowment spending targets.

The Endowment Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Endowment Pool is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-linked bonds, emerging markets debt, and risk parity strategies. The Endowment Pool's total return (loss), including unrealized gains and losses, was (0.2%) and 1.9% for the years ended June 30, 2016 and 2015, respectively.

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation (depreciation) of approximately (\$9,211,000) and \$8,790,000 in fiscal years 2016 and 2015, respectively.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. The spending formula was revised in fiscal year 2012 to distribute 4.5% of a trailing 28-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed the total real return (net of inflation).

However, the change from 5% to 4.5% is being phased in over several years to ensure a decrease in distributions year over year is not due solely to the lower rate. In addition, the University distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

PENSION TRUST FUNDS

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-like bonds, emerging markets debt and risk parity strategies. The Retirement Trust's total return, including unrealized gains and losses, was 0.3% and 1.1% for the years ended June 30, 2016 and 2015, respectively.

The OPEB Trust held \$35,145,000 and \$34,824,000 of net position at June 30, 2016 and 2015, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed OPEB Trust is allowed to invest in the following asset sectors: global fixed income, global equity, and absolute return strategies.

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Table 3.1 - Investments by Type *(in thousands)*

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2016	2015	2016	2015
Debt Securities:				
U.S. Treasury Obligations	\$ 205,397	\$ 156,269	\$ 242,268	\$ 136,757
U.S. Agency Obligations	495,036	474,004	-	-
Asset-Backed Securities	525,442	232,940	136,280	(11,770)
Government - Foreign	41,093	90,111	16,828	37,372
Corporate - Domestic	157,973	195,639	157,599	152,426
Corporate - Foreign	94,217	86,044	41,869	95,190
Equity Securities:				
Domestic	29,893	128,529	54,941	270,455
Foreign	43,829	78,655	120,698	266,537
Commingled Funds:				
Absolute Return	160,032	622,998	440,220	283,275
Risk Parity	583,859	84,457	306,006	86,422
Debt Securities - Global	26,918	26,358	102,835	98,881
Debt Securities - Domestic	75,872	169,237	66,772	213,255
Debt Securities - Foreign	65,089	68,626	184,014	194,655
Equity Securities - Domestic	171,764	133,266	68,526	358,133
Equity Securities - Foreign	67,380	96,029	67,032	461,714
Equity Securities - Global	233,848	206,557	453,665	195,758
Real Estate	26,225	14,253	50,363	39,602
Nonmarketable Alternative Investments:				
Real Estate	86,551	62,175	172,907	129,135
Private Equity	147,345	106,677	317,721	231,135
Other	35,475	36,134	-	-
Total Investments	3,273,238	3,068,958	3,000,544	3,238,932
Money Market Funds	210,894	205,880	158,940	73,619
Other	97,083	179,034	74,697	51,121
Total Cash and Cash Equivalents	307,977	384,914	233,637	124,740
Total Investments and Cash and Cash Equivalents	\$ 3,581,215	\$ 3,453,872	\$ 3,234,181	\$ 3,363,672

Custodial Credit Risk - For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the University will not be able to recover the value of the investments held by an outside party. In accordance with its policy, the University minimizes custodial credit risk by establishing limitations on the types of instruments held with qualifying institutions. Repurchase agreements must be collateralized by U.S. Government issues and/or U.S. Government Agency issues. All University and Pension Trust Fund investments are insured or registered and are held by the University, the Pension Trust Funds or an agent in its name.

Concentration of Credit Risk – Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments. The investment policies for the General Pool, Endowment Funds, and Retirement Trust all specify diversification requirements across asset sectors. The investment policy for the General Pool has specific single issuer limits in place for corporate bonds and commercial paper.

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As of June 30, 2016 and 2015, of the University's total investments and cash and cash equivalents, 7.0% are issues of U.S. Treasury Notes and 8.0% are issues of the Federal Home Loan Bank (FHLB), respectively. At June 30, 2016 and 2015 the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

Investments issued or guaranteed by the U.S. government as well as investments in mutual funds and other pooled investments are excluded from consideration when evaluating concentration risk.

Credit Risk – Debt securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain debt securities, primarily obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk.

Nationally recognized statistical rating organizations, such as Moody's and Standard & Poor's (S&P) assign credit ratings to security issues and issuers that indicate a measure of potential credit risk to investors. Debt securities considered investment grade are those rated at least Baa by Moody's and BBB by S&P. For General Pool investments, the following minimum credit ratings have been established to manage credit risk: minimum long-term rating of A or better by S&P, with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, the respective investment policies allow for a blend of different credit ratings, subject to certain restrictions by asset sector. In all cases, disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the respective investment manager after consideration of individual facts and circumstances.

All holdings of money market funds were rated AAA at June 30, 2016 and 2015.

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Based on investment ratings provided by Moody's or S&P, the University's and Pension Trust Funds' credit risk exposure as of June 30, 2016 and 2015, is as follows:

Table 3.2 - Debt Securities by Type and Credit Rating *(in thousands)*

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2016	2015	2016	2015
U.S. Treasury Obligations	\$ 205,397	\$ 156,269	\$ 242,268	\$ 136,757
U.S. Agency Obligations	495,036	474,004	-	-
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies	184,614	(38,385)	70,715	(17,419)
Aaa/AAA	60,620	40,857	7,513	3,028
Aa/AA	20,983	4,061	1,167	592
A/A	5,261	9,483	136	498
Baa/BBB	26,873	9,526	1,201	584
Ba/BB and lower	205,015	197,884	52,096	492
Unrated	22,076	9,514	3,452	455
Government - Foreign				
Aaa/AAA	1,123	5,174	-	1,656
Aa/AA	-	-	-	2,876
A/A	2,312	7,718	3,235	5,469
Baa/BBB	489	39,608	2,876	8,365
Ba/BB and lower	23,232	13,229	249	1,917
Unrated	13,937	24,382	10,468	17,089
Corporate - Domestic				
Aaa/AAA	1,128	1,035	349	307
Aa/AA	3,161	2,661	439	-
A/A	10,790	9,786	3,244	1,322
Baa/BBB	34,628	16,572	13,428	3,447
Ba/BB and lower	89,045	125,623	138,461	155,158
Unrated	19,221	39,962	1,678	(7,808)
Corporate - Foreign				
Aaa/AAA	6	8	307	7,225
Aa/AA	1,271	873	661	3,462
A/A	17,174	6,960	5,720	5,570
Baa/BBB	9,957	9,346	4,666	3,466
Ba/BB and lower	58,655	52,370	31,450	33,818
Unrated	7,154	16,487	(935)	41,649
Total	\$ 1,519,158	\$ 1,235,007	\$ 594,844	\$ 409,975

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as

a result of future changes in interest rates. Neither the University nor the Pension Trust Funds have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as

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applicable. The University and Pension Trust Funds have investments in asset-backed securities, which consist primarily of mortgage-backed securities guaranteed by U.S. agencies and corporate collateralized mortgage obligations. These securities are based on cash flows from principal and interest payments on the underlying securities. An asset-backed security may have repayments that vary significantly with changes in market interest rates.

The University and Pension Trust Funds invest in forward settling To Be Announced (TBA) Mortgage Backed Securities

(MBS). TBA MBS with notional amounts totaling \$96,800,000 and \$21,300,000 and fair values of \$100,891,000 and \$22,289,000 were in place at June 30, 2016 for the University and Pension Trust Funds, respectively. TBA MBS with notional amounts totaling \$73,500,000 and \$18,000,000 and fair values of (\$77,451,000) and (\$19,137,000) were in place at June 30, 2015 for the University and Pension Trust Funds, respectively. The forward settling MBS instruments expose the University to interest rate risk of mortgage backed securities.

Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2016 and 2015, respectively:

Table 3.3 - Debt Securities by Type and Modified Duration *(in thousands)*

As of June 30,	University of Missouri					
	Duration (in years)					
	2016		2015			
U.S. Treasury Obligations	\$	205,397	7.6	\$	156,269	8.0
U.S. Agency Obligations		495,036	2.5		474,004	3.4
Asset-Backed Securities		525,442	5.2		232,941	5.4
Government - Foreign		41,093	3.7		90,111	7.7
Corporate - Domestic		157,973	3.1		195,638	3.1
Corporate - Foreign		94,217	6.4		86,044	5.0
Total Debt Securities	\$	1,519,158	4.5	\$	1,235,007	4.7

As of June 30,	University of Missouri Pension Trust					
	Duration (in years)					
	2016		2015			
U.S. Treasury Obligations	\$	242,268	5.1	\$	136,757	6.2
Asset-Backed Securities		136,280	4.9		(11,770)	7.2
Government - Foreign		16,828	1.2		37,372	10.2
Corporate - Domestic		157,599	4.9		152,426	5.3
Corporate - Foreign		41,869	5.9		95,190	3.0
Total Debt Securities	\$	594,844	5.0	\$	409,975	5.5

Foreign Exchange Risk – Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies.

University and Retirement Trust investment policies allow for exposure to non-U.S. dollar denominated equities and fixed income securities, which may be fully or partially hedged using forward foreign currency exchange contracts.

At June 30, 2016 and 2015, 14.9% and 16.8%, respectively, of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$466,690,000 and \$558,660,000 were in place at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, 28.8% and 37.6%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$89,116,000 and \$212,644,000 were in place at June 30, 2016 and 2015, respectively.

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The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2016 and 2015:

Table 3.4 - Foreign Exchange Risk *(in thousands)*

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2016	2015	2016	2015
Debt Securities				
Australian Dollar	\$ 4,913	\$ 3,233	\$ 764	\$ 2,812
Brazil Real	30,716	27,190	7,576	(166)
British Pound Sterling	21,469	18,031	2,814	7,875
Canadian Dollar	-	-	280	1,936
Danish Krone	7	25	-	6,177
Euro	48,979	68,384	9,089	59,001
Japanese Yen	(258)	163	(154)	1,831
Mexican Peso	1,350	1,115	2,180	(148)
Other	231	96	-	2,879
	107,407	118,237	22,549	82,197
Equity Securities				
Australian Dollar	1,324	1,887	5,048	8,255
Brazil Real	600	331	1,170	854
British Pound Sterling	5,585	8,754	18,069	40,031
Canadian Dollar	1,414	1,488	3,134	4,254
Danish Krone	1,085	2,297	2,553	6,948
Euro	4,926	6,747	21,028	34,805
Hong Kong Dollar	1,603	6,955	4,712	20,849
Japanese Yen	5,583	11,855	20,823	44,845
Norwegian Krone	869	782	1,823	2,516
South African Rand	2,012	2,538	4,112	7,120
South Korean Won	324	318	1,954	3,624
Swedish Krona	2,002	3,093	4,533	9,942
Swiss Franc	1,646	8,587	6,150	27,951
Other	428	1,187	1,696	4,327
	29,401	56,819	96,805	216,321
Commingled Funds				
Various currency denominations:				
Debt Securities - Global	26,918	26,358	102,835	98,881
Debt Securities - Foreign	65,089	68,626	184,014	194,655
Equity Securities - Global	233,848	206,557	453,665	195,758
Equity Securities - Foreign	67,380	96,029	67,032	461,714
	393,235	397,570	807,546	951,008
Cash and Cash Equivalents				
Australian Dollar	(2,714)	33	65	85
Euro	1,382	76	339	698
Japanese Yen	2,287	3,980	2,518	10,670
Mexican Peso	114	2,138	458	4,522
Other	1,251	1,097	1,576	448
	2,320	7,324	4,956	16,423
Total Exposure to Foreign Exchange Risk	\$ 532,363	\$ 579,950	\$ 931,856	\$ 1,265,949

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Commingled Funds - Includes Securities and Exchange Commission regulated mutual funds and externally managed funds, limited partnerships, and corporate structures which are generally unrated and unregulated. Certain commingled funds may use derivatives, short positions and leverage as part of their investment strategy. These investments are structured to limit risk exposure to the amount of invested capital. Commingled funds have liquidity (redemption) provisions, which enable the University and Pension Trust Funds to make full or partial withdrawals with notice, subject to restrictions on the timing and amount.

Nonmarketable Alternative Investments - Consists of limited partnerships involving an advance commitment of capital called by the general partner as needed and distributions of capital and return on invested capital as underlying strategies are concluded during the life of the partnership. The committed but unpaid obligation to these limited partnerships is disclosed in Note 4.

Securities Lending Transactions – The University and Pension Trust Funds each participate in an external investment pool securities lending program to augment income. The program is administered by the custodial agent bank, which lends equity, government and corporate securities for a predetermined period of time to an independent broker/dealer (borrower) in exchange for collateral. Collateral may be cash, U.S. Government securities, defined letters of credit or other collateral approved by the University or Pension Trust Funds. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. Exposure to credit risk from borrower default has been minimized by having the custodial agent bank determine daily that required collateral meets a minimum of 100% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2016 and 2015, there were a total of \$30,186,000 and \$49,946,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$28,225,000 and \$43,902,000 in cash and \$2,705,000 and \$7,320,000 noncash collateral at June 30, 2016 and 2015, respectively.

For the Pension Trust Funds, at June 30, 2016 and 2015, there was a total of \$101,618,000 and \$175,453,000 of securities out on loan to borrowers. The value of collateral

received from the borrower for these securities consisted of \$98,660,000 and \$135,813,000 in cash and \$5,609,000 and \$44,450,000 noncash collateral at June 30, 2016 and 2015, respectively.

Cash collateral received from the borrower is invested by the custodial agent bank in commingled collateral investment pools in the name of the University and Pension Trust Funds, with guidelines approved by each. These investments are shown as Investment of Cash Collateral in the Statement of Net Position and reported at fair value, with changes in market value recorded in Investment and Endowment Income on the Statement of Revenues, Expenses, and Changes in Net Position. Noncash collateral received for securities lending activities is not recorded as an asset because the University and Pension Trust Funds do not have the ability to pledge or sell such collateral unless the borrower defaults.

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2016 and 2015, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.

DISCRETELY PRESENTED COMPONENT UNITS – MEDICAL ALLIANCE AND CSS

Investments – The investment policies of Medical Alliance are established by its board of directors. The policies are established to ensure that Medical Alliance funds are managed in accordance with the “Prudent Man Rule.”

Medical Alliance investments are presented at fair value in accordance with FASB Accounting Standards Codification 820, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows: Level 1 - Quoted prices in active markets for identical assets that the Medical Alliance has the ability to access at the measurement date; Level 2 - Inputs other than quoted market prices included in Level 1,

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that are observable for the asset, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2016 and 2015, discretely presented component units held the following investments:

Table 3.5 - Discretely Presented Component Units
 Cash, Cash Equivalents, and Investments
(in thousands)

As of June 30,	2016	2015
Fair Value - Level 1		
Money Market Accounts	\$ 1,441	\$ 1,407
U.S. Treasury Obligations	74	74
Total Fair Value - Level 1	1,515	1,481
Fair Value - Level 2		
Mortgage-Backed Securities	13,055	12,908
Corporate Bonds	4,671	3,415
Total Fair Value - Level 2	17,726	16,323
Valued at Cost		
Money Market Accounts	18,033	22,532
Certificates of Deposit	17,085	21,604
Cash and Other Cash Equivalents	3,314	4,933
Total Valued at Cost	38,432	49,069
Total Cash, Cash Equivalents, and Investments	\$ 57,673	\$ 66,873

4. FAIR VALUE OF ASSETS AND LIABILITIES

The University categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurements and Application*. The three-tiered hierarchy for fair value is as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are available at the measurement date.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumption about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's own data.

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At June 30, 2016, the University had the following recurring fair value measurements.

Table 4.1 - Investments and Derivative Instruments Measured at Fair Value (in thousands)

		University of Missouri									
		Fair Value Measurements Using				Fair Value Measurements Using					
		Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)			Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30,	2016					2015					
Investments by fair value level											
Debt Securities:											
U.S. Treasury Obligations	\$ 205,397	\$ 205,397	\$ -	\$ -	\$ -	\$ 156,269	\$ 156,269	\$ -	\$ -	\$ -	\$ -
U.S. Agency Obligations	495,036	-	495,036	-	-	474,004	-	474,004	-	-	-
Asset-Backed Securities	525,442	-	525,442	-	-	232,940	-	232,940	-	-	-
Government	41,093	-	41,093	-	-	90,111	-	90,111	-	-	-
Corporate	252,190	-	252,190	-	-	281,683	-	281,683	-	-	-
Equity Securities:											
Domestic	29,893	29,893	-	-	-	128,529	128,529	-	-	-	-
Foreign	43,829	43,829	-	-	-	78,655	78,655	-	-	-	-
Commingled Funds:											
Absolute Return	-	-	-	-	-	18,340	18,340	-	-	-	-
Debt Securities	55,309	55,309	-	-	-	51,280	51,280	-	-	-	-
Equity Securities	28,061	28,061	-	-	-	11,885	11,885	-	-	-	-
Real Estate	3,093	3,093	-	-	-	2,822	2,822	-	-	-	-
Other	27,117	-	6,306	20,811	-	29,940	-	7,291	22,649	-	-
Investments measured at the net asset value (NAV)											
Commingled Funds:											
Absolute Return	160,032	-	-	-	-	604,658	-	-	-	-	-
Risk Parity	583,859	-	-	-	-	84,457	-	-	-	-	-
Debt Securities	112,570	-	-	-	-	212,941	-	-	-	-	-
Equity Securities	444,931	-	-	-	-	423,967	-	-	-	-	-
Real Estate	23,132	-	-	-	-	11,431	-	-	-	-	-
Nonmarketable Alternative Investments:											
Real Estate	86,551	-	-	-	-	62,175	-	-	-	-	-
Private Equity	147,345	-	-	-	-	106,677	-	-	-	-	-
Other	8,358	-	-	-	-	6,194	-	-	-	-	-
Total investments by fair value level	3,273,238	365,582	1,320,067	20,811	-	3,068,958	447,780	1,086,029	22,649	-	-
Interest Rate Swaps	(55,332)	-	(55,332)	-	-	(42,353)	-	(42,353)	-	-	-
Total Investments and Financing											
Derivative Instruments	\$ 3,217,906	\$ 365,582	\$ 1,264,735	\$ 20,811	\$ -	\$ 3,026,605	\$ 447,780	\$ 1,043,676	\$ 22,649	\$ -	\$ -

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

University of Missouri Pension Trust Funds

	Fair Value Measurements Using					Fair Value Measurements Using				
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
As of June 30,	2016					2015				
Investments by fair value level										
Debt Securities:										
U.S. Treasury Obligations	\$ 242,268	\$ 242,268	\$ -	\$ -	\$ -	\$ 136,757	\$ 136,757	\$ -	\$ -	\$ -
Asset-Backed Securities	136,280	-	136,280	-	-	(11,770)	-	(11,770)	-	-
Government	16,828	-	16,828	-	-	37,372	-	37,372	-	-
Corporate	199,468	-	199,468	-	-	247,616	-	247,616	-	-
Equity Securities:										
Domestic	54,940	54,940	-	-	-	270,455	270,455	-	-	-
Foreign	120,698	120,698	-	-	-	266,537	266,537	-	-	-
Commingled Funds:										
Debt Securities	18,110	18,110	-	-	-	17,634	17,634	-	-	-
Investments measured at the net asset value (NAV)										
Commingled Funds:										
Absolute Return	440,220	-	-	-	-	283,275	-	-	-	-
Risk Parity	306,006	-	-	-	-	86,422	-	-	-	-
Debt Securities	335,511	-	-	-	-	489,157	-	-	-	-
Equity Securities	589,223	-	-	-	-	1,015,605	-	-	-	-
Real Estate	50,363	-	-	-	-	39,602	-	-	-	-
Nonmarketable Alternative Investments:										
Real Estate	172,907	-	-	-	-	129,135	-	-	-	-
Private Equity	317,721	-	-	-	-	231,135	-	-	-	-
Total investments by fair value level	\$ 3,000,543	\$ 436,016	\$ 352,576	\$ -	\$ -	\$ 3,238,932	\$ 691,383	\$ 273,218	\$ -	\$ -

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University's Level 1 investments primarily consist of investments in U.S. Treasury obligations, equity securities, and mutual funds. When quoted prices in active markets are not available, fair values are based on evaluated prices received from the University's custodian of investments in conjunction with a third party service provider and are reported within Level 2 of the fair value hierarchy. The inputs for Level 2 include, but are not limited to, pricing models such as benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities, among others. The University's Level 2 investments primarily consist of investments in U.S. government and agency obligations, and corporate debt

securities that did not trade on the University's fiscal year end date.

The University's Level 3 investments primarily consist of land held as investments. Certain investments are valued using the net asset value (NAV) per share (or its equivalent) and are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

The following table presents investments as of June 30, 2016 that have been valued using the NAV as a practical expedient, classified by major investment category:

Table 4.2- Investments Measured at the NAV *(in thousands)*

University of Missouri					
	Fair Value	Investment Strategy and Structure (1)	Unfunded Commitments	Fund Term (1)	Redemption Terms (1)
Commingled Funds (2):					
Absolute Return	\$ 160,032	Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1 -45 days notice
Risk Parity	583,859	An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1 - 90 days notice
Debt Securities	112,570	Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily and Monthly redemption with 1 -2 days notice
Equity Securities	444,931	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1 -15 days notice
Real Estate	23,132	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 1 -30 days notice
Nonmarketable Alternative Funds (3):					
Real Estate	86,551	Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.	69,230	10 -12 years	Not applicable - no redemption ability
Private Equity	147,345	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	144,012	10 -12 years	Not applicable - no redemption ability
Other	8,358	Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.	-	Open Ended	Not applicable - no redemption ability

UNIVERSITY OF MISSOURI SYSTEM
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University of Missouri
Pension Trust Funds

Fair Value	Investment Strategy and Structure (1)	Unfunded Commitments	Fund Term (1)	Redemption Terms (1)
Commingled Funds (2):				
Absolute Return	\$ 440,220 Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1 -45 days notice
Risk Parity	306,006 An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1 - 90 days notice
Debt Securities	335,511 Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily, Weekly, and Monthly redemption
Equity Securities	589,223 Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1 -15 days notice
Real Estate	50,363 Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 45 days notice
Nonmarketable Alternative Funds (3):				
Real Estate	172,907 Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	119,557	10 -12 years	Not applicable - no redemption ability
Private Equity	317,721 Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.	360,699	10 -12 years	Not applicable - no redemption ability

(1) Information reflects a range of various terms from multiple investments.

(2) Commingled funds include investments that aggregate assets from multiple investors and are managed collectively following a prescribed strategy.

(3) Nonmarketable Alternative Funds. This generally refers to investments in private partnerships or investment funds focusing on equity or credit investments in private companies. The partnerships or funds generally have no redemption rights; the general partners of the respective funds issue capital calls and distributions. These funds generally provide the NAV or capital balances and changes quarterly or less frequently. Performance fees are generally collected by the general partner or investment manager only upon distributions of profits to investors.

UNIVERSITY OF MISSOURI SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 For the Years Ended June 30, 2016 and 2015

The unfunded commitments as of June 30, 2016 totaled \$213,242,000 and \$480,256,000 for the University and the Pension Trust Funds, respectively. There were no significant changes in the investment strategy, structure, and liquidity terms for the investments that were measured at NAV from June 30, 2015 to June 30, 2016. The unfunded commitments as of June 30, 2015 totaled \$196,052,000 and \$377,968,000 for the University and the Pension Trust Funds, respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015, are summarized as follows:

Table 5.1 - Accounts Receivable *(in thousands)*

	2016	2015
Grants and Contracts	\$ 64,626	\$ 58,359
Federal Appropriations	9,744	10,189
State Appropriations and State Bond Funds	10,037	2,422
Student Fees and Other Academic Charges	112,265	113,008
Patient Services, Net of Contractual Allowances	132,826	121,613
Subtotal	329,498	305,591
Less Provisions for Loss:		
Grants & Contracts	902	1,121
University Health Care Patient Services	15,249	18,889
Student Fees and Other Academic Charges	17,331	8,208
Subtotal	33,482	28,218
Total Accounts Receivable, Net	\$ 296,016	\$ 277,373

6. NOTES RECEIVABLE

Notes receivable generally consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2016 and 2015, are summarized as follows:

Table 6.1 - Notes Receivable *(in thousands)*

	2016	2015
Federal Health Profession Loans	\$ 18,526	\$ 19,484
Carl D. Perkins National Loans	28,450	29,831
University Loan Programs	15,293	16,380
Other	27,679	27,240
Subtotal	89,948	92,935
Less Provisions for Loss	4,909	4,736
Total Notes Receivable, Net	\$ 85,039	\$ 88,199

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

7. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2016 and 2015, is summarized as follows:

Table 7.1 - Capital Assets (in thousands)

	2016			2016
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 83,326	\$ 1,443	\$ (470)	\$ 84,299
Artwork and Historical Artifacts	14,813	538	-	15,351
Construction in Progress	157,244	3,583	-	160,827
Total Capital Assets, Nondepreciable	255,383	5,564	(470)	260,477
Capital Assets, Depreciable:				
Buildings and Improvements	3,640,793	199,852	(19,736)	3,820,909
Infrastructure	539,876	28,786	(106)	568,556
Equipment	812,923	44,966	(26,970)	830,919
Library Materials	267,240	1,689	-	268,929
Total Capital Assets, Depreciable	5,260,832	275,293	(46,812)	5,489,313
Less Accumulated Depreciation:				
Buildings and Improvements	1,359,528	104,462	(12,849)	1,451,141
Infrastructure	191,006	22,875	(57)	213,824
Equipment	583,828	59,132	(26,548)	616,412
Library Materials	183,842	3,827	-	187,669
Total Accumulated Depreciation	2,318,204	190,296	(39,454)	2,469,046
Total Capital Assets, Depreciable, Net	2,942,628	84,997	(7,358)	3,020,267
Total Capital Assets, Net	\$ 3,198,011	\$ 90,561	\$ (7,828)	\$ 3,280,744

	2015			2015
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 81,261	\$ 2,087	\$ (22)	\$ 83,326
Artwork and Historical Artifacts	14,358	455	-	14,813
Construction in Progress	234,949	(77,705)	-	157,244
Total Capital Assets, Nondepreciable	330,568	(75,163)	(22)	255,383
Capital Assets, Depreciable:				
Buildings and Improvements	3,462,383	215,322	(36,912)	3,640,793
Infrastructure	452,890	87,544	(558)	539,876
Equipment	807,401	50,598	(45,076)	812,923
Library Materials	263,068	4,172	-	267,240
Total Capital Assets, Depreciable	4,985,742	357,636	(82,546)	5,260,832
Less Accumulated Depreciation:				
Buildings and Improvements	1,286,695	99,864	(27,031)	1,359,528
Infrastructure	172,325	20,072	(1,391)	191,006
Equipment	555,928	68,487	(40,587)	583,828
Library Materials	178,190	5,652	-	183,842
Total Accumulated Depreciation	2,193,138	194,075	(69,009)	2,318,204
Total Capital Assets, Depreciable, Net	2,792,604	163,561	(13,537)	2,942,628
Total Capital Assets, Net	\$ 3,123,172	\$ 88,398	\$ (13,559)	\$ 3,198,011

UNIVERSITY OF MISSOURI SYSTEM
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The estimated cost to complete construction in progress at June 30, 2016, is \$718,376,000 of which \$373,153,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$151,728,000 of gifts and \$193,495,000 of debt proceeds and state appropriations.

Capital assets include a building facility under a capital lease of \$10,364,000 and related accumulated depreciation of \$8,167,000 and \$7,491,000 at June 30, 2016 and 2015, respectively.

DISCRETELY PRESENTED COMPONENT UNITS – MEDICAL ALLIANCE and CSS

Capital assets at June 30, 2016 and 2015 are summarized as follows:

Table 7.2 - Medical Alliance and CSS - Capital Assets (in thousands)

	2016	2015
Land & Improvements	\$ 9,244	\$ 8,070
Buildings	149,620	120,821
Movable Equipment	84,202	80,397
Construction in Progress	38	27,190
	243,104	236,478
Less Accumulated Depreciation	158,876	153,361
Total Capital Assets, Net	\$ 84,228	\$ 83,117

9. OTHER NONCURRENT LIABILITIES

Table 9.1 - Other Noncurrent Liabilities (in thousands)

Fiscal Year 2016	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 68,864	\$ 50,520	\$ (47,533)	\$ 71,851	\$ (53,389)	\$ 18,462
Accrued Self-Insurance Claims	87,746	247,331	(249,190)	85,887	(40,214)	45,673
	\$ 156,610	\$ 297,851	\$ (296,723)	\$ 157,738	\$ (93,603)	\$ 64,135

Fiscal Year 2015	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	\$ 67,113	\$ 45,297	\$ (43,546)	\$ 68,864	\$ (48,093)	\$ 20,771
Accrued Self-Insurance Claims	77,944	234,966	(225,164)	87,746	(41,444)	46,302
	\$ 145,057	\$ 280,263	\$ (268,710)	\$ 156,610	\$ (89,537)	\$ 67,073

8. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2016 and 2015 are summarized as follows:

Table 8.1 - Accrued Liabilities (in thousands)

	2016	2015
Accrued Salaries, Wages & Benefits	\$ 51,463	\$ 83,721
Accrued Vacation	53,389	48,093
Accrued Self Insurance Claims	40,214	41,444
Accrued Interest Payable	12,778	13,891
Total Accrued Liabilities	\$ 157,844	\$ 187,149

During fiscal year 2015, the University of Missouri implemented a Voluntary Separation Program for tenured faculty and academic administrators who are retirement eligible and at least 62 years old as of August 31, 2015. Participating employees will receive a one-time payment of 1.5 times their base salary, not to exceed \$200,000 in the fall of 2015. Eligible participants are allowed to be reemployed by the University on a part-time basis. As of June 30, 2015, accrued liabilities included \$18,271,000 for 111 tenured faculty and administrators who elected to participate in the program. The accrued liability represents the undiscounted amount of payments that will be made to eligible participants in the fall of 2015.

UNIVERSITY OF MISSOURI SYSTEM
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10. LONG-TERM DEBT

The University's outstanding debt at June 30, 2016 and 2015, with corresponding activity, is as follows:

Table 10.1 - Long-Term Debt *(in thousands)*

As of June 30, 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,451,885	\$ -	\$ (133,575)	\$ 1,318,310	\$ 29,925
System Facilities Revenue Bonds - Variable	99,445	-	(3,125)	96,320	96,320
Unamortized Premium	65,604	-	(9,906)	55,698	-
Net System Facilities Revenue Bonds	1,616,934	-	(146,606)	1,470,328	126,245
Notes Payable	32,499	2,367	(891)	33,975	956
Capital Lease Obligations	4,347	-	(893)	3,454	966
Commercial Paper	41,223	145,960	-	187,183	187,183
Total Long-Term Debt	\$ 1,695,003	\$ 148,327	\$ (148,390)	\$ 1,694,940	\$ 315,350

As of June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,320,525	\$ 150,000	\$ (18,640)	\$ 1,451,885	\$ 24,890
System Facilities Revenue Bonds - Variable	99,895	-	(450)	99,445	99,445
Unamortized Premium	72,556	-	(6,952)	65,604	-
Net System Facilities Revenue Bonds	1,492,976	150,000	(26,042)	1,616,934	124,335
Notes Payable	33,389	61	(951)	32,499	894
Capital Lease Obligations	5,166	-	(819)	4,347	890
Commercial Paper	71,572	14,640	(44,989)	41,223	41,223
Total Long-Term Debt	\$ 1,603,103	\$ 164,701	\$ (72,801)	\$ 1,695,003	\$ 167,342

System Facilities Revenue Bonds

System Facilities Revenue Bonds have provided financing for capital expansion or renovation of various University facilities. The principal and interest of the bonds are payable from, and secured by a first lien on and pledge of, designated revenues which include the following: a portion of tuition and fees, sales and services from the financed facilities, such as bookstore collections, housing and dining charges, patient services, and parking collections, as well as certain assessed fees, such as the recreational facility fees, stadium surcharges, and student center fees.

On November 6, 2014, the University issued \$150,000,000 in Series 2014B Taxable System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014B bonds are being used to fund additions, improvements and renovations to System Facilities, including housing, athletic, recreational and health care facilities, and paying the cost of issuance. The all-in-true interest cost of the Series 2014B bonds is 4.3%.

Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2016 and 2015 was \$73,523,000 and \$76,595,000, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30, 2016 and 2015, capitalization of interest earned on unspent bond proceeds totaled \$9,305,000 and \$8,944,000, respectively, resulting in net interest expense of \$64,218,000 and \$67,651,000, respectively. For the year ended June 30, 2016 and 2015, the University earned cash subsidy payments from the United States Treasury totaling \$9,749,000 and \$9,697,000, respectively, for designated Build America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position.

UNIVERSITY OF MISSOURI SYSTEM
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Table 10.2 - System Facilities Revenue Bonds *(in thousands)*

Series	Type	Weighted Avg. Cost of Capital at		Original Issue	Balance June 30,	
		June 30, 2016	Final Maturity		2016	2015
2006A	Fixed	N/A	11/1/2026	260,975	\$ -	\$ 118,590
2007A	Fixed	4.22%	11/1/2037	262,970	13,555	17,480
2009A (1)	Fixed	4.02%	11/1/2039	256,300	256,300	256,300
2009B	Fixed	3.44%	11/1/2021	75,760	42,075	48,340
2010A (1)	Fixed	3.90%	11/1/2041	252,285	252,285	252,285
2011	Fixed	3.49%	11/1/2027	54,125	43,635	47,900
2012A	Fixed	1.58%	11/1/2019	105,155	105,155	105,155
2013A	Fixed	2.24%	11/1/2023	11,325	10,795	11,325
2013B	Fixed	4.87%	11/1/2043	150,000	150,000	150,000
2014A	Fixed	3.21%	11/1/2037	294,510	294,510	294,510
2014B	Fixed	4.24%	11/1/2054	150,000	150,000	150,000
Total Fixed Rate Bonds				1,873,405	1,318,310	1,451,885
2007B	Variable	0.41% (2)	11/1/2031	102,250	96,320	99,445
Total Variable Rate Demand Bonds				102,250	96,320	99,445
Total System Facilities Revenue Bonds				\$ 1,975,655	\$ 1,414,630	\$ 1,551,330

(1) Taxable issue designated as Build America Bonds under the Internal Revenue Code of 1986, as amended.

(2) As of June 30, 2016; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bond Series 2007B is a variable rate demand bond with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing. The amount of current liabilities that represents the current principal maturities are \$3,250,000 and \$3,125,000 at June 30, 2016 and 2015, respectively.

In-substance defeased bonds aggregating \$283,960,000 and \$290,105,000 are outstanding at June 30, 2016 and 2015, respectively.

Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate debt, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds and commercial paper. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate debt to fixed rate debt. The University assumed a 2006 interest rate swap with a negative fair market value of \$9,799,000 on March 21, 2012 to which the counterparty was Bank of America, N.A. The 2006 swap was acquired in conjunction with the purchase of a housing and parking facility at the Kansas City campus. Table 10.3 presents the terms of the outstanding swaps and their fair values at June 30, 2016.

UNIVERSITY OF MISSOURI SYSTEM
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For the Years Ended June 30, 2016 and 2015

Table 10.3 - Interest Rate Swaps (*in thousands*)

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (16,667)	Aa3 / A+
Pay fixed; receive variable	49,300	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(12,470)	Baa2 / A-
Pay fixed; receive variable	96,320	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(26,195)	Aa3 / A+
Total	\$ 185,620				\$ (55,332)	

The 2002 and 2006 swaps do not specifically hedge any currently outstanding debt; rather, they serve to reduce the overall exposure to interest rate risk on the University's variable rate debt not otherwise specifically hedged. The notional amount of the 2002 swap is fixed over the life of the agreement. The notional amount of the 2006 swap decreases annually over the life of the swap. The 2007 swap specifically hedges System Facilities Revenue Bond Series 2007B, the effectiveness of which has been determined

using the synthetic instrument method. The notional amount of the 2007 swap is equal to the outstanding balance of the Series 2007B bonds.

The University recognizes the fair value and corresponding changes in fair value of the outstanding swaps in the University's financial statements. Changes in fair value of the outstanding swaps, with respective financial statement presentation, are presented in Table 10.4:

Table 10.4 - Interest Rate Swaps - Change in Fair Value (*in thousands*)

Type	Fair Value at June 30,		Fair Value on Acquisition	Change in Fair Value	Presentation of Change in Fair Value
	2016	2015			
2002 Swap - Investment Derivative	\$ (16,667)	\$ (11,537)	N/A	\$ (5,130)	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(12,470)	(9,845)	N/A	(2,625)	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(26,195)	(20,971)	N/A	(5,224)	Deferred Outflows of Resources
Total	\$ (55,332)	\$ (42,353)		\$ (12,979)	

Fair Value. There is a risk that the fair value of a swap could be adversely affected by changing market conditions. The fair values, developed using the zero coupon method with proprietary models, were prepared by the counterparties, JPMorgan Chase Bank, N.A., and Bank of America, N.A., major U.S. financial institutions. The zero coupon method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each net settlement of the swap. The fair value of the interest rate swaps is the estimated amount the University would have either (paid) or received if the swap agreements were terminated on June 30, 2016.

Credit Risk. Although the University has entered into the interest rate swaps with creditworthy financial institutions, there is credit risk for losses in the event of non-performance by the counterparties. Subject to applicable netting arrangements, swap contracts with positive fair values are exposed to credit risk. The University faces a maximum possible loss equivalent to the amount of the derivative's fair value. Subject to applicable netting arrangements, swaps with negative fair values are not exposed to credit risk. Collateral requirements apply to both parties for the 2002 and 2007 swaps and for the 2006 swap collateral requirements only apply to the counterparty. The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 10.5:

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Table 10.5 - Swap Collateral Requirements

Credit Rating (S&P / Moody's)	Fair Value Threshold (in thousands)
AAA/Aaa	\$ 50,000
AA+/Aa1	30,000
AA/Aa2	30,000
AA-/Aa3	20,000
A+/A1	20,000
A/A2	10,000
A-/A3	10,000
BBB+/Baa1	5,000

If the aggregate fair value of swaps outstanding with each counterparty is positive and exceeds the fair value threshold for the applicable credit rating, the counterparties are required to post collateral. If the aggregate fair value of the 2002 and 2007 swaps is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. As the negative aggregate fair value of the 2002 and 2007 swaps exceeded \$30,000,000 on June 30, 2016, which is the current fair value threshold for the University given a Moody's rating of Aa1, the University had collateral posted with the counterparty as required.

Basis Risk. The variable-rate payments received by the University on the 2007 swap are determined by 68% of one month LIBOR, whereas the interest rates paid by the University on its variable-rate bonds correspond to the SIFMA Index. The University is exposed to basis risk only to the extent that the historical relationship between these variable market rates changes going forward, resulting in a variable-rate payment received on the 2007 swap that is significantly less than the variable-rate interest payment on the bonds.

Termination Risk. The University is exposed to termination risk for the 2002 and 2007 interest rate swaps as the counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180

days is greater than 6.00%. The 2006 interest rate swap is not exposed to termination risk. The SIFMA Index was 0.41% at June 30, 2016.

Debt-Related Items Presented as Deferred Outflows of Resources

As required by GASB, the University recognizes certain debt-related items as deferred outflows of resources. The detail of the debt related items recognized as deferred outflows resources is presented in Table 10.6.

Table 10.6 - Debt-Related Deferred Outflows of Resources (in thousands)

	2016	2015
Swaps - Cash Flow Hedge	\$ 26,195	\$ 20,971
Loss on Bond Defeasance	21,851	28,182
Deferred Outflows of Resources	\$ 48,046	\$ 49,153

For the years ended June 30, 2016 and 2015 the amortization of the Loss on Bond Defeasance totaled \$2,704,000 and \$3,366,000, respectively, which increases interest expense.

Pledged Revenues and Debt Service Requirements

For fiscal years 2016 and 2015, annual debt service, including net payments on associated interest rate swaps, totaled \$104,788,000 and \$140,822,000, respectively. For fiscal years 2016 and 2015, System Facilities Pledged Revenue was twelve times greater than the annual debt service. Net System Facilities Revenue was 182% and 188% of annual debt service for fiscal years 2016 and 2015, respectively.

Table 10.7 provides the System Facilities pledged revenues and operating expenses.

Table 10.7 - System Facilities Pledged Revenues and Operating Expenses (in thousands)

	2016	2015
Pledged Revenues:		
Net Patient Revenue	\$ 1,012,410	\$ 942,160
Housing and Food Service	116,622	115,097
Bookstores	54,673	56,010
Net Tuition and Fees	23,006	23,761
Other Operating Revenue	33,124	33,973
Pledged Revenues	1,239,835	1,171,001
Operating Expenses	1,048,948	990,892
Net Revenues	\$ 190,887	\$ 180,109

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Table 10.8 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2016. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 10.8 - Future Debt Service - System Facilities Revenue Bonds (*in thousands*)

Fiscal Year	Principal	Interest	Hedging	Total Before	Investment	Total Future
			Derivatives, Net	Investment Derivatives	Derivatives, Net	Debt Service
2017	33,175	65,915	3,283	102,373	3,120	105,493
2018	31,565	64,723	3,097	99,385	3,089	102,474
2019	31,280	63,461	3,012	97,753	3,054	100,807
2020	137,735	59,828	2,921	200,484	3,016	203,500
2021	25,645	56,322	2,791	84,758	2,973	87,731
2022-2026	171,835	262,546	11,579	445,960	14,047	460,007
2027-2031	176,895	223,429	5,203	405,527	13,309	418,836
2032-2036	151,045	189,374	117	340,536	8,117	348,653
2037-2041	271,360	142,140	-	413,500	5,398	418,898
2042-2046	234,095	52,490	-	286,585	-	286,585
2047-2051	-	31,777	-	31,777	-	31,777
2052-2055	150,000	22,244	-	172,244	-	172,244
	\$ 1,414,630	\$ 1,234,249	\$ 32,003	\$ 2,680,882	\$ 56,123	\$ 2,737,005

Commercial Paper

During fiscal year 2016 the University issued \$108,685,000 to allow for the refunding of outstanding debt and \$37,275,000 for new building projects. During fiscal year 2015, \$14,640,000 was issued for the refunding of outstanding debt.

On October 21, 2011, the Board adopted a flexible financing program for the University referred to as the University's Commercial Paper Program ("CP Program"). The CP Program authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million in Commercial Paper Notes. The initial term of the authorization is approximately fifteen years.

The Commercial Paper Notes are limited obligations of the University secured by a pledge of the University's Unrestricted Revenues. "Unrestricted Revenues" includes state appropriations for general operations, student fee revenues, and all other operating revenues of the University other than System Facilities Revenues. The primary objective of the CP Program is to provide flexibility in managing the University's overall debt program to meet its various financial needs including: (a) financing capital projects, (b) allowing for the refunding/refinancing of

outstanding debt, and (c) providing a readily accessible source of funds for various working capital purposes.

Notes Payable

Notes payable consist of loans from the State Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 2.0% to 3.2%.

Rolla Renewable Energy Company, LLC, a wholly owned subsidiary of MREC, holds Qualified Low-Income Community Investment loan agreements with CCM Community Development LV, LLC (CCM) and Midwest Renewable Capital XIII, LLC (MRC). The proceeds of these notes are to develop, construct, own and lease the geothermal construction project. Interest is payable quarterly at 1.3% on the CCM note and 1.6% on the MRC note.

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The future payments on all notes payable at June 30, 2016, are as follows:

Table 10.9 - Future Notes Payable Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2017	1,512
2018	1,513
2019	1,410
2020	1,636
2021	2,491
2022-2026	7,915
2027-2031	7,201
2032-2036	7,201
2037-2041	7,201
2042-2044	2,704
Total Future Notes Payable Payments	40,784
Less: Amount Representing Interest	(6,809)
Future Notes Payable	
Principal Payments	\$ 33,975

Capital Lease Obligations

The University leases various facilities and equipment through capital leases. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2016, are as follows:

Table 10.10 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2017	1,563
2018	1,563
2019	1,563
2020	390
Total Future Minimum Payments	5,079
Less: Amount Representing Interest	(1,625)
Present Value of Future Minimum Lease Payments	\$ 3,454

Discretionary Line of Credit

The University maintained a \$40 million line of credit to finance short term working capital needs, which matured March 1, 2016. There was no activity on this line of credit for the years ended June 30, 2016 and 2015.

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DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance’s outstanding debt at June 30, 2016 and 2015, with corresponding activity, is as follows:

Table 10.11 - Long-Term Debt - Medical Alliance (*in thousands*)

As of June 30, 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 2011	\$ 27,585	\$ -	\$ (1,840)	\$ 25,745	\$ 1,885
Total Bonds Payable	27,585	-	(1,840)	25,745	1,885
Guaranteed Debt Outstanding	2,346	361	(152)	2,555	89
Total Long-Term Debt	\$ 29,931	\$ 361	\$ (1,992)	\$ 28,300	\$ 1,974

As of June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 2011	\$ 29,380	\$ -	\$ (1,795)	\$ 27,585	\$ 1,840
Total Bonds Payable	29,380	-	(1,795)	27,585	1,840
Guaranteed Debt Outstanding	-	2,346	-	2,346	152
Total Long-Term Debt	\$ 29,380	\$ 2,346	\$ (1,795)	\$ 29,931	\$ 1,992

Bonds Payable

Tax-exempt revenue bonds (Series 2011 Bonds) in the principal amount of \$32,835,000 were issued by the Health and Education Facilities Authority of the State of Missouri (the Authority) on behalf of the Medical Alliance dated November 1, 2011. The proceeds were used to refund all of the outstanding Series 1998 and 2004 Bonds and costs of issuance. The premium and the deferred financing costs on the Series 2011 Bonds are amortized on the effective interest method over the life of the respective bonds. The Series 2011 Bonds are secured by the unrestricted receivables of the Medical Alliance. Under the terms of the Master Indenture, the Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. In addition, the Master Indenture contains certain restrictions on the operations and activities of the Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture.

The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2021 for the Series 2011 bonds. Interest expense incurred on the bonds during the years ended June 30, 2016 and 2015 was \$1,069,000 and \$1,111,000, respectively, of which \$265,000 and \$503,000, respectively, in interest was capitalized.

As of June 30, 2016, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 10.12 - Future Debt Service - Medical Alliance (*in thousands*)

Fiscal Year	Principal	Interest	Total
2017	1,885	992	2,877
2018	1,930	939	2,869
2019	1,995	877	2,872
2020	2,055	809	2,864
2021	2,125	733	2,858
2022-2026	11,980	2,281	14,261
2027-2029	3,775	147	3,922
	\$ 25,745	\$ 6,778	\$ 32,523

Debt Guarantee of Related Entity

During fiscal year 2015, the University acquired a minority ownership interest in Fulton Medical Center, LLC. As a part of the acquisition, The Medical Alliance agreed to guarantee a portion of Fulton Medical Center’s outstanding debt, which amounted to \$2,555,000 and \$2,346,000 as of June 30, 2016 and 2015, respectively. This amount is reflected as a liability on the Medical Alliance’s Statement of Net Position. The maximum amount of the guaranty is

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\$2,751,000 and the guaranty expires with maturity of each debt instrument, with \$350,000 for a revolving line of credit due in FY 2016 and 2,401,000 for a mortgage and equipment loan due in FY 2020. The mortgage is secured by the property and the equipment loan is secured by the hospital's related equipment, however, the Medical Alliance is unable to estimate the extent to which the collateral would cover the guaranty.

11. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; and various medically related benefit programs for employees. The University funds these losses through a combination of self-insured retentions and commercially purchased insurance. The amount of self-insurance funds and commercial insurance maintained are based upon analysis of historical information and actuarial estimates. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The liability for self-insurance claims at June 30, 2016 and 2015 of \$85,887,000 and \$87,746,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.0% to 3.8%, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2016 and 2015 were as follows and are included in accrued liabilities (current) and other noncurrent liabilities:

Table 11.1 - Self-Insurance Claims

Liability (in thousands)				
Fiscal Year	Beginning of Year	New Claims		End of Year
		and Changes in Estimates	Claim Payments	
2016	\$ 87,746	\$ 247,331	\$ (249,190)	\$85,887
2015	\$ 77,944	\$ 234,966	\$ (225,164)	\$87,746

12. COMMITMENTS AND CONTINGENCES

University Operating Leases

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expense for the years ended June 30, 2016 and 2015 were \$20,362,000 and \$23,479,000, respectively. Future

minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2016, are as follows:

Table 12.1 - Future Operating Lease Payments

Fiscal Year	Amount (in thousands)
2017	7,011
2018	4,395
2019	3,437
2020	2,125
2021	957
2022	2,437
Total Future Lease Payments	\$ 20,362

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of MU Health Care's information technology environment. As of January 2010, MU Health Care began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between MU Health Care and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute is not a legally separate entity and is included within the financial statements of the University. The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2016, this contracted commitment totaled \$215,290,000 and will be paid in the following amounts: \$20,856,000 in 2017, \$21,564,000 in 2018, \$22,296,000 in 2019, \$23,052,000 in 2020, \$23,834,000 in 2021 and \$103,688,000 in 2022 through 2025.

Pollution Remediation

The University has been working with the Voluntary Cleanup Program of the Missouri Department of Natural Resources (MDNR) to characterize subsurface contamination on a University owned property. The University has received the results of the two-year sampling process in fiscal year 2016. The University is awaiting a determination from MDNR. The site is now on the National

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Regulatory Commission (NRC) license and must be decommissioned. A sampling plan of the current status related to the decommissioning will be submitted to NRC in fiscal year 2017. Long term costs will depend on the results of a sampling process to be proposed. As a result, the University is unable to estimate future costs on cleanup of the site at this time. The University has not commenced any actions requiring the recognition of a liability for this property.

Radiology and Other Health Care Matters

Beginning in November 2011, the University investigated allegations of improper billings after learning that a federal investigation led by the U.S. Attorney’s Office was under way. The University’s investigation identified improper billings by two radiologists. The University cooperated with the investigation of the U.S. Attorney’s Office in an effort to achieve a resolution of the matter. A settlement was executed on June 30, 2016 with the University agreeing to pay \$2,200,000. Also, the University has reviewed other potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. A settlement was executed with the University agreeing to pay \$3,051,000 for these matters. Both settlements were paid during early fiscal year 2017.

Charitable Gift Annuities

A charitable gift annuity is a contractual agreement between one or two donors (typically husband and wife) and a charity. The donor(s) transfers assets as a gift to the charity, and in return the charity is obligated to pay a fixed annuity to one or two annuitants, of the donor(s)’ choosing, for the life of the donor(s). As part of the University’s “Planned Giving” program, the University enters into Charitable Gift Annuity contracts with donors. The University’s liability related to the annuity obligations was \$6,958,000 and \$6,694,000 at June 30, 2016 and 2015, respectively.

Settlement Agreement

In September of 2014, the University of Missouri, Santarus, Inc., Salix Pharmaceuticals, Inc., and Par Pharmaceutical, Inc. entered into a settlement agreement regarding Santarus, Inc. et al v. Par Pharmaceutical, Inc. (the “Zegerid® Patent Litigation”). The Zegerid® Patent Litigation consisted of civil actions for infringement of patents covering certain Zegerid® products brought by the University and Santarus against Par in the U.S. District Court. As a part of the

Settlement Agreement, Par made a one-time payment of \$100 million to an escrow account approved by Santarus and the University, and these funds were allocated between Santarus and the University pursuant to the terms of the Exclusive License Agreement between Santarus and the University. For the year ended June 30, 2015, the University recognized a gain for the net amount of the settlement in non-operating revenues.

13. RETIREMENT, DISABILITY, AND DEATH BENEFIT PLAN

DEFINED BENEFIT PLAN

Plan Description – the Retirement Plan is a single-employer, defined benefit plan for all qualified employees. As authorized by Section 172.300, Revised Statutes of Missouri, the University’s Board of Curators administers the Retirement Plan and establishes its terms.

Benefits provided - Full-time employees vest in the Retirement Plan after five years of credited service and become eligible for benefits based on age and years of service. A vested employee who retires at age 65 or older is eligible for a lifetime annuity calculated at a certain rate times the credited service years times the compensation base (average compensation for the five highest consecutive salary years). The rate is 2.2% if the employee was hired before October 1, 2012, or 1.0% if the employee was hired after September 30, 2012. Academic members who provide summer teaching and research service receive additional summer service credit. The Board of Curators may periodically approve increases to the benefits paid to existing pensioners. However, vested members who leave the University prior to eligibility for retirement are not eligible for these pension increases.

Table 13.1 - Retirement Plan Membership

	2016	2015
Active Members	18,445	18,407
Inactive Vested Members	4,126	4,305
Pensioners and Beneficiaries	8,790	8,320
Total Members	31,361	31,032

Vested employees who are at least age 55 and have ten years or more of credited service or age 60 with at least five years of service may choose early retirement with a reduced benefit. However, if the employee retires at age 62 and has at least 25 years of credited service, the benefit is not reduced. Up to 30% of the retirement annuity can be

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taken in a lump sum payment. In addition, the standard annuity can be exchanged for an actuarially-equivalent annuity selected from an array of options with joint and survivor, period certain, and guaranteed annual increase features.

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer's qualified plan that accepts such rollovers. The actuarial equivalent may also be taken in the form of a lump sum payment.

In addition, the Retirement Plan allows vested employees who become disabled to continue accruing service credit until they retire. It also provides a pre-retirement death benefit for vested employees.

The Retirement Plan provides a minimum value feature for vested employees who terminate or retire. The minimum value is calculated as the actuarial equivalent of 5% of the employee's eligible compensation invested at 7.5% per credited service year or the regularly calculated benefit.

Basis of Accounting – The Retirement Plan's accounting records are prepared using the accrual basis of accounting. Employer contributions to the Retirement Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Retirement Plan. The Retirement Plan does not issue a separate financial report.

Investment Valuation – Investments are reported at fair value.

Contributions – The University's contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement (ARC). The ARC for those employees hired before October 1, 2012 averaged 9.6% and 10.0% of covered payroll for the years ending June 30, 2016 and 2015, respectively. The ARC for those employees hired after September 30, 2012 averaged 5.7% and 6.1% of covered payroll for the years ended June 30, 2016 and 2015, respectively. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

Net Pension Liability –The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2015. Roll-forward procedures were used to measure the Retirement Plan's net pension liability as of June 30, 2016.

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Table 13.2 Changes in the Net Pension Liability *(in thousands)*

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at June 30, 2015	\$3,763,573	\$3,302,850	\$460,723
Changes for the year:			
Service cost	68,328	-	68,328
Interest	288,438	-	288,438
Differences between expected and actual experience	(38,227)	-	(38,227)
Contributions – employer		99,454	(99,454)
Contributions – employee	-	14,976	(14,976)
Net investment income	-	6,646	(6,646)
Benefit payments, including refunds of employee contributions	(203,300)	(203,300)	-
Net changes	115,239	(82,224)	197,463
Balances at June 30, 2016	\$3,878,812	\$3,220,626	\$658,186

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at June 30, 2014	\$3,586,499	\$3,332,695	\$253,804
Changes for the year:			
Service cost	70,574	-	70,574
Interest	275,762	-	275,762
Differences between expected and actual experience	13,226	-	13,226
Contributions – employer	-	103,895	(103,895)
Contributions – employee	-	14,486	(14,486)
Net investment income	-	36,412	(36,412)
Benefit payments, including refunds of employee contributions	(182,488)	(182,488)	-
Other changes	-	(2,150)	2,150
Net changes	177,074	(29,845)	206,919
Balances at June 30, 2015	\$3,763,573	\$3,302,850	\$460,723

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Actuarial Methods and Assumptions – The October 1, 2015 actuarial valuation utilized the entry age actuarial cost method. Actuarial assumptions included:

Inflation	2.75%
Rate of Investment Return net of administrative expenses (including inflation)	7.75%
Projected salary increases (Including inflation)	4.1- 4.9%
Cost-of-living adjustments	0%

For purposes of determining actuarially required contributions, the actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a 5-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 28 years from the October 1, 2015 valuation date. Mortality rates were based on the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results the most recent quinquennial study of the University’s own experience covering 2008 to 2012.

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2015 actuarial valuation, a 7.75% discount rate was used.

Table 13.3 Sensitivity of the Net Liability to Changes in the Discount
(in thousands)

		2016 Net	2015 Net
		Pension	Pension
	Rate	Liability	Liability
1% Decrease	6.75%	\$1,129,237	\$922,713
Current Rate	7.75%	658,186	460,723
1% Increase	8.75%	259,235	69,412

Annual Rate of Return- The annual money-weighted rate of return is calculated as the internal rate of return on pension investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return (loss) on pension plan investments for the years ended June 30, 2016 and 2015 was (0.8%) and 0.7%, respectively.

Table 13.4 - Asset Class Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic large cap equity	18%	6.5%
Domestic small cap equity	2%	6.5%
Domestic fixed income	3%	1.7%
International equity	19%	6.7%
Emerging markets equity	6%	9.3%
International fixed income	4%	1.8%
Real estate	6%	4.3%
Private equity	10%	11.6%
Absolute return strategies	8%	4.1%
High yield fixed income	10%	4.1%
Emerging markets fixed income	6%	4.5%
Treasury inflation protection	2%	1.7%
Floating rate bank loans	4%	2.6%
Global inflation-linked bonds	2%	1.7%
	100%	

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Pension Expense- For the years ended June 30, 2016 and 2015, the Retirement Plan recognized pension expense of \$132,641,000 and \$76,492,000, respectively. Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected

earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflows/inflows of resources and recognized in pension expense over a five year period.

The pension expense for the years ended June 30, 2016 and 2015 is summarized as follows:

Table 13.5 Pension Expense (*in thousands*)

	2016	2015
Service cost	\$68,328	\$70,574
Interest	288,438	275,762
Recognized portion of current-period difference between expected and actual experience	(6,175)	2,127
Contributions – employee	(14,976)	(14,486)
Projected earnings on pension plan investments	(251,871)	(255,210)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	49,045	44,190
Recognition of deferred outflows of resources	2,127	-
Recognition of deferred inflows of resources	(2,275)	(46,465)
Pension expense for fiscal year ended June 30,	\$132,641	\$76,492

Deferred Outflows/Inflows of Resources- In accordance with GASB Statements No. 67 and 68, the University recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors,

and the difference between actual and expected investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2016 and 2015, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Table 13.6 Deferred outflows/inflows of resources related to pensions (*in thousands*)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
	2016	2016	2015
As of June 30,			
Differences between expected and actual experience	8,972	32,052	11,099
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Net difference between projected and actual earnings on pension plan investments	235,818	-	37,363
Total	244,790	32,052	48,462

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The University recognizes differences between actual and expected investment performance included in deferred outflows/inflows of resources on a straight-line basis over five years. Differences between expected and actual experience on actuarial assumptions are amortized over the average expected remaining service life of the University's employees. The following table summarizes the future recognition of these items:

Table 13.7 Projected recognition of deferred outflows/(inflows) *(in thousands)*

Year Ended June 30, 2016	Recognition
2017	42,721
2018	42,721
2019	89,187
2020	44,997
2021	(5,709)
Thereafter	(1,179)
Total	212,738

DEFINED CONTRIBUTION PLAN

Plan Description - Employees hired after September 30, 2012 participate in a single employer, defined contribution plan. Each year the University contributes 2% of each employee's eligible salary to a 401(a) plan. Employees are able to contribute to a 457(b) plan. The University will match up to 3% of the employee's contribution to the 457(b) plan with the University's match funds going into the 401(a) plan. Employees are immediately 100% vested in their contributions. The University's base contribution and matching contributions vest following three years of consecutive or nonconsecutive service. The defined contribution plan recognized \$12,831,000 and \$8,621,000 of pension expense and \$933,000 and \$582,000 of forfeitures for the years ended June 30, 2016 and 2015, respectively.

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description - In addition to the pension benefits described in Note 13, the University operates a single-employer, defined benefit postemployment plan. The University's Other Postemployment Benefits (OPEB) Plan provides postemployment medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As of June 30, 2016 and 2015, 7,432 and 7,081 retirees, respectively, were receiving benefits, and an estimated 12,134 active University

employees may become eligible to receive future benefits under the plan. Postemployment medical, dental and life insurance benefits are also provided to long-term disability claimants who were vested in the University's Retirement Plan at the date the disability began, provided the onset date of the disability was on or after September 1, 1990. As of June 30, 2016 and 2015, 187 and 210 long-term disability claimants, respectively, met those eligibility requirements. The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators.

Plan Change in Fiscal Year 2016 - In April of 2016, the University's Board of Curators approved new plan provisions for retiree insurance offerings available to current employees upon their retirement that would reduce the University's actuarial accrued liability. The new plan provisions gradually move from an insurance program to a subsidy that can be used by the retiree to purchase one of the University's health insurance plans, which will be phased out resulting in no retiree insurance program for certain employees.

As of January 1, 2018, employees must be 60 years old and have 20 years of service at the date of retirement to access a subsidy for retiree insurance. The amount of the subsidy will vary depending on the employee's age and years of service as of the January 1, 2018 date. Employees with age plus years of service greater than 80 as of January 1, 2018 will receive the current plan insurance structure. Employees with age plus years of service less than 80 but with more than 5 years of service as of January 1, 2018 will receive a subsidy of \$100 per year of service up to a maximum of \$2,500. Employees with less than 5 years of service as of January 1 2018 will not receive an insurance subsidy or be eligible to participate in the University's plans.

As a result of the changes, the plan reduced the Accrued Actuarial Liability by \$170,097,000. This change will be amortized into the Unfunded Actuarial Liability over a period of 30 years.

Plan Change in Fiscal Year 2015 - In December of 2015, the University moved from a self-funded plan to a fully insured plan for long-term disability (LTD) with a separate carrier. As a part of the change, the University also moved existing claimants to the same vendor. In the Statement of Changes in Plan Net Position for the Year Ended June 30 2015, the expense of \$15,934,000 to move to a fully insured plan is reflected in "Payments to Retirees and Beneficiaries."

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Basis of Accounting – The OPEB Plan’s accounting records are prepared using the accrual basis of accounting, in accordance with GASB Statements No. 43 and No. 45, which established requirements for financial reporting for postemployment benefits other than pension plans. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

Contributions and Reserves – Contribution requirements of employees and the University are established and may be amended by the University’s Board of Curators. For employees retiring prior to September 1, 1990, the University contributes 2/3 of the medical benefits premium and 1/2 of the dental plan premium. For employees who retired on or after September 1, 1990, the University contributes toward premiums based on the employee’s length of service and age at retirement.

The University makes available two group term life insurance options. Option A coverage is equal to the retiree’s salary at the date of retirement, while Option B is equal to two times that amount. For each Option, graded decreases in coverage are made when the retiree attains specific age levels. The University pays the full cost of Option A and approximately 91% of the cost of Option B coverage. Coverage for group term life insurance ends on January 1 following the retiree’s 70th birthday.

For the year ended June 30, 2016 and 2015, participants contributed \$16,844,000 and \$16,212,000, or approximately 46.8% and 45.3% respectively, of total premiums through their required contributions, which vary depending on the plan and coverage selection.

The University makes available two long-term disability options to its employees. Option A coverage is equal to 60% of the employee’s salary on the date the disability began, when integrated with benefits from all other sources. Option B coverage is equal to 66-2/3% of the employee’s salary, integrated so that benefits from all sources will not exceed 85% of the employee’s salary. Both options have a 149-day waiting period and provide benefits until age 65. The University pays the full cost of the Option A premium, while employees enrolled in Option B pay the additional cost over the Optional A premium.

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its

employees’ years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal years 2016 and 2015, the University contributed \$26,207,000 and \$25,709,000, or 90.4% and 44.0% of the ARC, respectively. The ARC, which was \$28,866,000 and \$58,512,000 for fiscal years 2016 and 2015, represented 2.5% and 5.3% of annual covered payroll, respectively.

Table 14.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2016:

Table 14.1 - Changes in Net OPEB Obligation
(in thousands)

	2016	2015
Annual Required Contribution	\$ 28,866	\$ 58,512
Interest on Existing Net OPEB Obligation	9,231	7,082
ARC Adjustment	(9,111)	(7,132)
Annual OPEB Cost	28,986	58,462
Contributions Made	(26,207)	(25,709)
Increase in net OPEB obligation	2,779	32,753
Net OPEB obligation - beginning of year	209,793	177,040
Net OPEB obligation - June 30, 2016	\$212,572	\$ 209,793

Funding Status and Funding Progress – As of July 1, 2015, the date of the last valuation, the OPEB Plan was 7.2% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$513,464,000, with \$36,843,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$476,621,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,157,156,000, and the ratio of UAAL to covered payroll was 41.2%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision of actual results, are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits The University's annual OPEB cost and net OPEB obligation to the OPEB Plan for the current year, along with three-year trend information, were as follows:

for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

Table 14.2 - OPEB Plan Three-Year Trend Information *(in thousands)*

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2016	\$ 28,866	\$ 28,986	\$ 26,207	90.4%	\$ 212,572
6/30/2015	58,512	58,462	25,709	44.0%	209,793
6/30/2014	59,965	59,925	25,094	41.9%	177,040

Actuarial Methods and Assumptions - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The projected unit credit actuarial cost method was used in the July 1, 2015 actuarial valuation.

Actuarial assumptions included a 4.4% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 5.0% to 8.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

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15. BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit as of and for the years ended June 30, 2016 and 2015 are presented as follows:

Table 15.1 - Missouri Renewable Energy Corporation Condensed Financial Statements (*in thousands*)

Condensed Statement of Net Position	2016			2015		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Assets:						
Current Assets	\$ 3,818	\$ (40)	\$ 3,778	\$ 483	\$ -	\$ 483
Non Current Other Assets	7,198	20,106	\$ 27,304	2,420	20,982	\$ 23,402
Capital Assets, Net	119,876	(11,105)	108,771	124,642	(11,105)	113,537
Total Assets	\$ 130,892	\$ 8,961	\$ 139,853	\$ 127,545	\$ 9,877	\$ 137,422
Liabilities:						
Current Liabilities	\$ 1,915	\$ (1,201)	\$ 714	\$ 1,848	\$ (1,309)	\$ 539
Noncurrent Liabilities	116,619	(66,564)	50,055	115,154	(72,494)	42,660
Total Liabilities	118,534	(67,765)	50,769	117,002	(73,803)	43,199
Net Position:						
Net Investment in Capital Assets	23,539	56,606	80,145	22,275	62,698	84,973
Restricted -						
Nonexpendable	-	-	-	-	-	-
Expendable	(11,181)	20,120	8,939	(11,732)	20,982	9,250
Unrestricted	-	-	-	-	-	-
Total Net Position	12,358	76,726	89,084	10,543	83,680	94,223
Total Liabilities and Net Position	\$ 130,892	\$ 8,961	\$ 139,853	\$ 127,545	\$ 9,877	\$ 137,422
Condensed Statement of Revenues, Expenses and Changes in Net Position						
	2016			2015		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Operating Revenues:						
Other Operating Revenue	\$ 7,429	\$ (6,772)	\$ 657	\$ 6,271	\$ (5,784)	\$ 487
Total Operating Revenues	7,429	(6,772)	657	6,271	(5,784)	487
Operating Expenses:						
Depreciation	4,766	-	4,766	4,364	-	4,364
All Other Operating Expenses	4,750	(4,203)	547	4,765	(4,183)	582
Total Operating Expenses	9,516	(4,203)	5,313	9,129	(4,183)	4,946
Operating Income (Loss)	(2,087)	(2,569)	(4,656)	(2,858)	(1,601)	(4,459)
Provision for Income Tax Benefit (Expense)	587	-	587	936	-	936
Capital Contribution (Distribution)	3,315	(4,385)	(1,070)	(2,880)	(14,426)	(17,306)
Increase (Decrease) in Net Position	1,815	(6,954)	(5,139)	(4,802)	(16,027)	(20,829)
Net Position, Beginning of Year	10,543	83,680	94,223	15,345	99,707	115,052
Net Position, End of Year	\$ 12,358	\$ 76,726	\$ 89,084	\$ 10,543	\$ 83,680	\$ 94,223
Condensed Statement of Cash Flows						
	2016			2015		
	MREC	Eliminations	Total	MREC	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ 8,431	\$ (5,159)	\$ 3,272	\$ 4,441	\$ (4,597)	\$ (156)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(5,136)	5,159	23	(14,675)	4,597	(10,078)
Net Increase in Cash and Cash Equivalents	3,295	-	3,295	(10,234)	-	(10,234)
Cash and Cash Equivalents, Beginning of Year	483	-	483	10,717	-	10,717
Cash and Cash Equivalents, End of Year	\$ 3,778	\$ -	\$ 3,778	\$ 483	\$ -	\$ 483

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16. DISCRETELY PRESENTED COMPONENT UNITS

Condensed combining information for the University's discretely presented component units as of and for the years ended June 30, 2016 and 2015 are presented as follows:

Table 16.1 - Discretely Presented Component Units Condensed Financial Statements *(in thousands)*

Condensed Statement of Net Position	2016			2015		
	Medical Alliance	CSS	Total	Medical Alliance	CSS	Total
Assets:						
Current Assets	\$ 39,671	\$ 904	\$ 40,575	\$ 40,060	\$ 194	\$ 40,254
Non Current Other Assets	61,010	-	\$ 61,010	68,482	-	\$ 68,482
Capital Assets, Net	84,103	125	84,228	82,958	159	83,117
Total Assets	\$ 184,784	\$ 1,029	\$ 185,813	\$ 191,500	\$ 353	\$ 191,853
Liabilities:						
Current Liabilities	\$ 18,908	\$ 743	\$ 19,651	\$ 24,799	\$ -	\$ 24,799
Noncurrent Liabilities	33,726	-	33,726	34,945	-	34,945
Total Liabilities	52,634	743	53,377	59,744	-	59,744
Net Position:						
Net Investment in Capital Assets	56,076	125	56,201	53,270	159	53,429
Restricted -						
Nonexpendable	-	-	-	-	-	-
Expendable	3,981	-	3,981	4,297	-	4,297
Unrestricted	72,093	161	72,254	74,189	194	74,383
Total Net Position	132,150	286	132,436	131,756	353	132,109
Total Liabilities and Net Position	\$ 184,784	\$ 1,029	\$ 185,813	\$ 191,500	\$ 353	\$ 191,853
Condensed Statement of Revenues, Expenses and Changes in Net Position	2016			2015		
	Medical Alliance	CSS	Total	Medical Alliance	CSS	Total
Operating Revenues:						
Other Operating Revenue	\$ 179,320	\$ 6,191	\$ 185,511	\$ 166,437	\$ -	\$ 166,437
Total Operating Revenues	179,320	6,191	185,511	166,437	-	166,437
Operating Expenses:						
Depreciation	11,400	34	11,434	9,895	-	9,895
All Other Operating Expenses	168,315	8,499	176,814	155,830	147	155,977
Total Operating Expenses	179,715	8,533	188,248	165,725	147	165,872
Operating Income (Loss)	(395)	(2,342)	(2,737)	712	(147)	565
Nonoperating Revenues (Expenses)	789	2,275	3,064	860	-	860
Increase in Net Position	394	(67)	327	1,572	(147)	1,425
Net Position, Beginning of Year	131,756	353	132,109	130,184	500	130,684
Net Position, End of Year	\$ 132,150	\$ 286	\$ 132,436	\$ 131,756	\$ 353	\$ 132,109

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For the Years Ended June 30, 2016 and 2015

17. OPERATING EXPENSES BY FUNCTION

The operating expenses of the University are presented based on natural expenditure classifications. The University's operating expenses by functional classification are as follows:

Table 17.1 - Operating Expenses by Functional and Natural Classifications (*in thousands*)

Fiscal Year Ended June 30, 2016	Salaries and		Supplies, Services and	Scholarships and	Depreciation	Total
	Wages	Benefits	Other	Fellowships		
Instruction	\$ 435,544	\$ 130,969	\$ 77,359	\$ -	\$ -	\$ 643,872
Research	99,997	25,669	68,579	-	-	194,245
Public Service	83,575	26,386	48,974	-	-	158,935
Academic Support	84,731	28,113	43,823	-	-	156,667
Student Services	50,395	15,774	32,963	-	-	99,132
Institutional Support	120,148	48,453	(19,133)	-	-	149,468
Operation and Maintenance of Plant	37,161	14,078	48,136	-	-	99,375
Auxiliary Enterprises	528,622	151,870	590,764	-	-	1,271,256
Scholarships and Fellowships	-	-	-	70,353	-	70,353
Depreciation	-	-	-	-	190,296	190,296
Total Operating Expenses	\$ 1,440,173	\$ 441,312	\$ 891,465	\$ 70,353	\$ 190,296	\$ 3,033,599

Fiscal Year Ended June 30, 2015	Salaries and		Supplies, Services and	Scholarships and	Depreciation	Total
	Wages	Benefits	Other	Fellowships		
Instruction	\$ 436,751	\$ 114,929	\$ 87,237	\$ -	\$ -	\$ 638,917
Research	100,292	23,032	66,015	-	-	189,339
Public Service	80,897	22,952	49,643	-	-	153,492
Academic Support	82,257	24,296	40,850	-	-	147,403
Student Services	48,980	13,580	30,069	-	-	92,629
Institutional Support	114,210	41,050	(26,487)	-	-	128,773
Operation and Maintenance of Plant	38,383	11,934	53,888	-	-	104,205
Auxiliary Enterprises	505,658	145,113	557,724	-	-	1,208,495
Scholarships and Fellowships	-	-	-	66,860	-	66,860
Depreciation	-	-	-	-	194,075	194,075
Total Operating Expenses	\$ 1,407,428	\$ 396,886	\$ 858,939	\$ 66,860	\$ 194,075	\$ 2,924,188

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

18. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

Combining financial statements for the Fiduciary Funds – Pension Trust Funds, which encompass the Retirement Trust and OPEB Trust, are as follows:

Table 18.1 - Statement of Fiduciary Net Position *(in thousands)*

	2016			2015		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Assets						
Cash and Cash Equivalents	\$ 223,263	\$ 10,374	\$ 233,637	\$ 112,763	\$ 11,977	\$ 124,740
Investment of Cash Collateral	98,660	-	98,660	135,813	-	135,813
Investment Settlements Receivable	85,169	-	85,169	75,732	-	75,732
Investments:						
Debt Securities	594,844	-	594,844	409,975	-	409,975
Equity Securities	175,639	-	175,639	536,992	-	536,992
Commingled Funds	1,714,662	24,771	1,739,433	1,906,828	24,867	1,931,695
Nonmarketable Alternative Investments	490,628	-	490,628	360,270	-	360,270
Total Assets	3,382,865	35,145	3,418,010	3,538,373	36,844	3,575,217
Liabilities						
Accounts Payable and Accrued Liabilities	-	-	-	-	1,985	1,985
Collateral Held for Securities Lending	98,660	-	98,660	135,813	-	135,813
Investment Settlements Payable	63,579	-	63,579	99,710	35	99,745
Total Liabilities	162,239	-	162,239	235,523	2,020	237,543
Net Position Held in Trust for Retirement and OPEB						
	\$ 3,220,626	\$ 35,145	\$ 3,255,771	\$ 3,302,850	\$ 34,824	\$ 3,337,674

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Table 18.2 - Statement of Changes in Fiduciary Net Position *(in thousands)*

	2016			2015		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Additions						
Investment Income:						
Interest and Dividend Income	\$ 38,558	\$ 437	\$ 38,995	\$ 51,883	\$ 772	\$ 52,655
Net Appreciation (Depreciation) in						
Fair Value of Investments	(18,250)	(366)	(18,616)	(6,729)	(1,642)	(8,371)
Less Investment Expense	(10,330)	(4)	(10,334)	(8,742)	(4)	(8,746)
Net Investment Income	9,978	67	10,045	36,412	(874)	35,538
Contributions:						
University	99,454	26,207	125,661	103,895	25,709	129,604
Members	14,976	16,844	31,820	14,486	16,212	30,698
Total Contributions	114,430	43,051	157,481	118,381	41,921	160,302
Total Additions	124,408	43,118	167,526	154,793	41,047	195,840
Deductions						
Administrative Expenses	3,332	969	4,301	2,150	1,003	3,153
Payments to Retirees and Beneficiaries	203,300	41,828	245,128	182,488	56,851	239,339
Total Deductions	206,632	42,797	249,429	184,638	57,854	242,492
Increase (decrease) in Net Position Held						
in Trust for Retirement and OPEB	(82,224)	321	(81,903)	(29,845)	(16,807)	(46,652)
Net Position Held in Trust for						
Retirement & OPEB, Beginning of Year	3,302,850	34,824	3,337,674	3,332,695	51,631	3,384,326
Net Position Held in Trust for						
Retirement and OPEB, End of Year	\$ 3,220,626	\$ 35,145	\$ 3,255,771	\$ 3,302,850	\$ 34,824	\$ 3,337,674

19. SUBSEQUENT EVENTS

The University has evaluated subsequent events through the date of the Independent Auditor's Report, which is the date of the University's financial statements were available to be issued and determined that there were no subsequent events.

UNIVERSITY OF MISSOURI SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Years Ended June 30, 2016 and 2015
 (unaudited)

Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years *(in thousands)*

	Fiscal Year End June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total pension liability										
Service cost	\$68,328	\$70,574	\$71,995							
Interest	288,438	275,762	263,566							
Differences between expected and actual experience	(38,227)	13,226	--							
Changes of assumptions	--	--	--							
Changes of benefit terms	--	--	--							
Benefit payments, including refunds of employee contributions	(203,300)	(182,488)	(169,992)							
Net change in total pension liability	115,239	177,074	165,569							
Total pension liability - beginning	3,763,573	3,586,499	3,420,930							
Total pension liability - ending (a)	\$3,878,812	\$3,763,573	\$3,586,499							
Plan fiduciary net position										
Contributions - employer	\$99,454	\$103,895	\$113,688							
Contributions - employee	14,976	14,486	14,113							
Net investment income	6,646	36,412	458,884							
Benefit payments, including refunds of employee contributions	(203,300)	(182,488)	(169,992)							
Other	--	(2,150)	(2,554)							
Net change in fiduciary net position	(82,224)	(29,845)	414,139							
Plan fiduciary net position - beginning	3,302,850	3,332,695	2,918,556							
Plan fiduciary net position - ending (b)	\$3,220,626	\$3,302,850	\$3,332,695							

(Historical information prior to implementation of GASB 67/68 is not required)

(Historical information prior to implementation of GASB 67/68 is not required)

UNIVERSITY OF MISSOURI SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Years Ended June 30, 2016 and 2015
 (unaudited)

Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years *(in thousands)*

	Fiscal Year End June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net pension liability – ending: (a)-(b)	\$658,186	\$460,723	\$253,804							
Plan's fiduciary net position as a percentage of the total pension liability	83.03%	87.76%	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)						
Covered-employee payroll	\$1,129,784*	\$1,109,431*	\$1,078,347*							
Net pension liability as a percentage of covered-employee payroll	58.26%	41.53%	23.54%							

*Covered-employee payroll as reported in the October 1, 201X funding valuation report

Schedule of Contributions – Last Ten Fiscal Years *(in thousands)*

Fiscal Year Ended June 30,	Covered Employee Payroll		Contributions as % of covered-employee payroll**		Actuarially determined contribution**		Contributions in relation to the actuarially determined contribution**		Contribution deficiency (excess)	
			Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
2016	\$ 857,918	\$ 271,866	9.61%	5.68%	9.61%	5.68%	9.61%	5.68%	-	-
2015	928,088	181,343	9.99%	6.05%	9.99%	6.05%	9.99%	6.05%	-	-
2014	984,787	93,560	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-	-
2013	1,046,075	-	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-	-
2012	1,031,891	-	7.07%	-	7.07%	-	7.07%	-	-	-
2011	979,888	-	5.74%	-	5.74%	-	5.74%	-	-	-
2010	970,060	-	4.88%	-	4.88%	-	4.88%	-	-	-
2009	954,430	-	5.87%	-	5.87%	-	5.87%	-	-	-
2008	891,648	-	7.78%	-	7.78%	-	7.78%	-	-	-
2007	846,884	-	8.69%	-	8.69%	-	8.69%	-	-	-

* Covered-employee payroll as reported in the October 1 funding valuation report

** Net of employee contributions

UNIVERSITY OF MISSOURI SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Years Ended June 30, 2016 and 2015
 (unaudited)

Schedule of Annual Money-Weighted Rate of Return on Pension Plan Investments - Last Ten Fiscal Years

	Fiscal Year End June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Money-Weighted Rate of Return	(0.8%)	0.7%	16.2%	(Historical information prior to implementation of GASB 67/68 is not required)						

Notes to Required Supplementary Information for Contributions

Valuation Date	Actuarial determined contribution rates are calculated as of September 30, 21 months prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, Closed
Amortization Period	29 years for 2015, 28 years for 2016
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	The actuarial assumptions used in the October 1, 2015 and 2014 actuarial valuations were based on the results of an experience study for the period October 1, 2007 to September 30, 2012.
Investment Rate of Return	7.75%, net of expenses
Inflation	2.75%
Projected Salary Increases	4.9% average (including inflation) for academic and administrative; 4.1% average (including inflation) for clerical and service
Cost-of-living Adjustments	No future retiree ad-hoc increases assumed
Retirement Age	Retirement rates vary between 5% at 55 to 100% at age 72.
Mortality	
Healthy lives	95% of the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB
Disabled lives	RP-2000 Disabled Retiree Mortality Table projected to 2023 using Scale BB

UNIVERSITY OF MISSOURI SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Years Ended June 30, 2016 and 2015
 (unaudited)

OPEB Plan - Schedule of Funding Progress *(in thousands)*

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] /c)
		Accrued Liability (AAL) (b)				
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%
7/1/2011	45,745	542,844	497,099	8.4%	1,041,413	47.7%
7/1/2013 (a)(b)	49,285	650,307	601,022	7.6%	1,103,558	54.5%
7/1/2015 (c)	36,843	513,464	476,621	7.2%	1,157,156	41.2%

(a) The 7/1/2013 Actuarial Valuation was revised based on a change in the discount rate from 5.75% to 4.00%.

(b) The 7/1/2013 Actuarial Valuation was revised to reflect the University's plan change to move to a fully insured Long-Term Disability (LTD)

(c) The 7/1/2015 Actuarial Valuation was revised based on a change in the discount rate from 4.00% to 4.40%.

OPEB Plan - Schedule of Employer Contributions *(in thousands)*

Year Ended	Actuarial Valuation Date	Annual	Percentage Contributed	Net Pension
		Required Contribution		Obligation (Asset)
6/30/2013	7/1/2011	50,954	38%	142,209
6/30/2014	7/1/2013(a)	59,965	42%	177,040
6/30/2015	7/1/2013(b)	58,512	44%	209,793
6/30/2016	7/1/2015 (c)	28,866	90%	212,572

(a) The 7/1/2013 Actuarial Valuation was revised based on a change in the discount rate from 5.75% to 4.00%.

(b) The 7/1/2013 Actuarial Valuation was updated to reflect the full insurance of LTD benefits for the year ended June 30, 2015

(c) The 7/1/2015 Actuarial Valuation was revised based on a change in the discount rate from 4.00% to 4.40%.

Statistical Section



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

STATEMENTS OF NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 212,835	\$ 268,211	\$ 90,750	\$ 177,722	\$ 228,639
Restricted Cash and Cash Equivalents	95,142	116,703	56,185	80,730	134,141
Short-Term Investments	127,968	105,587	217,758	272,839	126,054
Restricted Short-Term Investments	26,222	26,762	36,176	43,087	32,092
Investment of Cash Collateral	28,225	43,902	113,477	24,428	32,032
Accounts Receivable, Net	296,016	277,373	292,854	255,081	274,100
Pledges Receivable, Net	15,035	16,958	15,930	14,803	11,898
Investment Settlements Receivable	130,513	185,576	224,423	16,176	37,316
Notes Receivable, Net	8,659	8,781	8,490	8,068	8,151
Due To Component Units	(9,611)	(9,469)	(8,107)	(7,826)	(7,029)
Inventories	35,906	37,872	35,354	37,398	36,022
Prepaid Expenses and Other Current Assets	35,100	30,695	26,884	27,533	27,332
Total Current Assets	1,002,010	1,108,951	1,110,174	950,039	940,748
Noncurrent Assets					
Pledges Receivable, Net	31,092	34,845	40,004	43,911	41,708
Notes Receivable, Net	76,380	79,418	79,961	62,829	54,698
Deferred Charges and Other Assets	7,961	2,379	2,243	9,735	10,253
Long-Term Investments	1,856,544	1,614,799	1,526,603	1,338,894	1,363,827
Restricted Long-Term Investments	1,262,504	1,321,810	1,300,481	1,103,616	1,066,915
Capital Assets, Net	3,280,744	3,198,011	3,123,172	2,997,508	2,848,993
Total Noncurrent Assets	6,515,225	6,251,262	6,072,464	5,556,493	5,386,394
Deferred Outflow of Resources	292,836	97,615	52,417	39,859	51,214
Total Assets and Deferred Outflow of Resources	\$ 7,810,071	\$ 7,457,828	\$ 7,235,055	\$ 6,546,391	\$ 6,378,356
Liabilities					
Current Liabilities					
Accounts Payable	\$ 137,219	\$ 110,231	\$ 137,956	\$ 131,410	\$ 140,274
Accrued Liabilities	157,844	187,149	159,209	162,779	150,971
Deferred Revenue	86,090	90,554	89,318	85,323	84,923
Funds Held for Others	76,892	77,021	78,787	71,169	65,643
Investment Settlements Payable	236,823	216,510	191,449	107,183	177,988
Collateral Held for Securities Lending	28,225	43,902	113,477	24,428	32,032
Commercial Paper and Current Portion of Long-Term Debt	222,280	71,022	92,433	203,295	183,226
Long-Term Debt Subject to Remarketing	93,070	96,320	99,445	99,895	100,330
Total Current Liabilities	1,038,443	892,709	962,074	885,482	935,387
Noncurrent Liabilities					
Unearned Revenue	17,137	13,119	9,859	-	-
Long-Term Debt	1,379,590	1,527,661	1,411,225	1,121,127	1,143,111
Derivative Instrument Liability	55,332	42,353	39,571	39,869	57,856
Other Postemployment Benefits Liability	212,572	209,793	177,040	142,209	109,496
Net Pension Liability	658,186	460,723	253,804	-	-
Other Noncurrent Liabilities	64,135	67,073	60,652	56,765	47,889
Total Noncurrent Liabilities	2,386,952	2,320,722	1,952,151	1,359,970	1,358,352
Deferred Inflow Resources	32,052	-	185,860	-	-
Total Liabilities and Deferred Inflow of Resources	\$ 3,457,447	\$ 3,213,431	\$ 3,100,085	\$ 2,245,452	\$ 2,293,739
Net Position					
Net Investment in Capital Assets	1,636,428	1,613,846	1,626,371	1,636,334	1,545,227
Restricted					
Nonexpendable -					
Endowment	993,760	1,010,357	998,947	858,820	771,146
Expendable -					
Scholarship, Research, Instruction & Other	352,175	367,832	349,560	323,473	299,789
Loans	84,509	83,546	81,805	80,436	79,091
Capital Projects	54,298	39,461	46,363	42,357	29,063
Unrestricted	1,231,454	1,129,355	1,031,924	1,359,519	1,360,301
Total Net Position	4,352,624	4,244,397	4,134,970	4,300,939	4,084,617
Total Liabilities & Net Position	\$ 7,810,071	\$ 7,457,828	\$ 7,235,055	\$ 6,546,391	\$ 6,378,356

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Operating Revenues					
Tuition and Fees, Net	\$ 898,906	\$ 870,637	\$ 829,920	\$ 791,319	\$ 736,074
Less: Scholarship Allowances	226,632	217,648	202,647	198,514	190,798
Net Tuition and Fees	672,274	652,989	627,273	592,805	545,276
Federal Grants and Contracts	155,134	155,797	160,582	183,654	184,882
State and Local Grants and Contracts	57,690	53,926	49,538	54,298	55,837
Private Grants and Contracts	67,348	70,296	76,867	71,731	71,023
Sales and Services of Educational Activities	25,406	25,074	24,137	24,129	23,106
Auxiliary Enterprises -					
Patient Medical Services, Net	1,012,410	944,161	873,638	847,681	795,302
Housing and Dining Services, Net	115,351	114,361	106,818	105,794	99,667
Bookstores	54,590	55,941	54,444	55,582	57,566
Other Auxiliary Enterprises, Net	274,817	263,135	247,922	250,975	217,590
Other Operating Revenues	74,663	66,849	64,037	58,179	55,312
Total Operating Revenues	2,509,683	2,402,529	2,285,256	2,244,828	2,105,561
Operating Expenses					
Salaries and Wages	1,440,173	1,407,428	1,363,449	1,343,889	1,318,349
Benefits	441,312	396,886	346,257	385,767	359,595
Supplies, Services and Other Operating Expenses	891,465	858,939	833,799	766,624	762,700
Scholarships and Fellowships	70,353	66,860	66,919	62,461	60,380
Depreciation	190,296	194,075	183,250	167,796	160,915
Total Operating Expenses	3,033,599	2,924,188	2,793,674	2,726,537	2,661,939
Operating Loss before State Appropriations	(523,916)	(521,659)	(508,418)	(481,709)	(556,378)
State Appropriations	438,813	435,511	412,650	401,400	397,629
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)					
	(85,103)	(86,148)	(95,768)	(80,309)	(158,749)
Nonoperating Revenues (Expenses)					
Federal Appropriations	27,041	28,399	27,675	29,154	28,222
Federal Pell Grants	57,313	59,072	59,776	59,917	62,311
Investment and Endowment Income (Losses), Net	22,196	38,187	281,837	147,433	30,855
Private Gifts	80,972	68,615	66,780	64,103	90,346
Interest Expense	(64,218)	(67,651)	(59,916)	(55,256)	(53,923)
Other Nonoperating Revenues (Expenses)	(4,607)	13,972	1,477	(4,822)	(10,214)
Net Nonoperating Revenues (Expenses)	118,697	140,594	377,629	240,529	147,597
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items					
State Capital Appropriations	33,594	54,446	281,861	160,220	(11,152)
Capital Gifts and Grants	29,166	3,610	-	745	937
Private Gifts for Endowment Purposes	15,990	21,083	14,727	20,244	11,788
Special Item	29,477	30,288	47,390	35,113	24,484
	-	-	-	-	42,316
Increase (Decrease) in Net Position	108,227	109,427	343,978	216,322	68,373
Net Position, Beginning of Year	4,244,397	4,134,970	4,300,939	4,084,617	4,016,244
Cumulative Effect of Change in Accounting Principles	-	-	(509,947)	-	-
Net Position, Beginning of Year, as Adjusted	4,244,397	4,134,970	3,790,992	4,084,617	4,016,244
Net Position, End of Year	4,352,624	\$ 4,244,397	\$ 4,134,970	\$ 4,300,939	\$ 4,084,617

CHANGES IN NET POSITION

(% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Operating Revenues					
Tuition and Fees, Net	3.2%	4.9%	4.9%	7.5%	9.6%
Less: Scholarship Allowances	4.1%	7.4%	2.1%	4.0%	8.5%
Net Tuition and Fees	3.0%	4.1%	5.8%	8.7%	10.0%
Federal Grants and Contracts	-0.4%	-3.0%	-12.6%	-0.7%	-5.7%
State and Local Grants and Contracts	7.0%	8.9%	-8.8%	-2.8%	-2.7%
Private Grants and Contracts	-4.2%	-8.5%	7.2%	1.0%	6.0%
Sales and Services of Educational Activities	1.3%	3.9%	0.0%	4.4%	6.6%
Auxiliary Enterprises -					
Patient Medical Services, Net	7.2%	8.1%	3.1%	6.6%	7.2%
Housing and Dining Services, Net	0.9%	7.1%	1.0%	6.1%	6.3%
Bookstores	-2.4%	2.7%	-2.0%	-3.4%	-1.7%
Other Auxiliary Enterprises, Net	4.4%	6.1%	-1.2%	15.3%	-8.7%
Other Operating Revenues	11.7%	4.4%	10.1%	5.2%	-0.9%
Total Operating Revenues	4.5%	5.1%	1.8%	6.6%	3.9%
Operating Expenses					
Salaries and Wages	2.3%	3.2%	1.5%	1.9%	3.6%
Benefits	11.2%	14.6%	-10.2%	7.3%	9.5%
Supplies, Services and Other Operating Expenses	3.8%	3.0%	8.8%	0.5%	6.5%
Scholarships and Fellowships	5.2%	-0.1%	7.1%	3.4%	2.7%
Depreciation	-1.9%	5.9%	9.2%	4.3%	3.7%
Total Operating Expenses	3.7%	4.7%	2.5%	2.4%	5.2%
Operating Loss before State Appropriations	-0.4%	-2.6%	-5.5%	13.4%	-10.2%
State Appropriations	0.8%	5.5%	2.8%	0.9%	-9.1%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	1.2%	10.0%	-19.2%	49.4%	-136.4%
Nonoperating Revenues (Expenses)					
Federal Appropriations	-4.8%	2.6%	-5.1%	3.3%	-0.7%
Federal Pell Grants	-3.0%	-1.2%	-0.2%	-3.8%	7.5%
Investment and Endowment Income (Losses), Net	-41.9%	-86.5%	91.2%	377.8%	-88.4%
Private Gifts	18.0%	2.7%	4.2%	-29.0%	71.9%
Interest Expense	5.1%	-12.9%	-8.4%	-2.5%	-8.9%
Other Nonoperating Revenues (Expenses)	-133.0%	846.0%	130.6%	52.8%	-211.5%
Net Nonoperating Revenues (Expenses)	-15.6%	-62.8%	57.0%	63.0%	-58.2%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	-38.3%	-80.7%	75.9%	1536.7%	-103.9%
State Capital Appropriations	0.0%	100.0%	-100.0%	-20.5%	-88.4%
Capital Gifts and Grants	-24.2%	43.2%	-27.3%	71.7%	-23.8%
Private Gifts for Endowment Purposes	-2.7%	-36.1%	35.0%	43.4%	-7.2%
Increase (Decrease) in Net Position	-1.1%	-68.2%	59.0%	216.4%	-79.6%
Net Position, Beginning of Year	2.6%	-3.9%	5.3%	1.7%	9.1%
Cumulative Effect of Change in Accounting Principles	0.0%	100.0%	-100%	0.0%	0.0%
Net Position, Beginning of Year, as Adjusted	2.6%	9.1%	-7.2%	1.7%	9.1%
Net Position, End of Year	2.5%	2.6%	-3.9%	5.3%	1.7%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
+ Primary Reserve Ratio	0.55	0.54	0.53	0.65	0.65
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.14	4.06	3.95	4.88	4.92
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.45	1.42	1.38	1.71	1.72

Primary Reserve Ratio - measures the financial strength of the institution by indicating how long the institution could function using its expendable reserves to cover operations should additional net position not be available. A positive ratio and an increasing amount over time denotes strength.

+ Return on Net Position Ratio	2.5%	2.6%	8.7%	5.2%	1.7%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	1.26	1.31	4.34	2.58	0.84
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.25	0.26	0.87	0.52	0.17

Return on Net Position Ratio - measures total economic return. While an increasing trend reflects strength, a decline may be appropriate and even warranted if it represents a strategy on the part of the institution to fulfill its mission.

+ Net Operating Revenues Ratio	5.6%	5.1%	5.1%	5.6%	3.5%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	4.33	3.95	3.92	4.30	2.68
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.43	0.40	0.39	0.43	0.27

Net Operating Revenues Ratio - measures whether the institution is living within available resources. A positive ratio and an increasing amount over time generally reflects strength.

+ Viability Ratio	0.98	0.93	0.91	1.24	1.22
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	2.36	2.24	2.19	2.97	2.92
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	0.83	0.78	0.77	1.04	1.02

Viability Ratio - measures the ability of the institution to cover its debt as of the balance sheet date, should the institution need to do so. A positive ratio greater than 1.00 generally denotes strength.

Composite Financial Index	2.96	2.86	3.41	3.69	3.18
Composite Financial Index - Three Year Average	3.08	3.32	3.43	3.64	3.80

Composite Financial Index (CFI) - provides a methodology for a single overall financial measurement of the institution's health based on the four core ratios. The CFI uses a reasonable weighting plan and allows for a weakness or strength in a specific ratio to be offset by another ratio result, which provides a more balanced measure. The CFI provides a more holistic approach to understanding the financial health of the institution. The CFI scores are not intended to be precise measures; they are indicators of ranges of financial health that can be indicators of overall institutional well-being when combined with non-financial indicators.

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Net Tuition per Student

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Gross Tuition and Fees	\$ 898,906	\$ 870,637	\$ 829,920	\$ 791,319	\$ 736,074
Less: Scholarship Discounts / Allowances	(226,632)	(217,648)	(202,647)	(198,514)	(190,798)
Less: Scholarship / Fellowship Expenses	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
Net Tuition	\$ 601,921	\$ 586,129	\$ 560,354	\$ 530,344	\$ 484,896
Net Tuition	\$ 601,921	\$ 586,129	\$ 560,354	\$ 530,344	\$ 484,896
Number of Students - Fall Semester (FTEs)	59,816	59,565	58,163	57,806	56,843
Net Tuition per Student	\$ 10,063	\$ 9,840	\$ 9,634	\$ 9,175	\$ 8,530

State Appropriations per Student

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
State Appropriations	\$ 438,813	\$ 435,511	\$ 412,650	\$ 401,400	\$ 397,629
Number of Students - Fall Semester (FTEs)	59,816	59,565	58,163	57,806	56,843
State Appropriations per Student	\$ 7,336	\$ 7,312	\$ 7,095	\$ 6,944	\$ 6,995

Educational Expenses per Student

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Total Operating Expenses	\$ 3,033,599	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939
Less: Scholarships / Fellowships Expense	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
Less: Auxiliary Operating Expenses	(1,270,059)	(1,205,871)	(1,130,729)	(1,109,157)	(1,067,820)
Less: Grants and Contracts Expenses	(280,172)	(280,019)	(286,987)	(309,683)	(311,742)
Interest Expense	64,218	67,651	59,916	55,256	53,923
Less: Auxiliary Interest Expense	(12,985)	(12,981)	(12,538)	(9,753)	(8,427)
Net Educational Expenses	\$ 1,464,248	\$ 1,426,108	\$ 1,356,417	\$ 1,290,739	\$ 1,267,493
Net Educational Expenses	\$ 1,464,248	\$ 1,426,108	\$ 1,356,417	\$ 1,290,739	\$ 1,267,493
Number of Students - Fall Semester (FTEs)	59,816	59,565	58,163	57,806	56,843
Educational Expenses per Student	\$ 24,479	\$ 23,942	\$ 23,321	\$ 22,329	\$ 22,298

Total Tuition Discount

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Scholarship Allowances	\$ 226,632	\$ 217,648	\$ 202,647	\$ 198,514	\$ 190,798
Scholarships / Fellowships Expense	70,353	66,860	66,919	62,461	60,380
Total Tuition Discounts (\$)	\$ 296,985	\$ 284,508	\$ 269,566	\$ 260,975	\$ 251,178
Total Tuition Discounts (\$)	\$ 296,985	\$ 284,508	\$ 269,566	\$ 260,975	\$ 251,178
Gross Tuition and Fees	\$ 898,906	\$ 870,637	\$ 829,920	\$ 791,319	\$ 736,074
Total Tuition Discount (%)	33.0%	32.7%	32.5%	33.0%	34.1%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Current Portion of Long-Term Debt	\$ 222,280	\$ 71,022	\$ 92,433	\$ 203,295	\$ 183,226
Long-Term Debt Subject to Remarketing	93,070	96,320	99,445	99,895	100,330
Long-Term Debt	1,379,590	1,527,661	1,411,225	1,121,127	1,143,111
Total Direct Debt	\$ 1,694,940	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Total Direct Debt	\$ 1,694,940	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667

**Unrestricted Financial Resources
to Direct Debt**
0.73 0.67 0.64 0.95 0.95
Expendable Financial Resources to Direct Debt (*Viability Ratio*)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	352,175	367,832	349,560	323,473	299,789
Net Position - Restricted Expendable - Loans	84,509	83,546	81,805	80,436	79,091
Expendable Net Position	\$ 1,668,138	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181
Expendable Net Position	\$ 1,668,138	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181
Total Direct Debt	\$ 1,694,940	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667

Viability Ratio
0.98 0.93 0.91 1.24 1.22

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	352,175	367,832	349,560	323,473	299,789
Net Position - Restricted Expendable - Loans	84,509	83,546	81,805	80,436	79,091
Net Position - Restricted Nonexpendable	993,760	1,010,357	998,947	858,820	771,146
Total Financial Resources	\$ 2,661,898	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327
Total Financial Resources	\$ 2,661,898	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327
Total Direct Debt	\$ 1,694,940	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667

**Total Financial Resources
to Direct Debt**
1.57 1.53 1.54 1.84 1.76

Direct Debt per Student

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Total Direct Debt	\$ 1,694,940	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317	\$ 1,426,667
Number of Students - End of Fiscal Year (FTEs)	57,293	59,816	59,565	58,163	57,806

Direct Debt per Student
\$ 29,584 \$ 28,337 \$ 26,914 \$ 24,488 \$ 24,680

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Actual Debt Service to Operations

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Debt Service - Principal	\$ 28,015	\$ 19,090	\$ 24,325	\$ 24,849	\$ 26,393
Debt Service - Interest	64,218	67,651	59,916	55,256	53,923
Total Debt Service	\$ 92,233	\$ 86,741	\$ 84,241	\$ 80,105	\$ 80,316
Operating Expenses	\$ 3,033,599	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939
Less: Scholarships & Fellowships Expense	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
Interest Expense	64,218	67,651	59,916	55,256	53,923
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482
Total Debt Service	\$ 92,233	\$ 86,741	\$ 84,241	\$ 80,105	\$ 80,316
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482
Actual Debt Service to Operations	3.0%	3.0%	3.0%	2.9%	3.0%

Capital Expense to Operations

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Depreciation Expense	\$ 190,296	\$ 194,075	\$ 183,250	\$ 167,796	\$ 160,915
Interest Expense	64,218	67,651	59,916	55,256	53,923
Total Capital Expense	\$ 254,514	\$ 261,726	\$ 243,166	\$ 223,052	\$ 214,838
Operating Expenses	\$ 3,033,599	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939
Less: Scholarships & Fellowships Expense	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
Interest Expense	64,218	67,651	59,916	55,256	53,923
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482
Total Capital Expense	\$ 254,514	\$ 261,726	\$ 243,166	\$ 223,052	\$ 214,838
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482
Capital Expense to Operations	8.4%	8.9%	8.7%	8.2%	8.1%

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Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Operating Expenses	\$ 3,033,599	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939
Less: Scholarships & Fellowships Expense	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
Interest Expense	64,218	67,651	59,916	55,256	53,923
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482

Unrestricted Financial Resources
to Operations

0.41 0.39 0.37 0.50 0.51

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	352,175	367,832	349,560	323,473	299,789
Net Position - Restricted Expendable - Loans	84,509	83,546	81,805	80,436	79,091
Expendable Net Position	\$ 1,668,138	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181
Operating Expenses	\$ 3,033,599	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537	\$ 2,661,939
Less: Scholarships & Fellowships Expense	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
Interest Expense	64,218	67,651	59,916	55,256	53,923
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482
Expendable Net Position	\$ 1,668,138	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428	\$ 1,739,181
Adjusted Total Operating Expense	\$ 3,027,464	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332	\$ 2,655,482

Primary Reserve Ratio

0.55 0.54 0.53 0.65 0.65

Total Financial Resources per Student

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Net Position - Unrestricted	\$ 1,231,454	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519	\$ 1,360,301
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	352,175	367,832	349,560	323,473	299,789
Net Position - Restricted Expendable - Loans	84,509	83,546	81,805	80,436	79,091
Net Position - Restricted Nonexpendable	993,760	1,010,357	998,947	858,820	771,146
Total Financial Resources	\$ 2,661,898	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327
Total Financial Resources	\$ 2,661,898	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248	\$ 2,510,327
Number of Students - End of Fiscal Year (FTE)	57,293	59,816	59,565	58,163	57,806

Total Financial Resources per Student

\$ 46,461 \$ 43,318 \$ 41,337 \$ 45,084 \$ 43,427

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Annual Operating Margin (Net Operating Revenues Ratio)

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Operating Inc (Loss) After State Appropriations	\$ (85,103)	\$ (86,148)	\$ (95,768)	\$ (80,309)	\$ (158,749)
Federal Appropriations	27,041	28,399	27,675	29,154	28,222
Federal Pell Grants	57,313	59,072	59,776	59,917	62,311
Normalized Investment Income	164,675	156,107	151,113	143,305	127,497
Private Gifts	80,972	68,615	66,780	64,103	90,346
Interest Expense	(64,218)	(67,651)	(59,916)	(55,256)	(53,923)
Net Operating Surplus (Deficit)	\$ 180,680	\$ 158,394	\$ 149,660	\$ 160,914	\$ 95,704
Total Operating Revenues	\$ 2,509,683	\$ 2,402,529	\$ 2,285,256	\$ 2,244,828	\$ 2,105,561
Less: Scholarship & Fellowships Expense	(70,353)	(66,860)	(66,919)	(62,461)	(60,380)
State Appropriations	438,813	435,511	412,650	401,400	397,629
Federal Appropriations	27,041	28,399	27,675	29,154	28,222
Federal Pell Grants	57,313	59,072	59,776	59,917	62,311
Normalized Investment Income (a)	164,675	156,107	151,113	143,305	127,497
Private Gifts	80,972	68,615	66,780	64,103	90,346
Total Operating Revenues	\$ 3,208,144	\$ 3,083,373	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Net Operating Surplus (Deficit)	\$ 180,680	\$ 158,394	\$ 149,660	\$ 160,914	\$ 95,704
Total Operating Revenues	\$ 3,208,144	\$ 3,083,373	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186

Net Operating Revenues Ratio **5.6%** **5.1%** **5.1%** **5.6%** **3.5%**

Debt Service Coverage

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Total Debt Service	\$ 92,233	\$ 86,741	\$ 84,241	\$ 80,105	\$ 80,316
Net Operating Surplus (Deficit)	\$ 180,680	\$ 158,394	\$ 149,660	\$ 160,914	\$ 95,704
Add Back: Interest Expense	64,218	67,651	59,916	55,256	53,923
Add Back: Depreciation Expense	190,296	194,075	183,250	167,796	160,915
Adjusted Net Operating Surplus (Deficit)	\$ 435,194	\$ 420,120	\$ 392,826	\$ 383,966	\$ 310,542
Adjusted Net Operating Surplus (Deficit)	\$ 435,194	\$ 420,120	\$ 392,826	\$ 383,966	\$ 310,542
Total Debt Service	\$ 92,233	\$ 86,741	\$ 84,241	\$ 80,105	\$ 80,316

Debt Service Coverage **4.72** **4.84** **4.66** **4.79** **3.87**

Return on Net Position

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Change in Net Position	\$ 108,227	\$ 109,427	\$ 343,978	\$ 216,322	\$ 68,373
Average Net Position	\$ 4,298,511	\$ 4,189,684	\$ 3,962,981	\$ 4,192,778	\$ 4,050,431

Return on Net Position Ratio **2.5%** **2.6%** **8.7%** **5.2%** **1.7%**

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Contribution Ratios

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
State Appropriations	\$ 438,813	\$ 435,511	\$ 412,650	\$ 401,400	\$ 397,629
Tuition and Fees, Net of Scholarship Allow/Exp	601,921	586,129	560,354	530,344	484,896
Auxiliary Enterprises	444,758	433,437	409,184	412,351	374,823
Grants and Contracts	280,172	280,019	286,987	309,683	311,742
Federal Pell Grants	57,313	59,072	59,776	59,917	62,311
Gifts	80,972	68,615	66,780	64,103	90,346
Normalized Investment Income (a)	164,675	156,107	151,113	143,305	127,497
Patient Care	1,012,410	944,161	873,638	847,681	795,302
Other	127,110	120,322	115,849	111,462	106,640
Total	\$ 3,208,144	\$ 3,083,373	\$ 2,936,331	\$ 2,880,246	\$ 2,751,186
State Appropriations	13.7%	14.1%	14.1%	13.9%	14.5%
Tuition and Fees, Net of Scholarship Allow/Exp	18.8%	19.0%	19.1%	18.4%	17.6%
Auxiliary Enterprises	13.9%	14.1%	13.9%	14.3%	13.6%
Grants and Contracts	8.7%	9.1%	9.8%	10.8%	11.3%
Federal Pell Grants	1.8%	1.9%	2.0%	2.1%	2.3%
Gifts	2.5%	2.2%	2.3%	2.2%	3.3%
Normalized Investment Income (a)	5.1%	5.1%	5.1%	5.0%	4.6%
Patient Care	31.6%	30.6%	29.8%	29.4%	28.9%
Other	4.0%	3.9%	3.9%	3.9%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Normalized investment income is equal to 5% of the rolling average balance of total cash and investments over the previous three fiscal years.

Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Instruction	\$ 643,872	\$ 638,917	\$ 622,684	\$ 623,843	\$ 604,695
Research	194,245	189,339	190,406	205,970	210,418
Public Service	158,935	153,492	145,629	148,755	147,308
Academic Support	156,667	147,403	139,118	139,413	133,742
Student Services	99,132	92,629	84,787	77,025	75,207
Institutional Support	149,468	128,773	123,651	100,453	102,565
Operation and Maintenance of Plant	99,375	104,205	104,683	89,385	97,114
Auxiliary Enterprises	1,271,256	1,208,495	1,132,557	1,111,436	1,069,595
Scholarships and Fellowships	70,353	66,860	69,919	62,461	60,380
Depreciation	190,296	194,075	183,250	167,796	160,915
Total Operating Expenses	\$ 3,033,599	\$ 2,924,188	\$ 2,796,684	\$ 2,726,537	\$ 2,661,939
Instruction	21.2%	21.8%	22.3%	22.9%	22.7%
Research	6.4%	6.5%	6.8%	7.6%	7.9%
Public Service	5.2%	5.2%	5.2%	5.5%	5.5%
Academic Support	5.2%	5.0%	5.0%	5.1%	5.0%
Student Services	3.3%	3.2%	3.0%	2.8%	2.8%
Institutional Support	4.9%	4.4%	4.4%	3.7%	3.9%
Operation and Maintenance of Plant	3.3%	3.6%	3.7%	3.3%	3.6%
Auxiliary Enterprises	41.9%	41.3%	40.5%	40.8%	40.2%
Scholarships and Fellowships	2.3%	2.3%	2.5%	2.3%	2.3%
Depreciation	6.3%	6.6%	6.6%	6.2%	6.0%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2015	2014	2013	2012	2011
Undergraduate Students (Head Count)	59,418	58,489	56,869	56,750	54,936
Graduate Students (Head Count)	15,184	15,614	15,224	15,130	15,562
Professional Students (Head Count)	3,131	3,180	3,179	3,164	3,067
Total Students (Head Count)	77,733	77,283	75,272	75,044	73,565
Undergraduate Students (FTE)	47,840	47,443	46,334	46,107	44,940
Graduate Students (FTE)	8,889	8,986	8,696	8,576	8,877
Professional Students (FTE)	3,087	3,137	3,133	3,123	3,026
Total Students (FTE)	59,816	59,566	58,163	57,806	56,843
Acceptance Rate - First-time Freshmen	76%	75%	76%	78%	79%
Acceptance Rate - Undergraduate Transfers	69%	68%	67%	71%	73%
Matriculation - First-time Freshmen	38%	40%	39%	39%	41%
Matriculation - Undergraduate Transfers	64%	68%	67%	66%	67%

Demographics

Fall Semester	2015	2014	2013	2012	2011
Male	49%	48%	48%	48%	47%
Female	51%	52%	52%	52%	53%
Undergraduate Residence - Missouri	79%	78%	79%	80%	82%
Undergraduate Residence - Out of State	21%	22%	21%	20%	18%
Undergraduate Full-Time	75%	76%	77%	76%	77%
Undergraduate Part-Time	25%	24%	23%	24%	23%
Graduate Full-Time	49%	49%	47%	46%	45%
Graduate Part-Time	51%	51%	53%	54%	55%
White	72.5%	72.5%	73.7%	74.7%	75.4%
Black or African American	9.0%	9.4%	9.7%	9.9%	10.0%
Non-Resident Alien	8.0%	8.0%	7.1%	6.5%	6.4%
Asian / Pacific Is.	3.8%	3.8%	3.7%	3.6%	3.6%
Hispanic	3.9%	3.7%	3.4%	3.2%	3.0%
Other	2.8%	2.6%	2.4%	2.1%	1.6%

Degrees Awarded

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Baccalaureate	11,654	11,360	10,733	10,545	10,319
Graduate Certificate	839	780	740	781	623
Master's	4,330	4,204	4,013	3,919	4,069
Educational Specialist	100	122	113	115	104
Doctoral	720	712	640	660	610
First Professional Degree	833	876	837	847	790
Total	18,476	18,054	17,076	16,867	16,515

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Enrollment

Fall Semester	2015	2014	2013	2012	2011
Undergraduate Students (Head Count)	27,791	27,642	26,928	26,960	25,992
Graduate Students (Head Count)	6,440	6,561	6,434	6,473	6,534
Professional Students (Head Count)	1,193	1,222	1,254	1,271	1,236
Total Students (Head Count)	35,424	35,425	34,616	34,704	33,762
Undergraduate Students (FTE)	25,600	25,371	24,753	24,677	23,840
Graduate Students (FTE)	3,894	3,959	3,894	3,921	3,966
Professional Students (FTE)	1,172	1,202	1,228	1,248	1,215
Total Students (FTE)	30,666	30,532	29,875	29,846	29,021
Acceptance Rate - First-time Freshmen	78%	78%	79%	81%	82%
Acceptance Rate - Undergraduate Transfers	67%	65%	66%	67%	67%
Matriculation - First-time Freshmen	36%	40%	38%	39%	41%
Matriculation - Undergraduate Transfers	54%	60%	59%	61%	62%

Demographics

Fall Semester	2015	2014	2013	2012	2011
Male	47%	47%	47%	47%	47%
Female	53%	53%	53%	53%	53%
Undergraduate Residence - Missouri	72%	73%	75%	77%	79%
Undergraduate Residence - Out of State	28%	27%	25%	23%	21%
Undergraduate Full-Time	94%	94%	94%	93%	94%
Undergraduate Part-Time	6%	6%	6%	7%	6%
Graduate Full-Time	59%	59%	60%	60%	58%
Graduate Part-Time	41%	41%	40%	40%	42%
White	76.9%	77.4%	78.2%	79.0%	80.3%
Black or African American	7.3%	7.3%	7.2%	7.2%	6.9%
Non-Resident Alien	7.2%	6.9%	6.6%	6.3%	5.9%
Asian / Pacific Is.	2.2%	2.3%	2.3%	2.3%	2.4%
Hispanic	3.5%	3.3%	3.1%	2.9%	2.7%
Other	2.9%	2.8%	2.6%	2.3%	1.8%

Degrees Awarded

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Baccalaureate	6,283	5,995	5,769	5,692	5,528
Graduate Certificate	225	239	226	225	179
Master's	1,619	1,571	1,580	1,515	1,631
Educational Specialist	51	82	65	63	43
Doctoral	416	435	390	411	367
First Professional Degree	308	346	339	332	299
Total	8,902	8,668	8,369	8,238	8,047

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Enrollment

Fall Semester	2015	2014	2013	2012	2011
Undergraduate Students (Head Count)	11,243	10,453	10,227	10,614	10,122
Graduate Students (Head Count)	3,676	3,911	3,738	3,651	3,692
Professional Students (Head Count)	1,766	1,782	1,753	1,725	1,659
Total Students (Head Count)	16,685	16,146	15,718	15,990	15,473
Undergraduate Students (FTE)	7,798	7,575	7,590	7,715	7,586
Graduate Students (FTE)	2,202	2,218	2,069	1,965	2,032
Professional Students (FTE)	1,743	1,759	1,733	1,707	1,638
Total Students (FTE)	11,743	11,552	11,392	11,387	11,256
Acceptance Rate - First-time Freshmen	63%	64%	65%	68%	71%
Acceptance Rate - Undergraduate Transfers	69%	68%	66%	72%	80%
Matriculation - First-time Freshmen	37%	38%	37%	37%	39%
Matriculation - Undergraduate Transfers	65%	73%	68%	63%	64%

Demographics

Fall Semester	2015	2014	2013	2012	2011
Male	45%	45%	44%	42%	43%
Female	55%	55%	56%	58%	57%
Undergraduate Residence - Missouri	77%	74%	73%	75%	74%
Undergraduate Residence - Out of State	23%	26%	27%	25%	26%
Undergraduate Full-Time	59%	65%	67%	65%	68%
Undergraduate Part-Time	41%	35%	33%	35%	32%
Graduate Full-Time	45%	43%	37%	33%	34%
Graduate Part-Time	55%	57%	63%	67%	66%
White	62.6%	62.2%	64.6%	67.2%	67.9%
Black or African American	10.4%	11.2%	12.2%	12.4%	12.6%
Non-Resident Alien	10.1%	10.2%	7.5%	6.3%	6.5%
Asian / Pacific Is.	6.5%	6.7%	6.8%	6.4%	6.5%
Hispanic	6.7%	6.1%	5.7%	5.2%	4.7%
Other	3.7%	3.6%	3.1%	2.5%	1.8%

Degrees Awarded

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Baccalaureate	1,741	1,812	1,803	1,759	1,749
Graduate Certificate	71	50	33	33	29
Master's	1,213	1,197	1,028	954	999
Educational Specialist	32	26	35	24	35
Doctoral	120	98	116	93	99
First Professional Degree	480	489	459	475	444
Total	3,657	3,672	3,474	3,338	3,355

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Enrollment

Fall Semester	2015	2014	2013	2012	2011
Undergraduate Students (Head Count)	6,839	6,520	6,145	5,841	5,671
Graduate Students (Head Count)	2,047	2,120	1,984	1,804	1,850
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	8,886	8,640	8,129	7,645	7,521
Undergraduate Students (FTE)	6,216	5,947	5,559	5,352	5,236
Graduate Students (FTE)	1,273	1,332	1,234	1,101	1,141
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	7,489	7,279	6,793	6,453	6,377
Acceptance Rate - First-time Freshmen	88%	86%	87%	88%	88%
Acceptance Rate - Undergraduate Transfers	70%	70%	67%	65%	65%
Matriculation - First-time Freshmen	47%	42%	48%	44%	44%
Matriculation - Undergraduate Transfers	74%	75%	77%	77%	76%

Note: Rolla's pre-application advising process encourages unqualified students to apply elsewhere, thereby producing misleading acceptance rate figures.

Demographics

Fall Semester	2015	2014	2013	2012	2011
Male	77%	77%	77%	77%	78%
Female	23%	23%	23%	23%	22%
Undergraduate Residence - Missouri	80%	79%	79%	79%	79%
Undergraduate Residence - Out of State	20%	21%	21%	21%	21%
Undergraduate Full-Time	90%	89%	89%	90%	91%
Undergraduate Part-Time	10%	11%	11%	10%	9%
Graduate Full-Time	60%	61%	60%	58%	59%
Graduate Part-Time	40%	39%	40%	42%	41%
White	71.5%	70.0%	72.4%	74.8%	74.6%
Black or African American	3.4%	3.5%	4.1%	4.3%	4.9%
Non-Resident Alien	16.1%	18.2%	16.3%	14.3%	14.4%
Asian / Pacific Is.	3.2%	2.9%	2.6%	2.4%	2.4%
Hispanic	3.2%	3.1%	2.5%	2.5%	2.5%
Other	2.6%	2.3%	2.0%	1.7%	1.2%

Degrees Awarded

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Baccalaureate	1,378	1,307	1,141	1,118	1,079
Graduate Certificate	427	404	401	435	319
Master's	688	675	551	579	567
Educational Specialist	-	-	-	-	-
Doctoral	109	95	70	95	70
First Professional Degree	-	-	-	-	-
Total	2,602	2,481	2,163	2,227	2,035

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2015	2014	2013	2012	2011
Undergraduate Students (Head Count)	13,545	13,874	13,569	13,335	13,151
Graduate Students (Head Count)	3,021	3,022	3,068	3,202	3,486
Professional Students (Head Count)	172	176	172	168	172
Total Students (Head Count)	16,738	17,072	16,809	16,705	16,809
Undergraduate Students (FTE)	8,228	8,550	8,432	8,364	8,279
Graduate Students (FTE)	1,520	1,477	1,499	1,589	1,738
Professional Students (FTE)	172	176	172	168	172
Total Students (FTE)	9,920	10,203	10,103	10,121	10,189
Acceptance Rate - First-time Freshmen	57%	56%	55%	54%	54%
Acceptance Rate - Undergraduate Transfers	71%	69%	69%	73%	75%
Matriculation - First-time Freshmen	38%	39%	37%	41%	42%
Matriculation - Undergraduate Transfers	70%	68%	69%	71%	71%

Demographics

Fall Semester	2015	2014	2013	2012	2011
Male	40%	40%	40%	40%	40%
Female	60%	60%	60%	60%	60%
Undergraduate Residence - Missouri	93%	93%	93%	93%	93%
Undergraduate Residence - Out of State	7%	7%	7%	7%	7%
Undergraduate Full-Time	42%	44%	44%	46%	46%
Undergraduate Part-Time	58%	56%	56%	54%	54%
Graduate Full-Time	27%	25%	25%	26%	26%
Graduate Part-Time	73%	75%	75%	74%	74%
White	73.1%	72.8%	73.1%	72.6%	72.3%
Black or African American	14.4%	15.2%	15.2%	15.8%	16.7%
Non-Resident Alien	3.3%	3.2%	3.5%	3.6%	3.8%
Asian / Pacific Is.	4.5%	4.5%	4.3%	4.3%	3.9%
Hispanic	2.6%	2.5%	2.4%	2.4%	2.3%
Other	2.1%	1.8%	1.5%	1.3%	1.0%

Degrees Awarded

Fiscal Year Ended June 30,	2016	2015	2014	2013	2012
Baccalaureate	2,252	2,246	2,020	1,976	1,963
Graduate Certificate	116	87	80	88	96
Master's	810	761	854	871	872
Educational Specialist	17	14	13	28	26
Doctoral	75	84	64	61	74
First Professional Degree	45	41	39	40	47
Total	3,315	3,233	3,070	3,064	3,078

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