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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.
University of Missouri System General Officers

Michael A. Middleton
Interim President

Stephan 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
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.
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 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.

* Founded: 1870
* Enrollment: 8,886*
* Alumni: 60,000

*Enrollment numbers are reflective of 2015-2016 enrollment.
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.
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.
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
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.
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:
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:

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of June 30,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td>$1,002,010</td>
<td>$1,108,951</td>
<td>$1,110,174</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>1,038,443</td>
<td>892,709</td>
<td>962,074</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$ (36,433)</td>
<td>$216,242</td>
<td>$148,100</td>
</tr>
<tr>
<td>Ratio of Current Assets to Current Liabilities</td>
<td>0.96</td>
<td>1.24</td>
<td>1.15</td>
</tr>
</tbody>
</table>

|                                | 2016      | 2015      | 2014      |
|--------------------------------------------------------------------------------|
| 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                                  |
| Current Liabilities, As Adjusted    | (93,070)  | (96,320)  | (99,445)  |
| 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      |
At June 30, 2016, the University held $307.9 million in **Cash and Cash Equivalents**, a decrease 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:

<table>
<thead>
<tr>
<th>Cash, Cash Equivalents and Investments (in thousands of dollars)</th>
<th>June 30, 2016</th>
<th>June 30, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>Short-term and Long-term Investments</td>
<td>Total</td>
</tr>
<tr>
<td>General Pool</td>
<td>$212,959</td>
<td>$1,855,607</td>
</tr>
<tr>
<td>Endowment Funds</td>
<td>79,776</td>
<td>1,284,634</td>
</tr>
<tr>
<td>Endowment Pool</td>
<td>15,242</td>
<td>132,997</td>
</tr>
<tr>
<td>Total</td>
<td>$307,977</td>
<td>$3,273,238</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Campus</th>
<th>Project</th>
<th>Expenditures</th>
<th>Source of Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Budget</td>
<td>Through June 30, 2016</td>
</tr>
<tr>
<td>Columbia:</td>
<td>Dobbs Group Replacement Project</td>
<td>$139,603,000</td>
<td>$38,135,000</td>
</tr>
<tr>
<td></td>
<td>Lafferre Hall Renovation</td>
<td>44,785,000</td>
<td>22,663,000</td>
</tr>
<tr>
<td></td>
<td>Medical Science Addition SOM Expansion</td>
<td>42,500,000</td>
<td>13,361,000</td>
</tr>
<tr>
<td></td>
<td>Applied Learning Center</td>
<td>20,000,000</td>
<td>530,000</td>
</tr>
<tr>
<td></td>
<td>Softball Stadium</td>
<td>17,500,000</td>
<td>5,188,000</td>
</tr>
<tr>
<td></td>
<td>Stewart Hall Renovation</td>
<td>18,625,000</td>
<td>1,044,000</td>
</tr>
<tr>
<td>Hospital:</td>
<td>MO Orthopaedic Institute</td>
<td>39,027,000</td>
<td>23,641,000</td>
</tr>
<tr>
<td>Kansas City:</td>
<td>Robert W. Plaster Free Enterprise Center</td>
<td>16,572,000</td>
<td>731,000</td>
</tr>
<tr>
<td></td>
<td>Spencer Chemistry Building</td>
<td>18,950,000</td>
<td>912,000</td>
</tr>
<tr>
<td>Missouri S&amp;T:</td>
<td>Schrenk Hall Renovation Phase 2</td>
<td>18,239,000</td>
<td>951,000</td>
</tr>
<tr>
<td>St. Louis:</td>
<td>Benton Renovation</td>
<td>24,785,000</td>
<td>3,897,000</td>
</tr>
<tr>
<td></td>
<td>College of Business Building</td>
<td>20,000,000</td>
<td>4,666,000</td>
</tr>
</tbody>
</table>

### 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.
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:

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

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

**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.
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 - $4.4 BILLION**

- **Net Investment in Capital Assets** (38%)
- **Restricted Nonexpendable** (23%)
- **Restricted Expendable** (11%)
- **Unrestricted** (28%)
- **Current Unrestricted** (9%)
- **Capital Projects** (14%)
- **Quasi Endowment** (5%)

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
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.
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.

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 2015.
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:

![Operating Revenues Chart](image)

**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.
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:

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

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.
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 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.
STATEDMENT 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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Cash Used in Operating Activities</strong></td>
<td>$(317,532)</td>
<td>$(303,355)</td>
<td>$(366,936)</td>
</tr>
<tr>
<td><strong>Net Cash Provided from Noncapital Financing Activities</strong></td>
<td>638,318</td>
<td>652,461</td>
<td>621,579</td>
</tr>
<tr>
<td><strong>Net Cash Used in Capital and Related Financing Activities</strong></td>
<td>(298,703)</td>
<td>(229,324)</td>
<td>(202,284)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by (Used) in Investing Activities</strong></td>
<td>(99,020)</td>
<td>118,197</td>
<td>(163,876)</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>$(76,937)</td>
<td>$237,979</td>
<td>$(111,517)</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents, Beginning of Year</strong></td>
<td>384,914</td>
<td>146,935</td>
<td>258,452</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents, End of Year</strong></td>
<td>$307,977</td>
<td>$384,914</td>
<td>$146,935</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Liabilities, Continued</th>
<th>University 2016</th>
<th>University 2015</th>
<th>Disretely Presented Component Units 2016</th>
<th>Disretely Presented Component Units 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>17,137</td>
<td>13,119</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>1,379,590</td>
<td>1,527,661</td>
<td>26,326</td>
<td>27,939</td>
</tr>
<tr>
<td>Derivative Instrument Liability</td>
<td>55,332</td>
<td>42,353</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Postemployment Benefits Liability</td>
<td>212,572</td>
<td>209,793</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>658,186</td>
<td>460,723</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Noncurrent Liabilities</td>
<td>64,135</td>
<td>67,073</td>
<td>7,400</td>
<td>7,006</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>2,386,952</td>
<td>2,320,722</td>
<td>33,726</td>
<td>34,945</td>
</tr>
<tr>
<td><strong>Deferred Inflows of Resources</strong></td>
<td>32,052</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities and Deferred Inflows of Resources</strong></td>
<td>3,457,447</td>
<td>3,213,431</td>
<td>53,377</td>
<td>59,744</td>
</tr>
</tbody>
</table>

**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)

<table>
<thead>
<tr>
<th></th>
<th>University 2016</th>
<th>University 2015</th>
<th>Discretely Presented Component Units 2016</th>
<th>Discretely Presented Component Units 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees (Net of Provision for Doubtful Accounts of $17,330 in 2016 and $8,208 in 2015)</td>
<td>$898,906</td>
<td>$870,637</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Less Scholarship Allowances</td>
<td>226,632</td>
<td>217,648</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Tuition and Fees</td>
<td>672,274</td>
<td>652,989</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Federal Grants and Contracts</td>
<td>155,134</td>
<td>155,797</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State and Local Grants and Contracts</td>
<td>57,690</td>
<td>53,926</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private Grants and Contracts</td>
<td>67,348</td>
<td>70,296</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sales and Services of Educational Activities</td>
<td>25,406</td>
<td>25,074</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Auxiliary Enterprises - Patient Medical Services, Net</td>
<td>1,012,410</td>
<td>944,161</td>
<td>192,674</td>
<td>172,238</td>
</tr>
<tr>
<td>Housing and Dining Services (Net of Scholarship Allowance of $1,273 in 2016 and $739 in 2015)</td>
<td>115,351</td>
<td>114,361</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bookstores</td>
<td>54,590</td>
<td>55,941</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Auxiliary Enterprises (Net of Scholarship Allowance of $10,936 in 2016 and $8,826 in 2015)</td>
<td>274,817</td>
<td>263,135</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>74,663</td>
<td>66,849</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>2,509,683</td>
<td>2,402,529</td>
<td>192,674</td>
<td>172,238</td>
</tr>
</tbody>
</table>

| **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** |                 |                 |                                          |                                          |
| (523,916) 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)

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

*See notes to the financial statements*
## Statements of Cash Flows
### As of June 30, 2016 and 2015 (in thousands)

<table>
<thead>
<tr>
<th>Cash Flows from Operating Activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees</td>
<td>$679,883</td>
<td>$663,453</td>
</tr>
<tr>
<td>Federal, State and Private Grants and Contracts</td>
<td>274,357</td>
<td>281,879</td>
</tr>
<tr>
<td>Sales and Services of Educational Activities and Other Auxiliaries</td>
<td>302,630</td>
<td>298,716</td>
</tr>
<tr>
<td>Patient Care Revenues</td>
<td>1,008,466</td>
<td>941,315</td>
</tr>
<tr>
<td>Student Housing Fees</td>
<td>115,896</td>
<td>114,158</td>
</tr>
<tr>
<td>Bookstore Collections</td>
<td>51,761</td>
<td>60,162</td>
</tr>
<tr>
<td>Payments to Suppliers</td>
<td>(885,402)</td>
<td>(888,288)</td>
</tr>
<tr>
<td>Payments to Employees</td>
<td>(1,469,444)</td>
<td>(1,384,114)</td>
</tr>
<tr>
<td>Payments for Benefits</td>
<td>(405,346)</td>
<td>(391,536)</td>
</tr>
<tr>
<td>Payments for Scholarships and Fellowships</td>
<td>(70,353)</td>
<td>(66,860)</td>
</tr>
<tr>
<td>Student Loans Issued</td>
<td>(7,350)</td>
<td>(9,791)</td>
</tr>
<tr>
<td>Student Loans Collected</td>
<td>10,044</td>
<td>9,964</td>
</tr>
<tr>
<td>Student Loan Interest and Fees</td>
<td>1,868</td>
<td>2,000</td>
</tr>
<tr>
<td>Other Receipts, Net</td>
<td>75,458</td>
<td>65,587</td>
</tr>
<tr>
<td><strong>Net Cash Used in Operating Activities</strong></td>
<td><strong>(317,532)</strong></td>
<td><strong>(303,355)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Noncapital Financing Activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Educational Appropriations</td>
<td>438,813</td>
<td>435,511</td>
</tr>
<tr>
<td>Federal Appropriations and Pell Grants</td>
<td>84,799</td>
<td>89,205</td>
</tr>
<tr>
<td>Private Gifts</td>
<td>86,648</td>
<td>72,747</td>
</tr>
<tr>
<td>Endowment and Similar Funds Gifts</td>
<td>29,477</td>
<td>30,288</td>
</tr>
<tr>
<td>Direct Lending Receipts</td>
<td>305,231</td>
<td>325,555</td>
</tr>
<tr>
<td>Direct Lending Disbursements</td>
<td>(305,231)</td>
<td>(325,555)</td>
</tr>
<tr>
<td>PLUS Loan Receipts</td>
<td>92,612</td>
<td>83,279</td>
</tr>
<tr>
<td>PLUS Loan Disbursements</td>
<td>(92,612)</td>
<td>(83,279)</td>
</tr>
<tr>
<td>Other Receipts, Net</td>
<td>(1,499)</td>
<td>26,476</td>
</tr>
<tr>
<td>Deposits (Receipts) of Affiliates</td>
<td>80</td>
<td>(1,766)</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Noncapital Financing Activities</strong></td>
<td><strong>638,318</strong></td>
<td><strong>652,461</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash Flows from Capital and Related Financing Activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Gifts and Grants</td>
<td>15,990</td>
<td>21,083</td>
</tr>
<tr>
<td>Proceeds from Sales of Capital Assets</td>
<td>4,116</td>
<td>4,970</td>
</tr>
<tr>
<td>Purchase of Capital Assets</td>
<td>(271,992)</td>
<td>(276,481)</td>
</tr>
<tr>
<td>Proceeds from Issuance of Capital Debt, Net</td>
<td>148,328</td>
<td>164,701</td>
</tr>
<tr>
<td>Principal Payments on Capital Debt</td>
<td>(137,594)</td>
<td>(65,029)</td>
</tr>
<tr>
<td>Payments on Capital Lease</td>
<td>(890)</td>
<td>(820)</td>
</tr>
<tr>
<td>Payments of Bond Issuance Costs</td>
<td>-</td>
<td>(1,044)</td>
</tr>
<tr>
<td>Interest Payments on Capital Debt</td>
<td>(78,212)</td>
<td>(77,892)</td>
</tr>
<tr>
<td>State Capital Appropriations</td>
<td>21,551</td>
<td>1,188</td>
</tr>
<tr>
<td><strong>Net Cash Used in Capital and Related Financing Activities</strong></td>
<td><strong>(298,703)</strong></td>
<td><strong>(229,324)</strong></td>
</tr>
</tbody>
</table>

(continued)
### Statements of Cash Flows
**As of June 30, 2016 and 2015 (in thousands)**

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividends on Investments, Net</td>
<td>5,145</td>
<td>29,875</td>
</tr>
<tr>
<td>Proceeds from (Purchases) of Investments, Net of Sales and Maturities</td>
<td>(104,307)</td>
<td>86,960</td>
</tr>
<tr>
<td>Other Investing Activities</td>
<td>142</td>
<td>1,362</td>
</tr>
<tr>
<td><strong>Net Cash Provided by (Used in) Investing Activities</strong></td>
<td>(99,020)</td>
<td>118,197</td>
</tr>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td>(76,937)</td>
<td>237,979</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, Beginning of Year</td>
<td>384,914</td>
<td>146,935</td>
</tr>
<tr>
<td>Cash and Cash Equivalents, End of Year</td>
<td>$ 307,977</td>
<td>$ 384,914</td>
</tr>
</tbody>
</table>

### 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)

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

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

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

*See notes to the financial statements*
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
“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 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
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)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>28%</td>
<td>29%</td>
</tr>
<tr>
<td>Commercial Insurance</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Self Pay &amp; Other</td>
<td>15%</td>
<td>16%</td>
</tr>
<tr>
<td>Managed Care Agreements</td>
<td>24%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patient Medical Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue, Gross</td>
<td>$2,504,046</td>
<td>$2,272,219</td>
</tr>
<tr>
<td>Deductions for Contractuals</td>
<td>(1,438,908)</td>
<td>(1,238,876)</td>
</tr>
<tr>
<td>Deductions for Bad Debt</td>
<td>(52,728)</td>
<td>(89,182)</td>
</tr>
<tr>
<td><strong>Revenue, Net</strong></td>
<td>$1,012,410</td>
<td>$944,161</td>
</tr>
</tbody>
</table>

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)

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

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 as 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
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
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 instrumentalties 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
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.
Table 3.1 - Investments by Type (in thousands)

<table>
<thead>
<tr>
<th>As of June 30,</th>
<th>University of Missouri</th>
<th>University of Missouri Pension Trust Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2015</td>
</tr>
<tr>
<td>Debt Securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>$205,397</td>
<td>$156,269</td>
</tr>
<tr>
<td>U.S. Agency Obligations</td>
<td>495,036</td>
<td>474,004</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>525,442</td>
<td>232,940</td>
</tr>
<tr>
<td>Government - Foreign</td>
<td>41,093</td>
<td>90,111</td>
</tr>
<tr>
<td>Corporate - Domestic</td>
<td>157,973</td>
<td>195,639</td>
</tr>
<tr>
<td>Corporate - Foreign</td>
<td>94,217</td>
<td>86,044</td>
</tr>
<tr>
<td>Equity Securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>29,893</td>
<td>128,529</td>
</tr>
<tr>
<td>Foreign</td>
<td>43,829</td>
<td>78,655</td>
</tr>
<tr>
<td>Commingled Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Absolute Return</td>
<td>160,032</td>
<td>622,998</td>
</tr>
<tr>
<td>Risk Parity</td>
<td>583,859</td>
<td>84,457</td>
</tr>
<tr>
<td>Debt Securities - Global</td>
<td>26,918</td>
<td>26,358</td>
</tr>
<tr>
<td>Debt Securities - Domestic</td>
<td>75,872</td>
<td>169,237</td>
</tr>
<tr>
<td>Debt Securities - Foreign</td>
<td>65,089</td>
<td>68,626</td>
</tr>
<tr>
<td>Equity Securities - Domestic</td>
<td>171,764</td>
<td>133,266</td>
</tr>
<tr>
<td>Equity Securities - Foreign</td>
<td>67,380</td>
<td>96,029</td>
</tr>
<tr>
<td>Equity Securities - Global</td>
<td>233,848</td>
<td>206,557</td>
</tr>
<tr>
<td>Real Estate</td>
<td>26,225</td>
<td>14,253</td>
</tr>
<tr>
<td>Nonmarketable Alternative Investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td>86,551</td>
<td>62,175</td>
</tr>
<tr>
<td>Private Equity</td>
<td>147,345</td>
<td>106,677</td>
</tr>
<tr>
<td>Other</td>
<td>35,475</td>
<td>36,134</td>
</tr>
<tr>
<td>Total Investments</td>
<td>3,273,238</td>
<td>3,068,958</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>210,894</td>
<td>205,880</td>
</tr>
<tr>
<td>Other</td>
<td>97,083</td>
<td>179,034</td>
</tr>
<tr>
<td>Total Cash and Cash Equivalents</td>
<td>307,977</td>
<td>384,914</td>
</tr>
</tbody>
</table>

**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.
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.
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)

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

**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
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>
<thead>
<tr>
<th>Table 3.3 - Debt Securities by Type and Modified Duration (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of June 30,</strong></td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
</tr>
<tr>
<td>U.S. Agency Obligations</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
</tr>
<tr>
<td>Government - Foreign</td>
</tr>
<tr>
<td>Corporate - Domestic</td>
</tr>
<tr>
<td>Corporate - Foreign</td>
</tr>
<tr>
<td><strong>Total Debt Securities</strong></td>
</tr>
</tbody>
</table>

| **As of June 30,** | **University of Missouri Pension Trust** | **2016** | **Duration (in years)** | **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.
The University’s and Pension Trust Funds’ exposure to foreign exchange risk as of June 30, 2016 and 2015:

<table>
<thead>
<tr>
<th>Table 3.4 - Foreign Exchange Risk (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of June 30,</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Debt Securities</td>
</tr>
<tr>
<td>Australian Dollar</td>
</tr>
<tr>
<td>Brazil Real</td>
</tr>
<tr>
<td>British Pound Sterling</td>
</tr>
<tr>
<td>Canadian Dollar</td>
</tr>
<tr>
<td>Danish Krone</td>
</tr>
<tr>
<td>Euro</td>
</tr>
<tr>
<td>Japanese Yen</td>
</tr>
<tr>
<td>Mexican Peso</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Equity Securities</td>
</tr>
<tr>
<td>Australian Dollar</td>
</tr>
<tr>
<td>Brazil Real</td>
</tr>
<tr>
<td>British Pound Sterling</td>
</tr>
<tr>
<td>Canadian Dollar</td>
</tr>
<tr>
<td>Danish Krone</td>
</tr>
<tr>
<td>Euro</td>
</tr>
<tr>
<td>Hong Kong Dollar</td>
</tr>
<tr>
<td>Japanese Yen</td>
</tr>
<tr>
<td>Norwegian Krone</td>
</tr>
<tr>
<td>South African Rand</td>
</tr>
<tr>
<td>South Korean Won</td>
</tr>
<tr>
<td>Swedish Krona</td>
</tr>
<tr>
<td>Swiss Franc</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Commingled Funds</td>
</tr>
<tr>
<td>Various currency denominations:</td>
</tr>
<tr>
<td>Debt Securities - Global</td>
</tr>
<tr>
<td>Debt Securities - Foreign</td>
</tr>
<tr>
<td>Equity Securities - Global</td>
</tr>
<tr>
<td>Equity Securities - Foreign</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
</tr>
<tr>
<td>Australian Dollar</td>
</tr>
<tr>
<td>Euro</td>
</tr>
<tr>
<td>Japanese Yen</td>
</tr>
<tr>
<td>Mexican Peso</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td><strong>Total Exposure to Foreign Exchange Risk</strong></td>
</tr>
</tbody>
</table>
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,
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)*

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

### 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.
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)

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments by fair value level</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>$205,397</td>
<td>$205,397</td>
<td>$156,269</td>
<td>$205,397</td>
<td>$156,269</td>
<td>$156,269</td>
</tr>
<tr>
<td>U.S. Agency Obligations</td>
<td>$495,036</td>
<td>$495,036</td>
<td>$474,004</td>
<td>$495,036</td>
<td>$474,004</td>
<td>$474,004</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>$525,442</td>
<td>$525,442</td>
<td>$232,940</td>
<td>$525,442</td>
<td>$232,940</td>
<td>$232,940</td>
</tr>
<tr>
<td>Corporate</td>
<td>$41,093</td>
<td>$41,093</td>
<td>$90,111</td>
<td>$41,093</td>
<td>$90,111</td>
<td>$90,111</td>
</tr>
<tr>
<td>Domestic</td>
<td>$29,893</td>
<td>$29,893</td>
<td>$128,529</td>
<td>$29,893</td>
<td>$128,529</td>
<td>$128,529</td>
</tr>
<tr>
<td>Foreign</td>
<td>$43,829</td>
<td>$43,829</td>
<td>$78,655</td>
<td>$43,829</td>
<td>$78,655</td>
<td>$78,655</td>
</tr>
<tr>
<td>Absolute Return</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Parity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Estate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total investments by fair value level</strong></td>
<td>$3,273,238</td>
<td>$365,582</td>
<td>$2,081,067</td>
<td>$3,068,958</td>
<td>$447,780</td>
<td>$1,086,029</td>
</tr>
<tr>
<td><strong>Interest Rate Swaps</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Investments and Financing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivative Instruments</td>
<td>$3,217,906</td>
<td>$365,582</td>
<td>$1,264,735</td>
<td>$20,811</td>
<td>$3,026,605</td>
<td>$447,780</td>
</tr>
</tbody>
</table>
UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

<table>
<thead>
<tr>
<th>Investments by fair value level</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Obligations</td>
<td>242,268</td>
<td>136,757</td>
</tr>
<tr>
<td>Asset-Backed Securities</td>
<td>136,280</td>
<td>-11,770</td>
</tr>
<tr>
<td>Government</td>
<td>16,828</td>
<td>37,372</td>
</tr>
<tr>
<td>Corporate</td>
<td>199,468</td>
<td>247,616</td>
</tr>
<tr>
<td>Equity Securities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>54,940</td>
<td>270,455</td>
</tr>
<tr>
<td>Foreign</td>
<td>120,698</td>
<td>266,537</td>
</tr>
<tr>
<td>Commingled Funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Securities</td>
<td>18,110</td>
<td>17,634</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments measured at the net asset value (NAV)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commingled Funds:</td>
</tr>
<tr>
<td>Absolute Return</td>
</tr>
<tr>
<td>Risk Parity</td>
</tr>
<tr>
<td>Debt Securities</td>
</tr>
<tr>
<td>Equity Securities</td>
</tr>
<tr>
<td>Real Estate</td>
</tr>
<tr>
<td>Nonmarketable Alternative Investments:</td>
</tr>
<tr>
<td>Real Estate</td>
</tr>
<tr>
<td>Private Equity</td>
</tr>
</tbody>
</table>

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.
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>
<thead>
<tr>
<th>Table 4.2- Investments Measured at the NAV (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Missouri</td>
</tr>
<tr>
<td>Investment Strategy and Structure (1)</td>
</tr>
<tr>
<td>Fair Value</td>
</tr>
<tr>
<td>Unfunded Commitments</td>
</tr>
<tr>
<td>Fund Term (1)</td>
</tr>
<tr>
<td>Redemption Terms (1)</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
</tr>
<tr>
<td>Commingled Funds (2):</td>
</tr>
<tr>
<td>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.</td>
</tr>
<tr>
<td>Absolute Return</td>
</tr>
<tr>
<td>Risk Parity</td>
</tr>
<tr>
<td>Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.</td>
</tr>
<tr>
<td>Debt Securities</td>
</tr>
<tr>
<td>Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.</td>
</tr>
<tr>
<td>Equity Securities</td>
</tr>
<tr>
<td>Core real estate holdings in open-ended fund.</td>
</tr>
<tr>
<td>Real Estate</td>
</tr>
<tr>
<td>Nonmarketable Alternative Funds (3):</td>
</tr>
<tr>
<td>Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.</td>
</tr>
<tr>
<td>Real Estate</td>
</tr>
<tr>
<td>Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies</td>
</tr>
<tr>
<td>Private Equity</td>
</tr>
<tr>
<td>Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

University of Missouri System
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

### University of Missouri

#### Pension Trust Funds

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

(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.
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>
<thead>
<tr>
<th>Table 5.1 - Accounts Receivable (in thousands)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and Contracts</td>
<td>$64,626</td>
<td>$58,359</td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>9,744</td>
<td>10,189</td>
</tr>
<tr>
<td>State Appropriations and State Bond Funds</td>
<td>10,037</td>
<td>2,422</td>
</tr>
<tr>
<td>Student Fees and Other Academic Charges</td>
<td>112,265</td>
<td>113,008</td>
</tr>
<tr>
<td>Patient Services, Net of Contractual Allowances</td>
<td>132,826</td>
<td>121,613</td>
</tr>
<tr>
<td>Subtotal</td>
<td>329,498</td>
<td>305,591</td>
</tr>
</tbody>
</table>

Less Provisions for Loss:

<table>
<thead>
<tr>
<th>Table 5.1 - Accounts Receivable (in thousands)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants &amp; Contracts</td>
<td>902</td>
<td>1,121</td>
</tr>
<tr>
<td>University Health Care Patient Services</td>
<td>15,249</td>
<td>18,889</td>
</tr>
<tr>
<td>Student Fees and Other Academic Charges</td>
<td>17,331</td>
<td>8,208</td>
</tr>
<tr>
<td>Subtotal</td>
<td>33,482</td>
<td>28,218</td>
</tr>
</tbody>
</table>

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>
<thead>
<tr>
<th>Table 6.1 - Notes Receivable (in thousands)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Health Profession Loans</td>
<td>$18,526</td>
<td>$19,484</td>
</tr>
<tr>
<td>Carl D. Perkins National Loans</td>
<td>28,450</td>
<td>29,831</td>
</tr>
<tr>
<td>University Loan Programs</td>
<td>15,293</td>
<td>16,380</td>
</tr>
<tr>
<td>Other</td>
<td>27,679</td>
<td>27,240</td>
</tr>
<tr>
<td>Subtotal</td>
<td>89,948</td>
<td>92,935</td>
</tr>
<tr>
<td>Less Provisions for Loss</td>
<td>4,909</td>
<td>4,736</td>
</tr>
<tr>
<td>Total Notes Receivable, Net</td>
<td>$85,039</td>
<td>$88,199</td>
</tr>
</tbody>
</table>
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)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Additions/</td>
<td>Transfers</td>
<td>Retirements</td>
</tr>
<tr>
<td>Capital Assets, Nondepreciable:</td>
<td>$83,326</td>
<td>$1,443</td>
<td>$(470)</td>
<td>$84,299</td>
</tr>
<tr>
<td>Land</td>
<td>14,813</td>
<td>538</td>
<td>-</td>
<td>15,351</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>157,244</td>
<td>3,583</td>
<td>-</td>
<td>160,827</td>
</tr>
<tr>
<td>Total Capital Assets, Nondepreciable</td>
<td>255,383</td>
<td>5,564</td>
<td>$(470)</td>
<td>260,477</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Additions/</td>
<td>Transfers</td>
<td>Retirements</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>3,640,793</td>
<td>199,852</td>
<td>(19,736)</td>
<td>3,820,909</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>539,876</td>
<td>28,786</td>
<td>(106)</td>
<td>568,556</td>
</tr>
<tr>
<td>Equipment</td>
<td>812,923</td>
<td>44,966</td>
<td>(26,970)</td>
<td>830,919</td>
</tr>
<tr>
<td>Library Materials</td>
<td>267,240</td>
<td>1,689</td>
<td>-</td>
<td>268,929</td>
</tr>
<tr>
<td>Total Capital Assets, Depreciable</td>
<td>5,260,832</td>
<td>275,293</td>
<td>(46,812)</td>
<td>5,489,313</td>
</tr>
</tbody>
</table>

Less Accumulated Depreciation:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2016</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Additions/</td>
<td>Transfers</td>
<td>Retirements</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>1,359,528</td>
<td>104,462</td>
<td>(12,849)</td>
<td>1,451,141</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>191,006</td>
<td>22,875</td>
<td>(57)</td>
<td>213,824</td>
</tr>
<tr>
<td>Equipment</td>
<td>583,828</td>
<td>59,132</td>
<td>(26,548)</td>
<td>616,412</td>
</tr>
<tr>
<td>Library Materials</td>
<td>183,842</td>
<td>3,827</td>
<td>-</td>
<td>187,669</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>2,318,204</td>
<td>190,296</td>
<td>(39,454)</td>
<td>2,469,046</td>
</tr>
</tbody>
</table>

Total Capital Assets, Net | $3,198,011 | $90,561 | $(7,828) | $3,280,744 |

Table for 2015:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Additions/</td>
<td>Transfers</td>
<td>Retirements</td>
</tr>
<tr>
<td>Land</td>
<td>81,261</td>
<td>2,087</td>
<td>$(22)</td>
<td>83,326</td>
</tr>
<tr>
<td>Artwork and Historical Artifacts</td>
<td>14,358</td>
<td>455</td>
<td>-</td>
<td>14,813</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>234,949</td>
<td>(77,705)</td>
<td>-</td>
<td>157,244</td>
</tr>
<tr>
<td>Total Capital Assets, Nondepreciable</td>
<td>330,568</td>
<td>(75,163)</td>
<td>(22)</td>
<td>255,383</td>
</tr>
</tbody>
</table>

Capital Assets, Depreciable:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Additions/</td>
<td>Transfers</td>
<td>Retirements</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>3,462,383</td>
<td>215,322</td>
<td>(36,912)</td>
<td>3,640,793</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>452,890</td>
<td>87,544</td>
<td>(558)</td>
<td>539,876</td>
</tr>
<tr>
<td>Equipment</td>
<td>807,401</td>
<td>50,598</td>
<td>(45,076)</td>
<td>812,923</td>
</tr>
<tr>
<td>Library Materials</td>
<td>263,068</td>
<td>4,172</td>
<td>-</td>
<td>267,240</td>
</tr>
<tr>
<td>Total Capital Assets, Depreciable</td>
<td>4,985,742</td>
<td>357,636</td>
<td>(82,546)</td>
<td>5,260,832</td>
</tr>
</tbody>
</table>

Less Accumulated Depreciation:

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td>Additions/</td>
<td>Transfers</td>
<td>Retirements</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>1,286,695</td>
<td>99,864</td>
<td>(27,031)</td>
<td>1,359,528</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>172,325</td>
<td>20,072</td>
<td>(1,391)</td>
<td>191,006</td>
</tr>
<tr>
<td>Equipment</td>
<td>555,928</td>
<td>68,487</td>
<td>(40,587)</td>
<td>583,828</td>
</tr>
<tr>
<td>Library Materials</td>
<td>178,190</td>
<td>5,652</td>
<td>-</td>
<td>183,842</td>
</tr>
<tr>
<td>Total Accumulated Depreciation</td>
<td>2,193,138</td>
<td>194,075</td>
<td>(69,009)</td>
<td>2,318,046</td>
</tr>
</tbody>
</table>

Total Capital Assets, Net | $3,123,172 | $88,398 | $(13,559) | $3,198,011 |
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>
<thead>
<tr>
<th>Table 7.2 - Medical Alliance and CSS - Capital Assets (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Land &amp; Improvements</td>
</tr>
<tr>
<td>Buildings</td>
</tr>
<tr>
<td>Movable Equipment</td>
</tr>
<tr>
<td>Construction in Progress</td>
</tr>
<tr>
<td>Less Accumulated Depreciation</td>
</tr>
<tr>
<td><strong>Total Capital Assets, Net</strong></td>
</tr>
</tbody>
</table>

**8. ACCRUED SHORT-TERM LIABILITIES**

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

<table>
<thead>
<tr>
<th>Table 8.1 - Accrued Liabilities (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
</tr>
<tr>
<td>Accrued Salaries, Wages &amp; Benefits</td>
</tr>
<tr>
<td>Accrued Vacation</td>
</tr>
<tr>
<td>Accrued Self Insurance Claims</td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
</tr>
<tr>
<td><strong>Total Accrued Liabilities</strong></td>
</tr>
</tbody>
</table>

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.

**9. OTHER NONCURRENT LIABILITIES**

<table>
<thead>
<tr>
<th>Table 9.1 - Other Noncurrent Liabilities (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year 2016</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Accrued Vacation</td>
</tr>
<tr>
<td>Accrued Self-Insurance Claims</td>
</tr>
<tr>
<td><strong>$156,610</strong></td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>As of June 30, 2015</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Current Portion</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Facilities Revenue Bonds - Fixed</td>
<td>$1,320,525</td>
<td>$150,000</td>
<td>$(18,640)</td>
<td>$1,451,885</td>
<td>$24,890</td>
</tr>
<tr>
<td>System Facilities Revenue Bonds - Variable</td>
<td>99,895</td>
<td>-</td>
<td>(450)</td>
<td>99,445</td>
<td>99,445</td>
</tr>
<tr>
<td>Unamortized Premium</td>
<td>72,556</td>
<td>-</td>
<td>(6,952)</td>
<td>65,604</td>
<td>-</td>
</tr>
<tr>
<td>Net System Facilities Revenue Bonds</td>
<td>1,492,976</td>
<td>150,000</td>
<td>(26,042)</td>
<td>1,616,934</td>
<td>124,335</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>33,389</td>
<td>61</td>
<td>(951)</td>
<td>32,499</td>
<td>894</td>
</tr>
<tr>
<td>Capital Lease Obligations</td>
<td>5,166</td>
<td>-</td>
<td>(894)</td>
<td>4,347</td>
<td>890</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>71,572</td>
<td>14,640</td>
<td>(44,989)</td>
<td>41,223</td>
<td>41,223</td>
</tr>
<tr>
<td><strong>Total Long-Term Debt</strong></td>
<td><strong>$1,603,103</strong></td>
<td><strong>$164,701</strong></td>
<td><strong>$(72,360)</strong></td>
<td><strong>$1,695,003</strong></td>
<td><strong>$167,342</strong></td>
</tr>
</tbody>
</table>

**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.
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.

---

**Table 10.2 - System Facilities Revenue Bonds (in thousands)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2006A</td>
<td>Fixed</td>
<td>N/A</td>
<td>11/1/2026</td>
<td>260,975</td>
<td>$  -</td>
</tr>
<tr>
<td>2007A</td>
<td>Fixed</td>
<td>4.22%</td>
<td>11/1/2037</td>
<td>262,970</td>
<td>13,555</td>
</tr>
<tr>
<td>2009A (1)</td>
<td>Fixed</td>
<td>4.02%</td>
<td>11/1/2039</td>
<td>256,300</td>
<td>256,300</td>
</tr>
<tr>
<td>2009B</td>
<td>Fixed</td>
<td>3.44%</td>
<td>11/1/2021</td>
<td>75,760</td>
<td>42,075</td>
</tr>
<tr>
<td>2011</td>
<td>Fixed</td>
<td>3.49%</td>
<td>11/1/2027</td>
<td>54,125</td>
<td>43,635</td>
</tr>
<tr>
<td>2012A</td>
<td>Fixed</td>
<td>1.58%</td>
<td>11/1/2019</td>
<td>105,155</td>
<td>105,155</td>
</tr>
<tr>
<td>2013A</td>
<td>Fixed</td>
<td>2.24%</td>
<td>11/1/2023</td>
<td>11,325</td>
<td>10,795</td>
</tr>
<tr>
<td>2013B</td>
<td>Fixed</td>
<td>4.87%</td>
<td>11/1/2043</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td>2014A</td>
<td>Fixed</td>
<td>3.21%</td>
<td>11/1/2037</td>
<td>294,510</td>
<td>294,510</td>
</tr>
<tr>
<td>2014B</td>
<td>Fixed</td>
<td>4.24%</td>
<td>11/1/2054</td>
<td>150,000</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Total Fixed Rate Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,873,405</strong></td>
<td><strong>1,318,310</strong></td>
</tr>
<tr>
<td>2007B</td>
<td>Variable</td>
<td>0.41% (2)</td>
<td>11/1/2031</td>
<td>102,250</td>
<td>96,320</td>
</tr>
<tr>
<td><strong>Total Variable Rate Demand Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>102,250</strong></td>
<td><strong>96,320</strong></td>
</tr>
<tr>
<td><strong>Total System Facilities Revenue Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$1,975,655</strong></td>
<td><strong>$1,414,630</strong></td>
</tr>
</tbody>
</table>

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

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

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)

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

**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:
Table 10.5 - Swap Collateral Requirements

<table>
<thead>
<tr>
<th>Credit Rating (S&amp;P / Moody's)</th>
<th>Fair Value Threshold (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA/Aaa</td>
<td>50,000</td>
</tr>
<tr>
<td>AA+/Aa1</td>
<td>30,000</td>
</tr>
<tr>
<td>AA/Aa2</td>
<td>30,000</td>
</tr>
<tr>
<td>AA-/Aa3</td>
<td>20,000</td>
</tr>
<tr>
<td>A+/A1</td>
<td>20,000</td>
</tr>
<tr>
<td>A/A2</td>
<td>10,000</td>
</tr>
<tr>
<td>A-/A3</td>
<td>10,000</td>
</tr>
<tr>
<td>BBB+/Baa1</td>
<td>5,000</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Swaps - Cash Flow Hedge</td>
<td>$26,195</td>
<td>$20,971</td>
</tr>
<tr>
<td>Loss on Bond Defeasance</td>
<td>21,851</td>
<td>28,182</td>
</tr>
<tr>
<td>Deferred Outflows of Resources</td>
<td>$48,046</td>
<td>$49,153</td>
</tr>
</tbody>
</table>

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)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledged Revenues:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Patient Revenue</td>
<td>$1,012,410</td>
<td>$942,160</td>
</tr>
<tr>
<td>Housing and Food Service</td>
<td>116,622</td>
<td>115,097</td>
</tr>
<tr>
<td>Bookstores</td>
<td>54,673</td>
<td>56,010</td>
</tr>
<tr>
<td>Net Tuition and Fees</td>
<td>23,006</td>
<td>23,761</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>33,124</td>
<td>33,973</td>
</tr>
<tr>
<td><strong>Pledged Revenues</strong></td>
<td><strong>1,239,835</strong></td>
<td><strong>1,171,001</strong></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,048,948</td>
<td>990,892</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>$190,887</td>
<td>$180,109</td>
</tr>
</tbody>
</table>
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)**

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

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

### Table 10.9 - Future Notes Payable Payments

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

### 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

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

### 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.
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)

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

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

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

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)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1,885</td>
<td>992</td>
<td>2,877</td>
</tr>
<tr>
<td>2018</td>
<td>1,930</td>
<td>939</td>
<td>2,869</td>
</tr>
<tr>
<td>2019</td>
<td>1,995</td>
<td>877</td>
<td>2,872</td>
</tr>
<tr>
<td>2020</td>
<td>2,055</td>
<td>809</td>
<td>2,864</td>
</tr>
<tr>
<td>2021</td>
<td>2,125</td>
<td>733</td>
<td>2,858</td>
</tr>
<tr>
<td>2022-2026</td>
<td>11,980</td>
<td>2,281</td>
<td>14,261</td>
</tr>
<tr>
<td>2027-2029</td>
<td>3,775</td>
<td>147</td>
<td>3,922</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>25,745</strong></td>
<td><strong>6,778</strong></td>
<td><strong>32,523</strong></td>
</tr>
</tbody>
</table>

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
$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 guarantee.

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>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Amount</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$7,011</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>4,395</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3,437</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>2,125</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>957</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>2,437</td>
<td></td>
</tr>
</tbody>
</table>

**Table 12.1 - Future Operating Lease Payments**

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: 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...
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**

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Members</td>
<td>18,445</td>
<td>18,407</td>
</tr>
<tr>
<td>Inactive Vested Members</td>
<td>4,126</td>
<td>4,305</td>
</tr>
<tr>
<td>Pensioners and Beneficiaries</td>
<td>8,790</td>
<td>8,320</td>
</tr>
<tr>
<td>Total Members</td>
<td>31,361</td>
<td>31,032</td>
</tr>
</tbody>
</table>

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
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.
### Table 13.2 Changes in the Net Pension Liability (in thousands)

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

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

<table>
<thead>
<tr>
<th>Rate</th>
<th>2016 Net Pension Liability</th>
<th>2015 Net Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% Decrease</td>
<td>6.75% $1,129,237</td>
<td>$922,713</td>
</tr>
<tr>
<td>Current Rate</td>
<td>7.75% $658,186</td>
<td>460,723</td>
</tr>
<tr>
<td>1% Increase</td>
<td>8.75% 259,235</td>
<td>69,412</td>
</tr>
</tbody>
</table>

**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**

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$68,328</td>
<td>$70,574</td>
</tr>
<tr>
<td>Interest</td>
<td>288,438</td>
<td>275,762</td>
</tr>
<tr>
<td>Recognized portion of current-period difference between expected and actual experience</td>
<td>(6,175)</td>
<td>2,127</td>
</tr>
<tr>
<td>Contributions – employee</td>
<td>(14,976)</td>
<td>(14,486)</td>
</tr>
<tr>
<td>Projected earnings on pension plan investments</td>
<td>(251,871)</td>
<td>(255,210)</td>
</tr>
<tr>
<td>Recognized portion of current-period difference between projected and actual earnings on pension plan investments</td>
<td>49,045</td>
<td>44,190</td>
</tr>
<tr>
<td>Recognition of deferred outflows of resources</td>
<td>2,127</td>
<td>-</td>
</tr>
<tr>
<td>Recognition of deferred inflows of resources</td>
<td>(2,275)</td>
<td>(46,465)</td>
</tr>
</tbody>
</table>

Pension expense for fiscal year ended June 30, $132,641,000 $76,492,000

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)

<table>
<thead>
<tr>
<th>As of June 30,</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
<th>Deferred Outflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between expected and actual experience</td>
<td>8,972</td>
<td>32,052</td>
<td>11,099</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Changes of benefit terms</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on pension plan investments</td>
<td>235,818</td>
<td>-</td>
<td>37,363</td>
</tr>
<tr>
<td>Total</td>
<td>244,790</td>
<td>32,052</td>
<td>48,462</td>
</tr>
</tbody>
</table>
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>
<thead>
<tr>
<th>Year Ended June 30, 2016</th>
<th>Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>42,721</td>
</tr>
<tr>
<td>2018</td>
<td>42,721</td>
</tr>
<tr>
<td>2019</td>
<td>89,187</td>
</tr>
<tr>
<td>2020</td>
<td>44,997</td>
</tr>
<tr>
<td>2021</td>
<td>(5,709)</td>
</tr>
<tr>
<td>Thereafter</td>
<td>(1,179)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>212,738</strong></td>
</tr>
</tbody>
</table>

**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.”

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

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

**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.
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 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.

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:

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

**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.
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)

<table>
<thead>
<tr>
<th>Assets:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>Current Assets</td>
<td>$3,818</td>
<td>$483</td>
</tr>
<tr>
<td>Non Current Other Assets</td>
<td>7,198</td>
<td>20,106</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>119,876</td>
<td>(11,105)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>$130,892</strong></td>
<td><strong>8,961</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>$1,915</td>
<td>(1,201)</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
<td>116,619</td>
<td>(66,564)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>$118,534</strong></td>
<td><strong>(67,765)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
<td>23,539</td>
<td>56,606</td>
</tr>
<tr>
<td>Restricted - Nonexpendable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expendable</td>
<td>(11,181)</td>
<td>20,120</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td><strong>$12,358</strong></td>
<td><strong>76,726</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Liabilities and Net Position</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td><strong>$130,892</strong></td>
<td><strong>$8,961</strong></td>
<td><strong>$139,853</strong></td>
</tr>
</tbody>
</table>

Table - Condensed Statement of Revenues, Expenses and Changes in Net Position

<table>
<thead>
<tr>
<th>Operating Revenues:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>Other Operating Revenue</td>
<td>$7,429</td>
<td>(6,772)</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td><strong>7,429</strong></td>
<td><strong>(6,772)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Expenses:</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,766</td>
<td>-</td>
</tr>
<tr>
<td>All Other Operating Expenses</td>
<td>4,750</td>
<td>(4,203)</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>9,516</strong></td>
<td><strong>(4,203)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operating Income (Loss)</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>(2,087)</td>
<td>(2,569)</td>
<td>(4,656)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Increase (Decrease) in Net Position</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>1,815</td>
<td>(6,954)</td>
<td>(5,139)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position, Beginning of Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>10,543</td>
<td>83,680</td>
<td>94,223</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position, End of Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td><strong>$12,358</strong></td>
<td><strong>$76,726</strong></td>
<td><strong>$89,084</strong></td>
</tr>
</tbody>
</table>

Table - Condensed Statement of Cash Flows

<table>
<thead>
<tr>
<th>Net Cash Flows Provided by (Used in) Operating Activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td><strong>$8,431</strong></td>
<td><strong>(5,159)</strong></td>
<td><strong>3,272</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Cash Flows Provided by (Used in) Capital and Related Financing Activities</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td><strong>(5,136)</strong></td>
<td><strong>5,159</strong></td>
<td><strong>23</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Increase in Cash and Cash Equivalents</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td><strong>3,295</strong></td>
<td><strong>3,295</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents, Beginning of Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td>483</td>
<td>-</td>
<td>483</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash and Cash Equivalents, End of Year</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>MREC</td>
<td>Eliminations</td>
<td>Total</td>
</tr>
<tr>
<td><strong>$3,778</strong></td>
<td><strong>$3,778</strong></td>
<td><strong>$483</strong></td>
</tr>
</tbody>
</table>
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>
<thead>
<tr>
<th>Table 16.1 - Discretely Presented Component Units Condensed Financial Statements (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Condensed Statement of Net Position</strong></td>
</tr>
<tr>
<td><strong>2016</strong></td>
</tr>
<tr>
<td>Medical Alliance CSS Total Medical Alliance CSS Total Medical Alliance CSS Total Medical Alliance CSS Total Medical Alliance CSS Total Medical Alliance CSS Total Medical Alliance CSS Total Medical Alliance CSS Total</td>
</tr>
<tr>
<td>Assets:</td>
</tr>
<tr>
<td>Current Assets</td>
</tr>
<tr>
<td>Non Current Other Assets</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
</tr>
<tr>
<td>Total Assets</td>
</tr>
<tr>
<td>Liabilities:</td>
</tr>
<tr>
<td>Current Liabilities</td>
</tr>
<tr>
<td>Noncurrent Liabilities</td>
</tr>
<tr>
<td>Total Liabilities</td>
</tr>
<tr>
<td>Net Position:</td>
</tr>
<tr>
<td>Net Investment in Capital Assets</td>
</tr>
<tr>
<td>Restricted -</td>
</tr>
<tr>
<td>Nonexpendable</td>
</tr>
<tr>
<td>Expendable</td>
</tr>
<tr>
<td>Unrestricted</td>
</tr>
<tr>
<td>Total Net Position</td>
</tr>
<tr>
<td>Total Liabilities and Net Position</td>
</tr>
</tbody>
</table>

Condensed Statement of Revenues, Expenses and Changes in Net Position

| **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 | | | |
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)

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

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

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th></th>
<th>2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retirement</td>
<td>OPEB</td>
<td>Total</td>
<td>Retirement</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$223,263</td>
<td>$10,374</td>
<td>$233,637</td>
<td>$112,763</td>
</tr>
<tr>
<td>Investment of Cash Collateral</td>
<td>98,660</td>
<td>-</td>
<td>98,660</td>
<td>135,813</td>
</tr>
<tr>
<td>Investment Settlements Receivable</td>
<td>85,169</td>
<td>-</td>
<td>85,169</td>
<td>75,732</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Securities</td>
<td>594,844</td>
<td>-</td>
<td>594,844</td>
<td>409,975</td>
</tr>
<tr>
<td>Equity Securities</td>
<td>175,639</td>
<td>-</td>
<td>175,639</td>
<td>536,992</td>
</tr>
<tr>
<td>Commingled Funds</td>
<td>1,714,662</td>
<td>24,771</td>
<td>1,739,433</td>
<td>1,906,828</td>
</tr>
<tr>
<td>Nonmarketable Alternative Investments</td>
<td>490,628</td>
<td>-</td>
<td>490,628</td>
<td>360,270</td>
</tr>
<tr>
<td>Total Assets</td>
<td>3,382,865</td>
<td>35,145</td>
<td>3,418,010</td>
<td>3,538,373</td>
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<tr>
<td>Liabilities</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Collateral Held for Securities Lending</td>
<td>98,660</td>
<td>-</td>
<td>98,660</td>
<td>135,813</td>
</tr>
<tr>
<td>Investment Settlements Payable</td>
<td>63,579</td>
<td>-</td>
<td>63,579</td>
<td>99,710</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>162,239</td>
<td>-</td>
<td>162,239</td>
<td>235,523</td>
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</tbody>
</table>
Table 18.2 - Statement of Changes in Fiduciary Net Position *(in thousands)*

<table>
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<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Retirement</td>
<td>OPEB</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividend Income</td>
<td>$38,558 $</td>
<td>$437 $</td>
</tr>
<tr>
<td>Net Appreciation (Depreciation) in Fair Value of Investments</td>
<td>(18,250)</td>
<td>(366)</td>
</tr>
<tr>
<td>Less Investment Expense</td>
<td>(10,330)</td>
<td>(4)</td>
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<tr>
<td><strong>Net Investment Income</strong></td>
<td>9,978</td>
<td>67</td>
</tr>
<tr>
<td>Contributions:</td>
<td></td>
<td></td>
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<tr>
<td>University</td>
<td>99,454</td>
<td>26,207</td>
</tr>
<tr>
<td>Members</td>
<td>14,976</td>
<td>16,844</td>
</tr>
<tr>
<td><strong>Total Contributions</strong></td>
<td>114,430</td>
<td>43,051</td>
</tr>
<tr>
<td><strong>Total Additions</strong></td>
<td>124,408</td>
<td>43,118</td>
</tr>
<tr>
<td><strong>Deductions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>3,332</td>
<td>969</td>
</tr>
<tr>
<td>Payments to Retirees and Beneficiaries</td>
<td>203,300</td>
<td>41,828</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td>206,632</td>
<td>42,797</td>
</tr>
<tr>
<td>Increase (decrease) in Net Position Held in Trust for Retirement and OPEB</td>
<td>(82,224)</td>
<td>321</td>
</tr>
<tr>
<td>Net Position Held in Trust for Retirement &amp; OPEB, Beginning of Year</td>
<td>3,302,850</td>
<td>34,824</td>
</tr>
<tr>
<td><strong>Net Position Held in Trust for Retirement and OPEB, End of Year</strong></td>
<td>$3,220,626</td>
<td>$35,145</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Total pension liability</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$68,328</td>
<td>$70,574</td>
<td>$71,995</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>288,438</td>
<td>275,762</td>
<td>263,566</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Differences between</td>
<td></td>
<td></td>
<td></td>
<td>(Historical information prior to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expected and actual</td>
<td></td>
<td></td>
<td></td>
<td>implementation of GASB 67/68 is not</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>experience</td>
<td>(38,227)</td>
<td>13,226</td>
<td>- -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Changes of benefit terms</td>
<td>- -</td>
<td>- -</td>
<td>- -</td>
<td></td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Benefit payments,</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>including refunds of</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee contributions</td>
<td>(203,300)</td>
<td>(182,488)</td>
<td>(169,992)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in total</td>
<td>115,239</td>
<td>177,074</td>
<td>165,569</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>pension liability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total pension liability -</td>
<td>3,763,573</td>
<td>3,586,499</td>
<td>3,420,930</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beginning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Total pension liability -</td>
<td>$3,878,812</td>
<td>$3,763,573</td>
<td>$3,586,499</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ending (a)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Plan fiduciary net position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions - employer</td>
<td>$99,454</td>
<td>$103,895</td>
<td>$113,688</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions - employee</td>
<td>14,976</td>
<td>14,486</td>
<td>14,113</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment income</td>
<td>6,646</td>
<td>36,412</td>
<td>458,884</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefit payments,</td>
<td></td>
<td></td>
<td></td>
<td>(Historical information prior to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including refunds of</td>
<td></td>
<td></td>
<td></td>
<td>implementation of GASB 67/68 is not</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>employee contributions</td>
<td>(203,300)</td>
<td>(182,488)</td>
<td>(169,992)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>- -</td>
<td>(2,150)</td>
<td>(2,554)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fiduciary net</td>
<td>(82,224)</td>
<td>(29,845)</td>
<td>414,139</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>position</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan fiduciary net position -</td>
<td>3,302,850</td>
<td>3,332,695</td>
<td>2,918,556</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>beginning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan fiduciary net position -</td>
<td>$3,220,626</td>
<td>$3,302,850</td>
<td>$3,332,695</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ending (b)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Schedule of Changes in the Net Pension Liability – Last Ten Fiscal Years (in thousands)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension liability – ending: (a)-(b)</td>
<td>$658,186</td>
<td>$460,723</td>
<td>$253,804</td>
<td>(Historical information prior to implementation of GASB 67/68 is not required)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan's fiduciary net position as a percentage of the total pension liability</td>
<td>83.03%</td>
<td>87.76%</td>
<td>92.92%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Covered-employee payroll</td>
<td>$1,129,784*</td>
<td>$1,109,431*</td>
<td>$1,078,347*</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Net pension liability as a percentage of covered-employee payroll</td>
<td>58.26%</td>
<td>41.53%</td>
<td>23.54%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

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

**Net of employee contributions
### Schedule of Annual Money-Weighted Rate of Return on Pension Plan Investments - Last Ten Fiscal Years

<table>
<thead>
<tr>
<th>Money-Weighted Rate of Return</th>
<th>Fiscal Year End June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>(0.8%)</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

(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
  - 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.

**Asset Valuation Method**
- 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.

**Actuarial Assumptions:**
- **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
# OPEB Plan - Schedule of Funding Progress *(in thousands)*

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

*(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) plan.*

*(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)*

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

*(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
## Statements of Net Position

**Statistical Section**

**Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash and Cash Equivalents</td>
<td>$212,835</td>
<td>$268,211</td>
<td>$90,750</td>
<td>$177,722</td>
<td>$228,639</td>
</tr>
<tr>
<td>Restricted Cash and Cash Equivalents</td>
<td>95,142</td>
<td>116,703</td>
<td>56,185</td>
<td>80,730</td>
<td>134,141</td>
</tr>
<tr>
<td>Short-Term Investments</td>
<td>127,968</td>
<td>105,587</td>
<td>217,758</td>
<td>272,839</td>
<td>126,054</td>
</tr>
<tr>
<td>Restricted Short-Term Investments</td>
<td>26,222</td>
<td>26,762</td>
<td>36,176</td>
<td>43,087</td>
<td>32,092</td>
</tr>
<tr>
<td>Investment of Cash Collateral</td>
<td>28,225</td>
<td>43,902</td>
<td>113,477</td>
<td>24,428</td>
<td>32,032</td>
</tr>
<tr>
<td>Accounts Receivable, Net</td>
<td>296,016</td>
<td>277,373</td>
<td>292,854</td>
<td>255,081</td>
<td>274,100</td>
</tr>
<tr>
<td>Pledges Receivable, Net</td>
<td>15,035</td>
<td>16,958</td>
<td>15,930</td>
<td>14,803</td>
<td>11,898</td>
</tr>
<tr>
<td>Investment Settlements Receivable</td>
<td>130,513</td>
<td>185,576</td>
<td>224,423</td>
<td>16,176</td>
<td>37,316</td>
</tr>
<tr>
<td>Notes Receivable, Net</td>
<td>8,659</td>
<td>8,781</td>
<td>8,490</td>
<td>8,086</td>
<td>8,151</td>
</tr>
<tr>
<td>Due To Component Units</td>
<td>(9,611)</td>
<td>(9,469)</td>
<td>(8,107)</td>
<td>(7,826)</td>
<td>(7,029)</td>
</tr>
<tr>
<td>Inventories</td>
<td>35,906</td>
<td>37,872</td>
<td>35,354</td>
<td>37,398</td>
<td>36,022</td>
</tr>
<tr>
<td>Prepaid Expenses and Other Current Assets</td>
<td>35,100</td>
<td>30,695</td>
<td>26,884</td>
<td>27,533</td>
<td>27,332</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,062,010</td>
<td>1,108,951</td>
<td>1,110,174</td>
<td>950,039</td>
<td>940,748</td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pledges Receivable, Net</td>
<td>31,092</td>
<td>34,845</td>
<td>40,004</td>
<td>43,911</td>
<td>41,708</td>
</tr>
<tr>
<td>Notes Receivable, Net</td>
<td>76,380</td>
<td>79,418</td>
<td>79,961</td>
<td>62,829</td>
<td>54,698</td>
</tr>
<tr>
<td>Deferred Charges and Other Assets</td>
<td>7,961</td>
<td>2,379</td>
<td>2,243</td>
<td>9,735</td>
<td>10,253</td>
</tr>
<tr>
<td>Long-Term Investments</td>
<td>1,856,544</td>
<td>1,614,799</td>
<td>1,526,603</td>
<td>1,338,894</td>
<td>1,363,827</td>
</tr>
<tr>
<td>Restricted Long-Term Investments</td>
<td>1,262,504</td>
<td>1,321,810</td>
<td>1,300,481</td>
<td>1,103,616</td>
<td>1,066,915</td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>6,515,225</td>
<td>6,251,262</td>
<td>6,072,466</td>
<td>5,556,493</td>
<td>5,386,394</td>
</tr>
<tr>
<td><strong>Deferred Outflow of Resources</strong></td>
<td>292,836</td>
<td>97,615</td>
<td>52,417</td>
<td>39,859</td>
<td>51,214</td>
</tr>
<tr>
<td><strong>Total Assets and Deferred Outflow of Resources</strong></td>
<td>$7,810,071</td>
<td>$7,457,828</td>
<td>$7,235,055</td>
<td>$6,546,391</td>
<td>$6,378,356</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$137,219</td>
<td>$110,231</td>
<td>$137,956</td>
<td>$131,410</td>
<td>$140,274</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td>157,844</td>
<td>187,149</td>
<td>159,209</td>
<td>162,779</td>
<td>150,971</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>86,090</td>
<td>90,554</td>
<td>89,318</td>
<td>85,323</td>
<td>84,923</td>
</tr>
<tr>
<td>Funds Held for Others</td>
<td>76,892</td>
<td>77,021</td>
<td>78,787</td>
<td>71,169</td>
<td>65,643</td>
</tr>
<tr>
<td>Investment Settlements Payable</td>
<td>236,823</td>
<td>216,510</td>
<td>191,449</td>
<td>107,183</td>
<td>177,988</td>
</tr>
<tr>
<td>Collateral Held for Securities Lending</td>
<td>28,225</td>
<td>43,902</td>
<td>113,477</td>
<td>24,428</td>
<td>32,032</td>
</tr>
<tr>
<td>Commercial Paper and Current Portion of Long-Term Debt</td>
<td>222,280</td>
<td>71,022</td>
<td>92,433</td>
<td>203,295</td>
<td>183,226</td>
</tr>
<tr>
<td>Long-Term Debt Subject to Remarketing</td>
<td>93,070</td>
<td>96,320</td>
<td>99,445</td>
<td>99,895</td>
<td>100,330</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>1,038,443</td>
<td>892,709</td>
<td>962,074</td>
<td>885,482</td>
<td>935,387</td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned Revenue</td>
<td>17,137</td>
<td>13,119</td>
<td>9,859</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>1,379,590</td>
<td>1,527,661</td>
<td>1,411,225</td>
<td>1,121,127</td>
<td>1,143,111</td>
</tr>
<tr>
<td>Derivative Instrument Liability</td>
<td>55,332</td>
<td>42,353</td>
<td>39,571</td>
<td>39,869</td>
<td>57,856</td>
</tr>
<tr>
<td>Other Postemployment Benefits Liability</td>
<td>212,572</td>
<td>209,793</td>
<td>177,040</td>
<td>142,209</td>
<td>109,496</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>658,186</td>
<td>460,723</td>
<td>253,804</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Noncurrent Liabilities</td>
<td>64,135</td>
<td>67,073</td>
<td>60,652</td>
<td>56,765</td>
<td>47,889</td>
</tr>
<tr>
<td><strong>Total Noncurrent Liabilities</strong></td>
<td>2,386,952</td>
<td>2,320,722</td>
<td>1,952,151</td>
<td>1,359,970</td>
<td>1,358,352</td>
</tr>
<tr>
<td><strong>Deferred Inflow Resources</strong></td>
<td>32,052</td>
<td>-</td>
<td>185,860</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities and Deferred Inflow of Resources</strong></td>
<td>$3,457,447</td>
<td>$3,213,431</td>
<td>$3,100,085</td>
<td>$2,245,452</td>
<td>$2,293,739</td>
</tr>
</tbody>
</table>

**Net Position**

Net Investment in Capital Assets

Restricted

Nonexpendable -
  - Endowment
  - Expendable -
    - Scholarship, Research, Instruction & Other
    - Loans
    - Capital Projects
    - Unrestricted

**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
### CHANGES IN NET POSITION

**Statistical Section**

**Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees, Net</td>
<td>$898,906</td>
<td>$870,637</td>
<td>$829,920</td>
<td>$791,319</td>
<td>$736,074</td>
</tr>
<tr>
<td>Less: Scholarship Allowances</td>
<td>226,632</td>
<td>217,648</td>
<td>202,647</td>
<td>198,514</td>
<td>190,798</td>
</tr>
<tr>
<td>Net Tuition and Fees</td>
<td>672,274</td>
<td>652,989</td>
<td>627,273</td>
<td>592,805</td>
<td>545,276</td>
</tr>
<tr>
<td>Federal Grants and Contracts</td>
<td>155,134</td>
<td>155,797</td>
<td>160,582</td>
<td>183,654</td>
<td>184,882</td>
</tr>
<tr>
<td>State and Local Grants and Contracts</td>
<td>57,690</td>
<td>53,926</td>
<td>49,538</td>
<td>54,298</td>
<td>55,837</td>
</tr>
<tr>
<td>Private Grants and Contracts</td>
<td>67,348</td>
<td>70,296</td>
<td>76,867</td>
<td>71,731</td>
<td>71,023</td>
</tr>
<tr>
<td>Sales and Services of Educational Activities</td>
<td>25,406</td>
<td>25,074</td>
<td>24,137</td>
<td>24,129</td>
<td>23,106</td>
</tr>
<tr>
<td>Auxiliary Enterprises - Patient Medical Services, Net</td>
<td>1,012,410</td>
<td>944,181</td>
<td>873,638</td>
<td>847,681</td>
<td>795,302</td>
</tr>
<tr>
<td>Housing and Dining Services, Net</td>
<td>115,351</td>
<td>114,361</td>
<td>106,818</td>
<td>105,794</td>
<td>99,667</td>
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<td>Bookstores</td>
<td>54,590</td>
<td>55,941</td>
<td>54,444</td>
<td>55,582</td>
<td>57,566</td>
</tr>
<tr>
<td>Other Auxiliary Enterprises, Net</td>
<td>274,817</td>
<td>263,135</td>
<td>247,922</td>
<td>250,975</td>
<td>217,590</td>
</tr>
<tr>
<td>Other Operating Revenues</td>
<td>74,663</td>
<td>66,849</td>
<td>64,037</td>
<td>58,179</td>
<td>55,312</td>
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<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>2,509,683</td>
<td>2,402,529</td>
<td>2,285,256</td>
<td>2,244,828</td>
<td>2,105,561</td>
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<td><strong>Operating Expenses</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>1,440,173</td>
<td>1,407,428</td>
<td>1,363,449</td>
<td>1,343,889</td>
<td>1,318,349</td>
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<td>Benefits</td>
<td>441,312</td>
<td>396,886</td>
<td>346,257</td>
<td>335,785</td>
<td>359,595</td>
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<tr>
<td>Supplies, Services and Other Operating Expenses</td>
<td>891,465</td>
<td>858,939</td>
<td>833,799</td>
<td>766,624</td>
<td>762,700</td>
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<td>Scholarships and Fellowships</td>
<td>70,353</td>
<td>66,860</td>
<td>66,919</td>
<td>62,461</td>
<td>60,380</td>
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<tr>
<td>Depreciation</td>
<td>190,296</td>
<td>194,075</td>
<td>183,250</td>
<td>167,796</td>
<td>160,915</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>3,033,599</td>
<td>2,924,188</td>
<td>2,793,674</td>
<td>2,726,537</td>
<td>2,661,939</td>
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<tr>
<td><strong>Operating Loss before State Appropriations</strong></td>
<td>(523,916)</td>
<td>(521,659)</td>
<td>(508,418)</td>
<td>(481,709)</td>
<td>(556,378)</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>438,813</td>
<td>435,511</td>
<td>412,650</td>
<td>401,400</td>
<td>397,629</td>
</tr>
<tr>
<td><strong>Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)</strong></td>
<td>(85,103)</td>
<td>(86,148)</td>
<td>(95,768)</td>
<td>(80,309)</td>
<td>(158,749)</td>
</tr>
<tr>
<td><strong>Nonoperating Revenues (Expenses)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>27,041</td>
<td>28,399</td>
<td>27,675</td>
<td>29,154</td>
<td>28,222</td>
</tr>
<tr>
<td>Federal Pell Grants</td>
<td>57,313</td>
<td>59,072</td>
<td>59,776</td>
<td>59,917</td>
<td>62,311</td>
</tr>
<tr>
<td>Investment and Endowment Income (Losses), Net</td>
<td>22,196</td>
<td>38,187</td>
<td>281,837</td>
<td>147,433</td>
<td>30,855</td>
</tr>
<tr>
<td>Private Gifts</td>
<td>80,972</td>
<td>68,615</td>
<td>66,780</td>
<td>64,101</td>
<td>90,346</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(64,218)</td>
<td>(67,651)</td>
<td>(59,916)</td>
<td>(55,256)</td>
<td>(53,923)</td>
</tr>
<tr>
<td>Other Nonoperating Revenues (Expenses)</td>
<td>(4,607)</td>
<td>13,972</td>
<td>1,477</td>
<td>(4,822)</td>
<td>(10,214)</td>
</tr>
<tr>
<td><strong>Net Nonoperating Revenues (Expenses)</strong></td>
<td>118,697</td>
<td>140,594</td>
<td>377,629</td>
<td>240,529</td>
<td>147,597</td>
</tr>
<tr>
<td><strong>Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extraordinary and Special Items</td>
<td>33,594</td>
<td>54,446</td>
<td>281,861</td>
<td>160,220</td>
<td>(11,152)</td>
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<tr>
<td>State Capital Appropriations</td>
<td>29,166</td>
<td>3,610</td>
<td>-</td>
<td>745</td>
<td>937</td>
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<tr>
<td>Capital Gifts and Grants</td>
<td>15,990</td>
<td>21,083</td>
<td>14,727</td>
<td>20,244</td>
<td>11,788</td>
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<tr>
<td>Private Gifts for Endowment Purposes</td>
<td>29,477</td>
<td>30,288</td>
<td>47,390</td>
<td>35,113</td>
<td>24,484</td>
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<tr>
<td>Special Item</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>42,316</td>
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<td><strong>Increase (Decrease) in Net Position</strong></td>
<td>108,227</td>
<td>109,427</td>
<td>343,978</td>
<td>216,322</td>
<td>68,373</td>
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<tr>
<td><strong>Net Position, Beginning of Year</strong></td>
<td>4,244,397</td>
<td>4,134,970</td>
<td>4,300,939</td>
<td>4,084,617</td>
<td>4,016,244</td>
</tr>
<tr>
<td><strong>Cumulative Effect of Change in Accounting Principles</strong></td>
<td>-</td>
<td>-</td>
<td>(509,947)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Position, Beginning of Year, as Adjusted</strong></td>
<td>4,244,397</td>
<td>4,134,970</td>
<td>3,790,992</td>
<td>4,084,617</td>
<td>4,016,244</td>
</tr>
<tr>
<td><strong>Net Position, End of Year</strong></td>
<td>4,352,624</td>
<td>$4,244,397</td>
<td>$4,134,970</td>
<td>$4,300,939</td>
<td>$4,084,617</td>
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### Fiscal Year Ended June 30, 2016

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

#### Statistical Section

#### Supplementary Information - Unaudited - See Accompanying Independent Auditors’ Report

<table>
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</thead>
<tbody>
<tr>
<td>+ Primary Reserve Ratio</td>
<td>0.55</td>
<td>0.54</td>
<td>0.53</td>
<td>0.65</td>
<td>0.65</td>
</tr>
<tr>
<td>/ Conversion Factor</td>
<td>0.133</td>
<td>0.133</td>
<td>0.133</td>
<td>0.133</td>
<td>0.133</td>
</tr>
<tr>
<td>= Strength Factor</td>
<td>4.14</td>
<td>4.06</td>
<td>3.95</td>
<td>4.88</td>
<td>4.92</td>
</tr>
<tr>
<td>x Weighting Factor</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
<td>35%</td>
</tr>
<tr>
<td>= Ratio Subtotal</td>
<td>1.45</td>
<td>1.42</td>
<td>1.38</td>
<td>1.71</td>
<td>1.72</td>
</tr>
</tbody>
</table>

**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  | 0.41  | 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**

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<thead>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Composite</td>
<td>2.96</td>
<td>2.86</td>
<td>3.41</td>
<td>3.69</td>
<td>3.18</td>
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<tr>
<td>Financial Index</td>
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<tr>
<td>Three Year</td>
<td>3.08</td>
<td>3.32</td>
<td>3.43</td>
<td>3.64</td>
<td>3.80</td>
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<tr>
<td>Average</td>
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</table>

**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.

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2016 Financial Report | UM System | 89
### Net Tuition per Student

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Tuition and Fees</td>
<td>$ 898,906</td>
<td>$ 870,637</td>
<td>$ 829,920</td>
<td>$ 791,319</td>
<td>$ 736,074</td>
</tr>
<tr>
<td>Less: Scholarship Discounts / Allowances</td>
<td>(226,632)</td>
<td>(217,648)</td>
<td>(202,647)</td>
<td>(198,514)</td>
<td>(190,798)</td>
</tr>
<tr>
<td>Less: Scholarship / Fellowship Expenses</td>
<td>(70,353)</td>
<td>(66,860)</td>
<td>(66,919)</td>
<td>(62,461)</td>
<td>(60,380)</td>
</tr>
<tr>
<td>Net Tuition</td>
<td>$ 601,921</td>
<td>$ 586,129</td>
<td>$ 560,354</td>
<td>$ 530,344</td>
<td>$ 484,896</td>
</tr>
</tbody>
</table>

| Net Tuition per Student   | $ 10,063 | $ 9,840  | $ 9,634  | $ 9,175  | $ 8,530  |

### State Appropriations per Student

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>$ 438,813</td>
<td>$ 435,511</td>
<td>$ 412,650</td>
<td>$ 401,400</td>
<td>$ 397,629</td>
</tr>
<tr>
<td>Number of Students - Fall Semester (FTEs)</td>
<td>59,816</td>
<td>59,565</td>
<td>58,163</td>
<td>57,806</td>
<td>56,843</td>
</tr>
</tbody>
</table>

| State Appropriations per Student | $ 7,336 | $ 7,312 | $ 7,095 | $ 6,944 | $ 6,995 |

### Educational Expenses per Student

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Operating Expenses</td>
<td>$ 3,033,599</td>
<td>$ 2,924,188</td>
<td>$ 2,793,674</td>
<td>$ 2,726,537</td>
<td>$ 2,661,939</td>
</tr>
<tr>
<td>Less: Scholarships / Fellowships Expense</td>
<td>(70,353)</td>
<td>(66,860)</td>
<td>(66,919)</td>
<td>(62,461)</td>
<td>(60,380)</td>
</tr>
<tr>
<td>Less: Auxiliary Operating Expenses</td>
<td>(1,270,059)</td>
<td>(1,205,871)</td>
<td>(1,130,729)</td>
<td>(1,109,157)</td>
<td>(1,067,820)</td>
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<tr>
<td>Interest Expense</td>
<td>64,218</td>
<td>67,651</td>
<td>59,916</td>
<td>55,256</td>
<td>53,923</td>
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<tr>
<td>Less: Auxiliary Interest Expense</td>
<td>(12,985)</td>
<td>(12,981)</td>
<td>(12,538)</td>
<td>(9,753)</td>
<td>(8,427)</td>
</tr>
<tr>
<td>Net Educational Expenses</td>
<td>$ 1,464,248</td>
<td>$ 1,426,108</td>
<td>$ 1,356,417</td>
<td>$ 1,290,739</td>
<td>$ 1,267,493</td>
</tr>
</tbody>
</table>

| Educational Expenses per Student | $ 24,479 | $ 23,942 | $ 23,321 | $ 22,329 | $ 22,298 |

### Total Tuition Discount

<table>
<thead>
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<th></th>
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</thead>
<tbody>
<tr>
<td>Scholarship Allowances</td>
<td>$ 226,632</td>
<td>$ 217,648</td>
<td>$ 202,647</td>
<td>$ 198,514</td>
<td>$ 190,798</td>
</tr>
<tr>
<td>Scholarships / Fellowships Expense</td>
<td>70,353</td>
<td>66,860</td>
<td>66,919</td>
<td>62,461</td>
<td>60,380</td>
</tr>
<tr>
<td>Total Tuition Discounts ($)</td>
<td>$ 296,985</td>
<td>$ 284,508</td>
<td>$ 269,566</td>
<td>$ 260,975</td>
<td>$ 251,178</td>
</tr>
</tbody>
</table>

| Total Tuition Discount (%) | 33.0%    | 32.7%    | 32.5%    | 33.0%    | 34.1%    |

| 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%    |
### Unrestricted Financial Resources to Direct Debt

<table>
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</thead>
<tbody>
<tr>
<td>Current Portion of Long-Term Debt</td>
<td>$222,280</td>
<td>$71,022</td>
<td>$92,433</td>
<td>$203,295</td>
<td>$183,226</td>
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<tr>
<td>Long-Term Debt Subject to Remarketing</td>
<td>93,070</td>
<td>96,320</td>
<td>99,445</td>
<td>99,895</td>
<td>100,330</td>
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<tr>
<td>Long-Term Debt</td>
<td>1,379,590</td>
<td>1,527,661</td>
<td>1,451,225</td>
<td>1,121,127</td>
<td>1,143,111</td>
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<tr>
<td>Total Direct Debt</td>
<td>$1,694,940</td>
<td>$1,695,003</td>
<td>$1,603,103</td>
<td>$1,424,317</td>
<td>$1,426,667</td>
</tr>
<tr>
<td>Net Position - Unrestricted</td>
<td>$1,231,454</td>
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<td>$1,424,317</td>
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</tr>
</tbody>
</table>

Unrestricted Financial Resources to Direct Debt: 0.73 0.67 0.64 0.95 0.95

### Expendable Financial Resources to Direct Debt (Viability Ratio)

<table>
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<tr>
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<td>Net Position - Restricted Expendable - Research, Instruction and Other</td>
<td>352,175</td>
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<td>349,560</td>
<td>323,473</td>
<td>299,789</td>
</tr>
<tr>
<td>Net Position - Restricted Expendable - Loans</td>
<td>84,509</td>
<td>83,546</td>
<td>81,805</td>
<td>80,436</td>
<td>79,091</td>
</tr>
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<td>$1,668,138</td>
<td>$1,580,733</td>
<td>$1,463,289</td>
<td>$1,763,428</td>
<td>$1,739,181</td>
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<td>$1,424,317</td>
<td>$1,426,667</td>
</tr>
<tr>
<td>Viability Ratio</td>
<td>0.98 0.93 0.91 1.24 1.22</td>
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</tbody>
</table>

### Total Financial Resources to Direct Debt

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<td>79,091</td>
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<tr>
<td>Total Financial Resources</td>
<td>$2,661,898</td>
<td>$2,591,090</td>
<td>$2,462,236</td>
<td>$2,622,248</td>
<td>$2,510,327</td>
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<td>Total Financial Resources</td>
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<td>$1,603,103</td>
<td>$1,424,317</td>
<td>$1,426,667</td>
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<tr>
<td>Total Financial Resources to Direct Debt</td>
<td>1.57 1.53 1.54 1.84 1.76</td>
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### Direct Debt per Student

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</tr>
<tr>
<td>Number of Students - End of Fiscal Year (FTEs)</td>
<td>57,293</td>
<td>59,816</td>
<td>59,565</td>
<td>58,163</td>
<td>57,806</td>
</tr>
<tr>
<td>Direct Debt per Student</td>
<td>$29,584</td>
<td>$28,337</td>
<td>$26,914</td>
<td>$24,488</td>
<td>$24,680</td>
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</table>

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### Actual Debt Service to Operations

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</thead>
<tbody>
<tr>
<td>Debt Service - Principal</td>
<td>$28,015</td>
<td>$19,090</td>
<td>$24,325</td>
<td>$24,849</td>
<td>$26,393</td>
</tr>
<tr>
<td>Debt Service - Interest</td>
<td>$64,218</td>
<td>$67,651</td>
<td>$59,916</td>
<td>$55,256</td>
<td>$53,923</td>
</tr>
<tr>
<td>Total Debt Service</td>
<td>$92,233</td>
<td>$86,741</td>
<td>$84,241</td>
<td>$80,105</td>
<td>$80,316</td>
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</table>

| Operating Expenses       | $3,033,599| $2,924,188| $2,793,674| $2,726,537| $2,661,939|
| 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|

| Actual Debt Service to Operations | 3.0% | 3.0% | 3.0% | 2.9% | 3.0% |

### Capital Expense to Operations

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<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Depreciation Expense</td>
<td>$190,296</td>
<td>$194,075</td>
<td>$183,250</td>
<td>$167,796</td>
<td>$160,915</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$64,218</td>
<td>$67,651</td>
<td>$59,916</td>
<td>$55,256</td>
<td>$53,923</td>
</tr>
<tr>
<td>Total Capital Expense</td>
<td>$254,514</td>
<td>$261,726</td>
<td>$243,166</td>
<td>$223,052</td>
<td>$214,838</td>
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</table>

| Operating Expenses       | $3,033,599| $2,924,188| $2,793,674| $2,726,537| $2,661,939|
| 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|

| Capital Expense to Operations | 8.4% | 8.9% | 8.7% | 8.2% | 8.1% |
### Unrestricted Financial Resources to Operations

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<thead>
<tr>
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<tr>
<td>Net Position - Unrestricted</td>
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</table>

### Expendable Financial Resources to Operations (Primary Reserve Ratio)

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<td>Expendable Net Position</td>
<td>$1,668,138</td>
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### Primary Reserve Ratio

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Primary Reserve Ratio</td>
<td>0.55</td>
<td>0.54</td>
<td>0.53</td>
<td>0.65</td>
<td>0.65</td>
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</tbody>
</table>

### Total Financial Resources per Student

<table>
<thead>
<tr>
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<td>83,546</td>
<td>81,805</td>
<td>80,436</td>
<td>79,091</td>
</tr>
<tr>
<td>Net Position - Restricted Nonexpendable</td>
<td>993,760</td>
<td>1,010,357</td>
<td>998,947</td>
<td>858,820</td>
<td>771,146</td>
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<tr>
<td>Total Financial Resources</td>
<td>$2,661,898</td>
<td>$2,591,090</td>
<td>$2,462,236</td>
<td>$2,622,248</td>
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<td>59,565</td>
<td>58,163</td>
<td>57,806</td>
</tr>
<tr>
<td>Total Financial Resources per Student</td>
<td>$46,461</td>
<td>$43,318</td>
<td>$41,337</td>
<td>$45,084</td>
<td>$43,427</td>
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### Annual Operating Margin (Net Operating Revenues Ratio)

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</tr>
</thead>
<tbody>
<tr>
<td>Operating Inc (Loss) After State Appropriations</td>
<td>(85,103) $</td>
<td>(86,148) $</td>
<td>(95,768) $</td>
<td>(80,309) $</td>
<td>(158,749) $</td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>27,041</td>
<td>28,399</td>
<td>27,675</td>
<td>29,154</td>
<td>28,222</td>
</tr>
<tr>
<td>Federal Pell Grants</td>
<td>57,313</td>
<td>59,072</td>
<td>58,776</td>
<td>59,917</td>
<td>62,311</td>
</tr>
<tr>
<td>Normalized Investment Income</td>
<td>164,675</td>
<td>156,107</td>
<td>151,113</td>
<td>143,305</td>
<td>127,497</td>
</tr>
<tr>
<td>Private Gifts</td>
<td>80,972</td>
<td>68,615</td>
<td>66,780</td>
<td>64,103</td>
<td>90,346</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>(64,218)</td>
<td>(67,651)</td>
<td>(66,919)</td>
<td>(62,461)</td>
<td>(60,380)</td>
</tr>
<tr>
<td>Net Operating Surplus (Deficit)</td>
<td>$180,680</td>
<td>$158,394</td>
<td>$149,660</td>
<td>$160,914</td>
<td>$95,704</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$2,509,683</td>
<td>$2,402,529</td>
<td>$2,285,256</td>
<td>$2,244,828</td>
<td>$2,105,561</td>
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<tr>
<td>Less: Scholarship &amp; Fellowships Expense</td>
<td>(70,353) $</td>
<td>(66,860) $</td>
<td>(66,919) $</td>
<td>(62,461) $</td>
<td>(60,380) $</td>
</tr>
<tr>
<td>State Appropriations</td>
<td>438,813</td>
<td>435,511</td>
<td>412,650</td>
<td>401,400</td>
<td>397,629</td>
</tr>
<tr>
<td>Federal Appropriations</td>
<td>27,041</td>
<td>28,399</td>
<td>27,675</td>
<td>29,154</td>
<td>28,222</td>
</tr>
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<td>58,776</td>
<td>59,917</td>
<td>62,311</td>
</tr>
<tr>
<td>Normalized Investment Income (a)</td>
<td>164,675</td>
<td>156,107</td>
<td>151,113</td>
<td>143,305</td>
<td>127,497</td>
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<td>66,780</td>
<td>64,103</td>
<td>90,346</td>
</tr>
<tr>
<td>Total Operating Revenues</td>
<td>$3,208,144</td>
<td>$3,083,373</td>
<td>$2,936,331</td>
<td>$2,880,246</td>
<td>$2,751,186</td>
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</tbody>
</table>

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

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<tbody>
<tr>
<td>Total Debt Service</td>
<td>$92,233</td>
<td>$86,741</td>
<td>$84,241</td>
<td>$80,105</td>
<td>$80,316</td>
</tr>
<tr>
<td>Net Operating Surplus (Deficit)</td>
<td>$180,680</td>
<td>$158,394</td>
<td>$149,660</td>
<td>$160,914</td>
<td>$95,704</td>
</tr>
<tr>
<td>Add Back: Interest Expense</td>
<td>64,218</td>
<td>67,651</td>
<td>59,916</td>
<td>55,256</td>
<td>53,923</td>
</tr>
<tr>
<td>Add Back: Depreciation Expense</td>
<td>190,296</td>
<td>194,075</td>
<td>183,250</td>
<td>167,796</td>
<td>160,915</td>
</tr>
<tr>
<td>Adjusted Net Operating Surplus (Deficit)</td>
<td>$435,194</td>
<td>$420,120</td>
<td>$392,826</td>
<td>$383,966</td>
<td>$310,542</td>
</tr>
<tr>
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<td>$435,194</td>
<td>$420,120</td>
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<td>$80,316</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td>4.72</td>
<td>4.84</td>
<td>4.66</td>
<td>4.79</td>
<td>3.87</td>
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</table>

### Debt Service Coverage

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</tr>
</thead>
<tbody>
<tr>
<td>Change in Net Position</td>
<td>$108,227</td>
<td>$109,427</td>
<td>$343,978</td>
<td>$216,322</td>
<td>$68,373</td>
</tr>
<tr>
<td>Average Net Position</td>
<td>$4,298,511</td>
<td>$4,189,684</td>
<td>$3,962,981</td>
<td>$4,192,778</td>
<td>$4,050,431</td>
</tr>
<tr>
<td>Return on Net Position Ratio</td>
<td>2.5%</td>
<td>2.6%</td>
<td>8.7%</td>
<td>5.2%</td>
<td>1.7%</td>
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### Contribution Ratios

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<tbody>
<tr>
<td>State Appropriations</td>
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<td>Grants and Contracts</td>
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<td>286,987</td>
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<td>Federal Pell Grants</td>
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<td>59,776</td>
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<td>Normalized Investment Income (a)</td>
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<td>151,113</td>
<td>143,305</td>
<td>127,497</td>
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<td>873,638</td>
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<td>795,302</td>
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<td>120,322</td>
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<td>106,640</td>
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<td>$3,083,373</td>
<td>$2,936,331</td>
<td>$2,880,246</td>
<td>$2,751,186</td>
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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

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<tr>
<td>Instruction</td>
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<td>$623,841</td>
<td>$604,695</td>
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<td>147,403</td>
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<td>123,651</td>
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<td>104,683</td>
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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%
## Enrollment

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<tbody>
<tr>
<td><strong>Undergraduate Students (Head Count)</strong></td>
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<td>56,750</td>
<td>54,936</td>
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<td>15,130</td>
<td>15,562</td>
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<td>3,179</td>
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<td>3,067</td>
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<td>75%</td>
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<tr>
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<td>68%</td>
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<td>73%</td>
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<tr>
<td><strong>Matriculation - Undergraduate Transfers</strong></td>
<td>64%</td>
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## Demographics

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<tr>
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<td><strong>Undergraduate Part-Time</strong></td>
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<tr>
<td><strong>Black or African American</strong></td>
<td>9.0%</td>
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<td>9.9%</td>
<td>10.0%</td>
</tr>
<tr>
<td><strong>Non-Resident Alien</strong></td>
<td>8.0%</td>
<td>8.0%</td>
<td>7.1%</td>
<td>6.5%</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Asian / Pacific Is.</strong></td>
<td>3.8%</td>
<td>3.8%</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Hispanic</strong></td>
<td>3.9%</td>
<td>3.7%</td>
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<td>3.2%</td>
<td>3.0%</td>
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<tr>
<td><strong>Other</strong></td>
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## Degrees Awarded

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Enrollment

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<th>2012</th>
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Demographics

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Degrees Awarded

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<td>5,995</td>
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## Enrollment

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<th>2011</th>
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### Acceptance Rate
- First-time Freshmen: 63% (2015), 64% (2014), 65% (2013), 68% (2012), 71% (2011)

### Matriculation
- First-time Freshmen: 37% (2015), 38% (2014), 37% (2013), 37% (2012), 39% (2011)
- Undergraduate Transfers: 65% (2015), 73% (2014), 68% (2013), 63% (2012), 64% (2011)

## Demographics

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<thead>
<tr>
<th>Fall Semester</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
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<td>44%</td>
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<td>Female</td>
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<td>56%</td>
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<tr>
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<tr>
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<tr>
<td>Graduate Part-Time</td>
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## Degrees Awarded

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## Enrollment

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<th>2011</th>
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</table>

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

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<thead>
<tr>
<th>Fall Semester</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
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<td>77%</td>
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<td>77%</td>
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<td>78%</td>
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<tr>
<td>Female</td>
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<tr>
<td>White</td>
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<td>72.4%</td>
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<tr>
<td>Black or African American</td>
<td>3.4%</td>
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<tr>
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<tr>
<td>Other</td>
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<td>1.2%</td>
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## Degrees Awarded

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### Enrollment

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<th>2014</th>
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<td>Acceptance Rate - Undergraduate Transfers</td>
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### Demographics

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<th>2015</th>
<th>2014</th>
<th>2013</th>
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### Degrees Awarded

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