2000 Financial Report

UNIVERSITY OF MISSOURI

University of Missouri

The University of Missouri System has provided teaching, research and service to Missouri and the nation since 1839. The university was the first publicly supported institution of higher education established in the Louisiana Purchase territory. Its philosophy of education was shaped in accordance with the ideals of Thomas Jefferson, who was an early proponent of higher education. Today, the University of Missouri System is one of the nation's largest and most prestigious public research universities, with more than 64,000 students on four campuses and hundreds of thousands served statewide through University of Missouri Extension and University of Missouri Health System.

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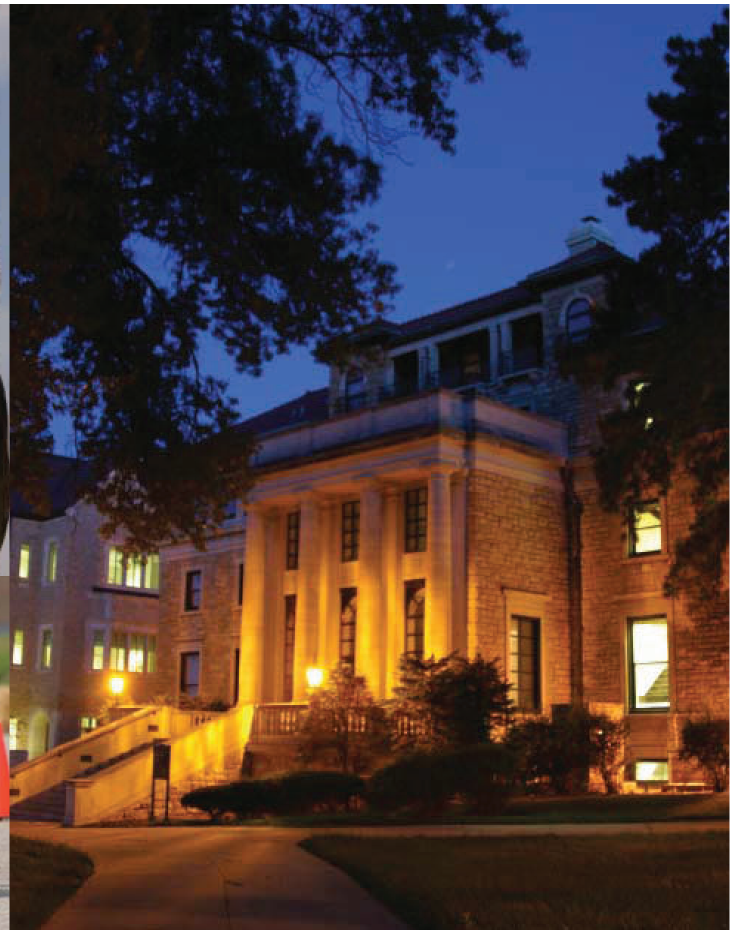
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Message from the President

At the University of Missouri System, we pride ourselves on being good stewards of the funds of all those who invest in us. We responded to the financial downturn of the past year by expanding our research and economic development efforts, cultivating new revenue streams, managing our expenses through administrative efficiencies and other cost-saving measures, and stepping up collaboration across our four campuses, with other institutions and with private industry.

Though the future health of the nation's economy is still uncertain, we at the University of Missouri System are committed to seeking creative, proactive solutions to guarantee the financial stability and continued success of our institution. The following annual financial report captures our commitment to fiscal responsibility and accountability.

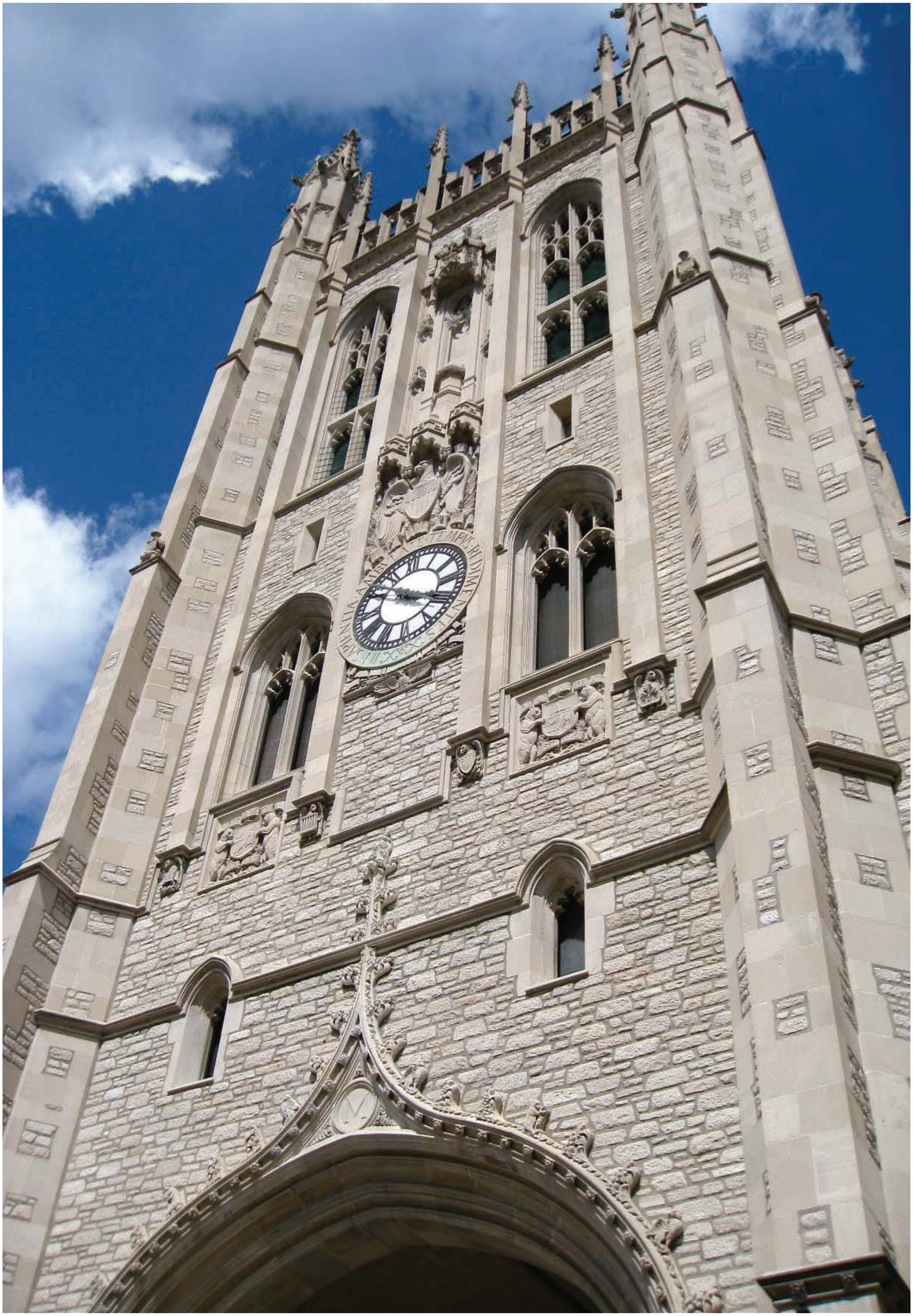
For more than 170 years, the University of Missouri System has provided students with a world-class education, conducted life-saving research, advanced the economic vitality of Missouri's communities and improved the quality of life for all Missourians. With the support of the state of Missouri and its citizens, we will continue to carry out our four-part mission of teaching, research, service and economic development in bold, innovative ways to ensure our competitiveness in an increasingly global marketplace.

Sincerely,

Gary D. Forsee

Gary D. Forsee

President



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UNIVERSITY OF MISSOURI

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FINANCE STAFF

Natalie Krawitz, Vice President for Finance and Administration
Jane E. Closterman, Controller
John Miller, Treasurer
Cuba Plain, Assistant Vice President Budget Planning and Development

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri (the "University") for the fiscal years ended June 30, 2009 and 2008, 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.

UNIVERSITY ACCOUNTING AND FINANCIAL REPORTING

This report includes five financial statements:

- The three financial statements for the University of Missouri and its Discretely Presented Component Unit include the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows, where applicable.

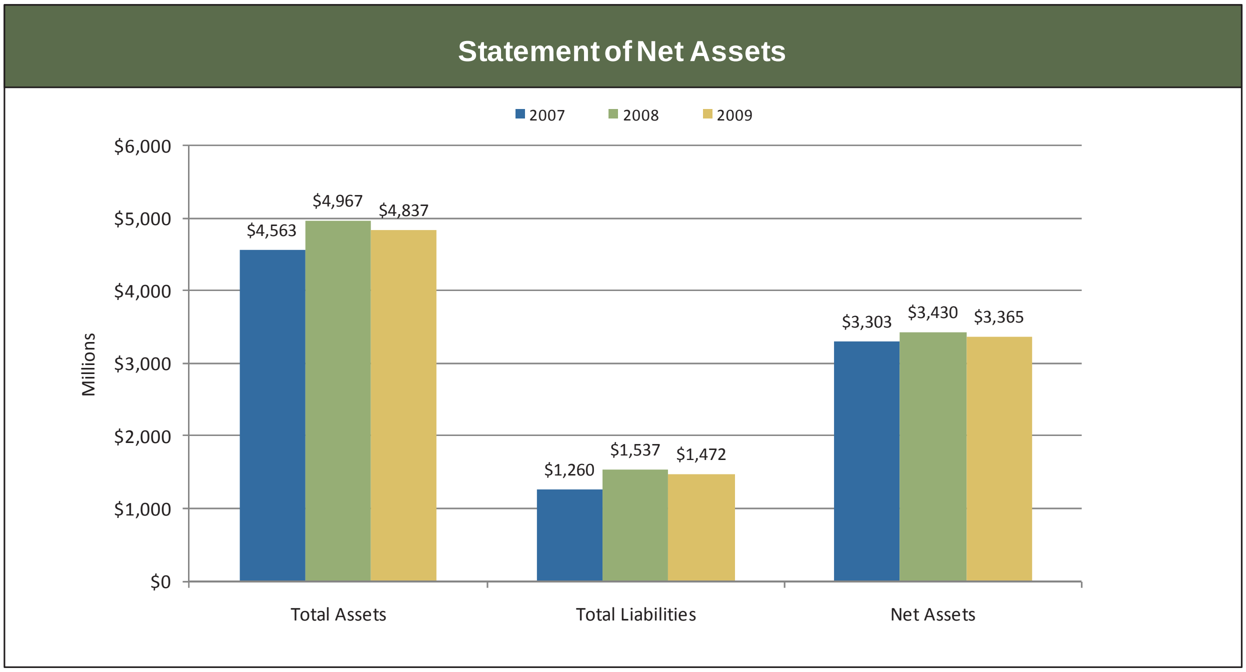
- The two financial statements for the University's fiduciary fund, which includes the Retirement and the Other Post-Employment Benefits Trust Funds, are the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

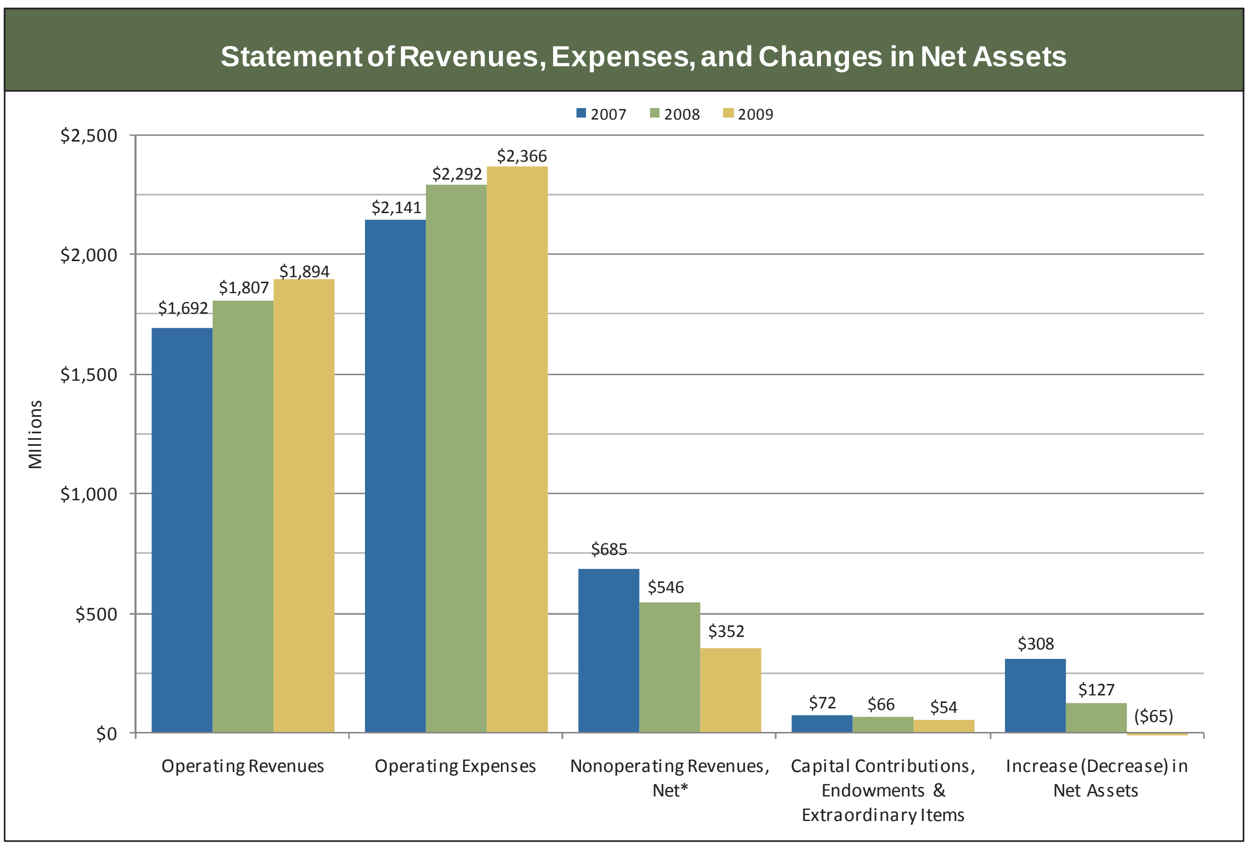
The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 to 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 through the Finance and Administration page.

FINANCIAL HIGHLIGHTS

At June 30, 2009, the University's financial position remained sound, with Total Assets of $4.8 billion. Net Assets, which represent the residual value of the University's assets after deducting liabilities, totaled $3.4 billion. When operating, non-operating, and other changes are included, Net Assets decreased by approximately $65 million in fiscal year (FY) 2009, driven primarily by a $215 million decline in Investment and Endowment income.

The following charts compare Total Assets, Liabilities, and Net Assets at June 30, 2009, 2008 and 2007, and the major components of changes in Net Assets for the years ended June 30, 2009, 2008 and 2007:





* includes State Appropriations and Cumulative Effects of Changes in Accounting Principles

CONDENSED STATEMENT OF NET ASSETS

The Statement of Net Assets presents the University's financial position at the end of the fiscal year, including all assets and liabilities of the University and segregating them into current and noncurrent components. Assets and liabilities 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, liabilities and net assets at June 30, 2009, 2008 and 2007:

Assets, Liabilities, and Net Assets (in thousands of dollars)

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Assets:			
Current Assets	$ 848,949	$ 930,882	$ 971,247
Long-Term Investments -			
Endowed and Quasi-Endowed Investments	875,956	944,492	880,884
Other Investments	644,138	785,527	593,781
Capital Assets, Net	2,392,852	2,227,427	2,039,069
Other Noncurrent Assets	74,591	78,442	77,765
Total Assets	$ 4,836,486	$ 4,966,770	$ 4,562,746
Liabilities:			
Current Liabilities	$ 787,930	$ 855,339	$ 718,946
Noncurrent Liabilities	683,779	680,989	540,594
Total Liabilities	1,471,709	1,536,328	1,259,540
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,540,654	1,439,753	1,379,098
Restricted -			
Nonexpendable	612,119	718,314	738,153
Expendable	343,805	367,519	370,616
Unrestricted	868,199	904,856	815,339
Total Net Assets	3,364,777	3,430,442	3,303,206
Total Liabilities and Net Assets	$ 4,836,486	$ 4,966,770	$ 4,562,746

ASSETS

Total Assets decreased by $130 million, or 2.6%, to $4.8 billion as of June 30, 2009, compared to the prior year. From FY 2007 to FY 2008, Total Assets increased by 8.9%. This slight decline during FY 2009 was driven primarily by the performance of the University's **Long-Term Investments** reflecting the downturn in the capital markets. At the same time, the University was able to continue to expand **Capital Assets** across all of its campuses to meet housing, educational, and student recreational needs.

At June 30, 2009, the University's working capital, which is current assets less current liabilities, was $61 million, a decrease of $14.5

million from the previous year. With Current Assets at almost 1.1 times Current Liabilities, the University has adequate working capital reserves. As discussed more fully in Note 10, Current Liabilities include all of the University's variable rate demand debt, regardless of contractual maturity. Such debt included in Current Liabilities at June 30, 2009, 2008 and 2007, totaled $226.1 million, $227.2 million and $165.7 million, respectively. Based on contractual maturities of such variable rate demand debt, actual amounts due within one year totaled just $1.2 million, $1.1 million and $0.7 million at June 30, 2009, 2008 and 2007, respectively. At June 30, 2008, working capital totaled $75.5 million, a decrease of $176.8 million from June 30, 2007, which reflected a planned shift from cash equivalents into long-term assets as well as the issuance of $102.2 million in variable rate demand debt.

At June 30, 2009, the University held $252.9 million in **Cash and Cash Equivalents**, an increase of $85.9 million over June 30, 2008. The June 30, 2008 cash balances of $167.0 million were $102.7 million lower than FY 2007's $269.7 million. The higher balance at June 30, 2009, was driven primarily by a decision to build liquidity given the current market environment.

Long-Term and Short-Term Investments totaled $1.7 billion as of June 30, 2009, representing a decrease of 16.2% from the prior year compared to a 15.7% increase from FY 2007 to FY 2008. The decline in investment balances during FY 2009 primarily reflects adverse investment returns and a shift in investment balances to cash equivalents. The financial markets demonstrated extreme volatility during FY 2009 and as a result, realized and unrealized losses, net of investment income, totaled $175.1 million representing a decrease of 8.8% of the beginning investible balances. These investment losses were principally centered in the Balanced Pool which experienced an investment loss of 17.5% for the fiscal year, partially offset by gains of 5.4% and 6.1% in the Short-Term Funds and Fixed Income Pool, respectively.

Returns of the University's various investment pools for the year ended June 30, 2009, compared to benchmark indices were as follows:

Cash, Cash Equivalents and Investments (in thousands of dollars)

	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)
General Investments:					
Short-Term Funds	$ 175,235	$ 417,488	$ 592,723	5.44%	4.46%
Balanced Pool	16,596	223,320	239,916	-17.50%	-18.70%
Treasury TIPs	708	123,290	123,998	-0.50%	0.46%
Endowment Investments:					
Balanced Pool	54,012	726,781	780,793	-17.50%	-18.70%
Fixed Income Pool	112	68,019	68,131	6.10%	5.30%
Other	6,278	111,687	117,965	N/A	N/A
Total	$ 252,941	$ 1,670,585	$ 1,923,526		

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

In FY 2009, **Accounts Receivable** decreased by $8.3 million, from $249.6 million at June 30, 2008 to $241.3 million at June 30, 2009. The decrease was primarily attributable to the net receivable for patient services, which decreased $14.4 million or 14.9% during FY 2009, despite the fact that patient services revenues increased $21.1 million or 3.1% during FY 2009.

Pledges Receivable declined by 1.0% in FY 2009, from $30.9 million to $30.6 million. Current Pledges Receivable (those anticipated to be collected within one year) increased from $9.8 million to $13.4 million, or 36.7%, while Noncurrent Pledges Receivable decreased from $21.1 million to $17.2 million, or 18.5%.

At June 30, 2009, the University's investment in **Capital Assets** totaled $2.4 billion compared to $2.2 billion at June 30, 2008. The University added $296.6 million in capital assets, net of retirements, during FY 2009, offset by depreciation of $131.2 million for the year. FY 2008 capital asset additions of $314.4 million, net of retirements, were offset by $126.0 million in depreciation.

Note 7 presents additional information on changes by asset classification, but major additions to **Capital Assets** during FY 2009 are shown in the following table:

Major Expenditures Related to Capital Asset Additions During Fiscal Year Ended June 30, 2009

Campus	Expenditures	Source of Funding
Columbia:		
Mid-Campus Housing	$ 21,720,000	Bond Proceeds & Plant
Brady Commons Renovation	17,237,000	Bond Proceeds & Plant
Scoreboards	2,280,000	Gifts
Kansas City:		
Central Utilities Performance Contract	$ 3,098,000	Bond Proceeds & Plant
Missouri S&T:		
Student Center	$ 1,536,000	Gifts & Plant
Thomas Jefferson South Renovation	1,049,000	Future Bond Proceeds
St Louis:		
Flushing Meadows	$ 4,441,000	Future Bond Proceeds

Total Liabilities were $64.6 million lower at June 30, 2009 as compared to June 30, 2008, but $276.8 million higher at June 30, 2008 as compared to June 30, 2007. Significant changes in **Current Liabilities** at June 30, 2009 include a $10.5 million decrease in Accounts Payable; a $12.9 million increase in Deferred Revenue related to the timing of grants and tuition activity; and an $86.3 million decrease in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30. Issuance of new bonds in FY 2008, discussed below, represented the largest factor in increased liabilities at June 30, 2008.

Current Liabilities include variable rate demand bonds totaling $226.1 million, $227.2 million and $165.7 million at June 30, 2009, 2008 and 2007, respectively, with final contractual maturities ranging from 2031 to 2036. These variable rate demand bonds are classified in their entirety as current liabilities because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder. In terms of actual contractual maturities, $1.2 million, $1.1 million and $0.7 million of these bonds were due within one year at June 30, 2009, 2008 and 2007, respectively.

The University issued $365.2 million of System Facilities Revenue Bonds at the beginning of FY 2008, with $102.3 million used primarily to defease existing debt and $262.9 million to fund new projects. Bonds Payable, net of premium/discount and deferred losses on defeasance, decreased by $21.3 million in FY 2009, after increasing by $215.4 million in FY 2008.

The following is a summary of long-term debt by type of debt instrument, including the current and noncurrent portions:

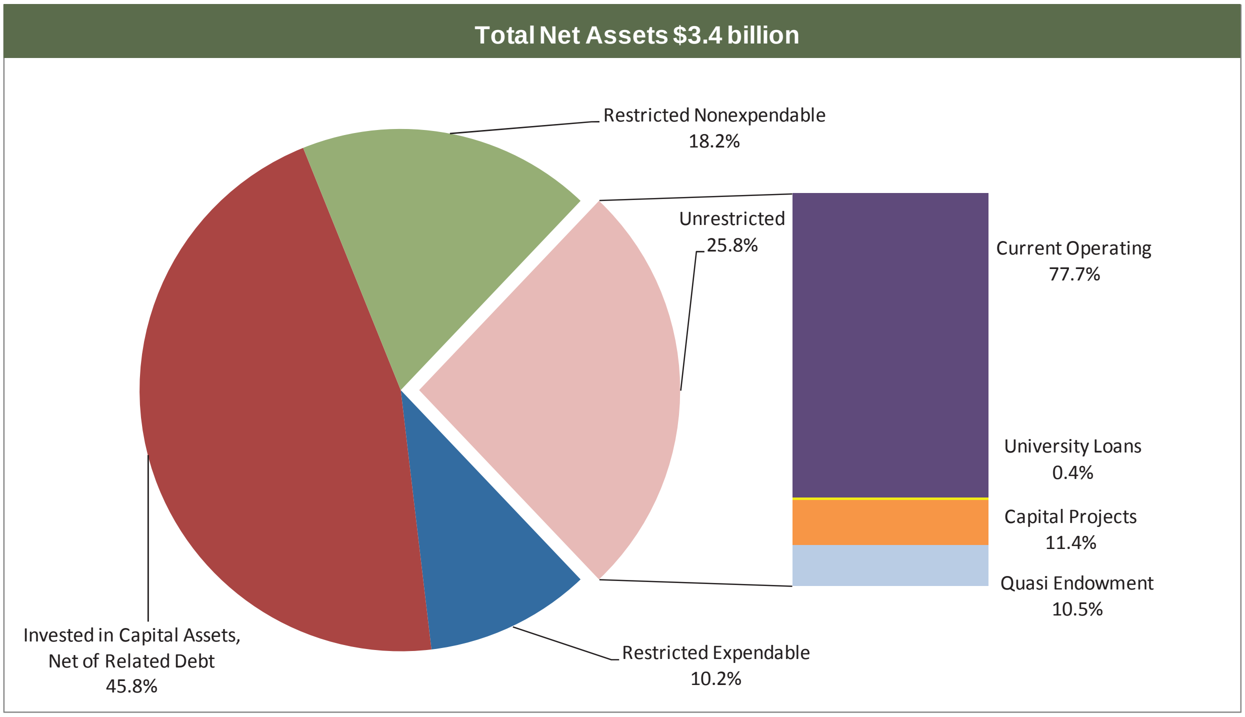
Long-Term Debt Summary (in thousands of dollars)

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
System Facilities Revenue Bonds	$ 836,305	$ 857,105	$ 645,825
Unamortized Premium/Discount and Loss on Defeasance	10,619	11,102	6,960
	846,924	868,207	652,785
Notes Payable	2,064	2,460	
Capital Lease Obligations	8,973	8,892	9,354
	$ 857,961	$ 879,559	$ 662,139

NET ASSETS

Net Assets represent the value of the University's assets after liabilities are deducted. The University's total **Net Assets** decreased by $65.7 million during the year ended June 30, 2009, after increasing by $127.2 million in the year ended June 30, 2008. These changes in total **Net Assets** include increases for changes in accounting principles in FY 2009 and FY 2008 of $13.3 million (GASB No. 52 Implementation) and $19.9 million (GASB Nos. 43 and 45 Implementations), respectively.

The distribution of the Net Asset balances, including additional details on unrestricted net assets by fund type, as of June 30, 2009, are as follows:



Total **Net Assets** are reflected in the four component categories as follows:

- **Invested in Capital Assets, Net of Related Debt**, 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 $100.9 million to $1.5 billion in FY 2009 and by $60.7 million to $1.4 billion in FY 2008 due to the issuance of additional revenue bonds in FY 2008 and the subsequent investment in buildings, equipment, and infrastructure during FY 2008 and FY 2009.
- **Restricted Nonexpendable Net Assets** include endowment and similar assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. Realized and unrealized market losses contributed to a $106.2 million, or 14.8%, decrease in Restricted Nonexpendable Net Assets during FY 2009, and a $19.8 million, or 2.7%, decrease during FY 2008.
- **Restricted Expendable Net Assets** are resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. During FY 2009, this category also recognized a decrease of $23.7 million, or 6.5%, and in FY 2008 declined by $3.1 million, or 0.8%. As of June 30, 2009, this category includes:
  - $235.4 million of net assets restricted for operations and endowment purposes compared to $262.3 million at June 30, 2008;
  - $78.4 million for student loan programs compared to $77.6 million; and
  - $30.0 million for facilities compared to $27.6 million.

- **Unrestricted Net Assets** are 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 decreased by $36.7 million, or 4.1%, to $868.2 million at June 30, 2009 after increasing by $89.5 million, or 11.0%, in FY 2008. As of June 30, 2009 and 2008, capital project-designated funds totaled $99.3 million and $145.9 million, respectively; student loan program-designated funds totaled $3.8 million and $5.6 million, respectively; and unrestricted funds functioning as endowments totaled $90.9 million and $111.5 million, respectively. The remaining Unrestricted Net Assets which are available for the University's instructional and public service missions and its general operations totaled $674.2 million and $641.8 million at June 30, 2009 and 2008, respectively.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

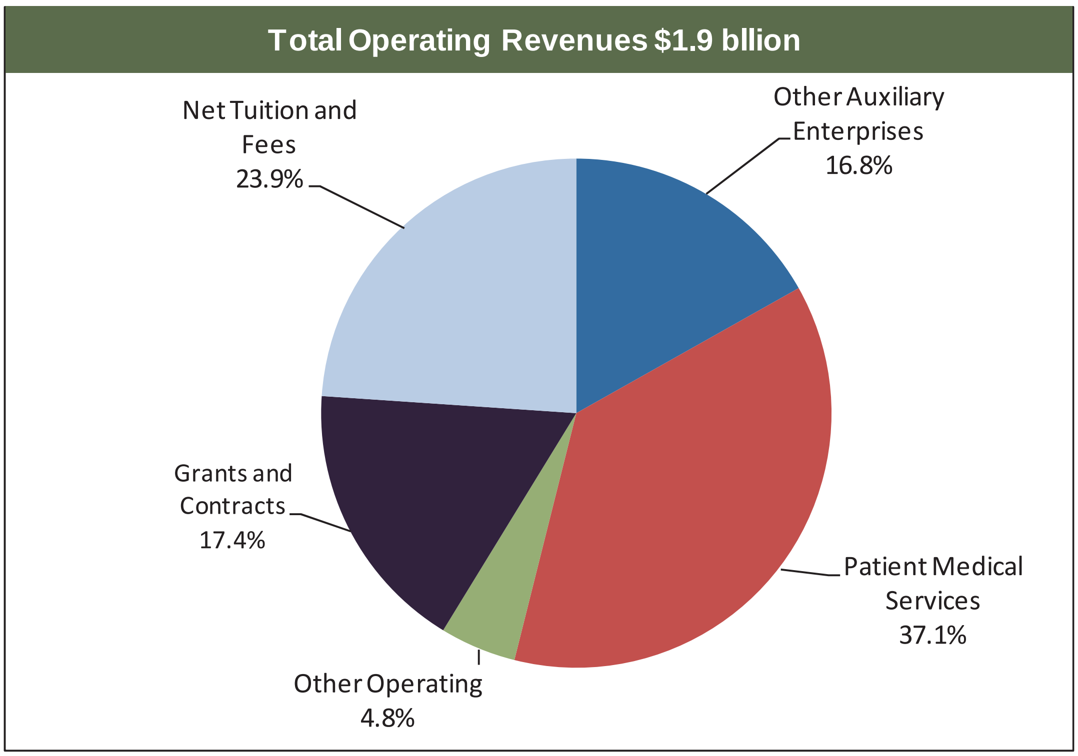
Condensed Statement of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Operating Revenues:			
Net Tuition and Fees	$ 453,164	$ 417,205	$ 401,305
Grants and Contracts	328,394	326,380	288,443
Patient Medical Services, Net	702,424	681,312	648,802
Other Auxiliary Enterprises	318,695	301,156	258,790
Other Operating Revenues	91,441	81,200	94,950
Total Operating Revenues	1,894,118	1,807,253	1,692,290
Operating Expenses:			
Salaries, Wages and Benefits	1,513,423	1,464,051	1,374,790
Supplies, Services and Other Operating Expenses	672,711	662,331	608,134
Other Operating Expenses	179,623	165,481	157,671
Total Operating Expenses	2,365,757	2,291,863	2,140,595
Operating Loss	(471,639)	(484,610)	(448,305)
State Appropriations	479,478	462,281	440,855
Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	7,839	(22,329)	(7,450)
Nonoperating Revenues (Expenses):			
Investment and Endowment Income, Net	(175,106)	39,673	202,633
Private Gifts	52,552	51,680	53,268
Other Nonoperating Revenues (Expenses)	(18,753)	(27,572)	(18,539)
Net Nonoperating Revenues (Expenses)	(141,307)	63,781	237,362
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Items	(133,468)	41,452	229,912
State Capital Appropriations	17,817	15,532	18,138
Capital Gifts and Grants	13,009	17,341	12,941
Private Gifts for Endowment Purposes	21,093	32,995	27,917
Extraordinary Items	2,550	-	19,317
Increase (Decrease) in Net Assets	(78,999)	107,320	308,225
Net Assets, Beginning of Year	3,430,442	3,303,206	2,994,981
Cumulative Effect of Change in Accounting Principles	13,334	19,916	-
Net Assets, Beginning of Year, as Adjusted	3,443,776	3,323,122	2,994,981
Net Assets, End of Year	$3,364,777	$3,430,442	$3,303,206

REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased by $86.9 million, or 4.8% in FY 2009, and by $115.0 million, or 6.8% in FY 2008. **Net Tuition and Fees**, **Patient Medical Services**, and **Housing and Dining Services** contributed most significantly to the operating revenue gain in FY 2009 while **Net Tuition and Fees, Grants and Contracts, Patient Medical Services, and Other Auxiliary Enterprises** had the largest gains in the previous year. **Nonoperating Revenues** are those not generated by the University's core missions and include such funding sources as State and Federal Appropriations and Gift and Investment Income. Investment and endowment income and gift income are the largest variable factors in this category.

The following is a graphic illustration of operating revenues by source for FY 2009:



Operating Revenues

Tuition and Fees, net of **Scholarship Allowances,** increased by $36.0 million, or 8.6%, in FY 2009 and by $15.9 million, or 4.0%, in FY 2008. The increases in both FY 2009 and FY 2008 reflect Board-approved increases in tuition and related enrollment fees of 4.1% and 3.8%, respectively, and increases in student enrollments.

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 $2.0 million, or 0.6%, in FY 2009 compared to a 13.2% increase in FY 2008. In FY 2009, decreases in Federal and State grant funding were largely offset by increases in **Private Grants and Contracts**.

The University's auxiliary enterprises include the University Health System, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by $38.7 million, or 3.9%, in FY 2009 as compared to an increase of $74.9 million, or 8.2%, in FY 2008. **Patient Medical Services**, which includes fees for services provided by the University Health System, had the largest increase at $21.1 million, or 3.1%, during FY 2009 while Other Auxiliary Enterprises had the largest increase at $42.4 million, or 16.4% during FY 2008.

Nonoperating Revenues

Total **State Appropriations** received for University operations, University Health System operations, and other special programs increased by $17.2 million, or 3.7%, in FY 2009, and by $21.4 million, or 4.9%, in FY 2008. As one of the more volatile sources of nonoperating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value losses and other activity affecting **Investment and Endowment Income** contributed to a net loss of $175.1 million in FY 2009 as compared to net income of $39.7 million in FY 2008. This represents a decrease in Investment and Endowment Income of $214.8 million for the year ended June 30, 2009, as compared to a $163.0 million decrease for the year ended June 30, 2008.

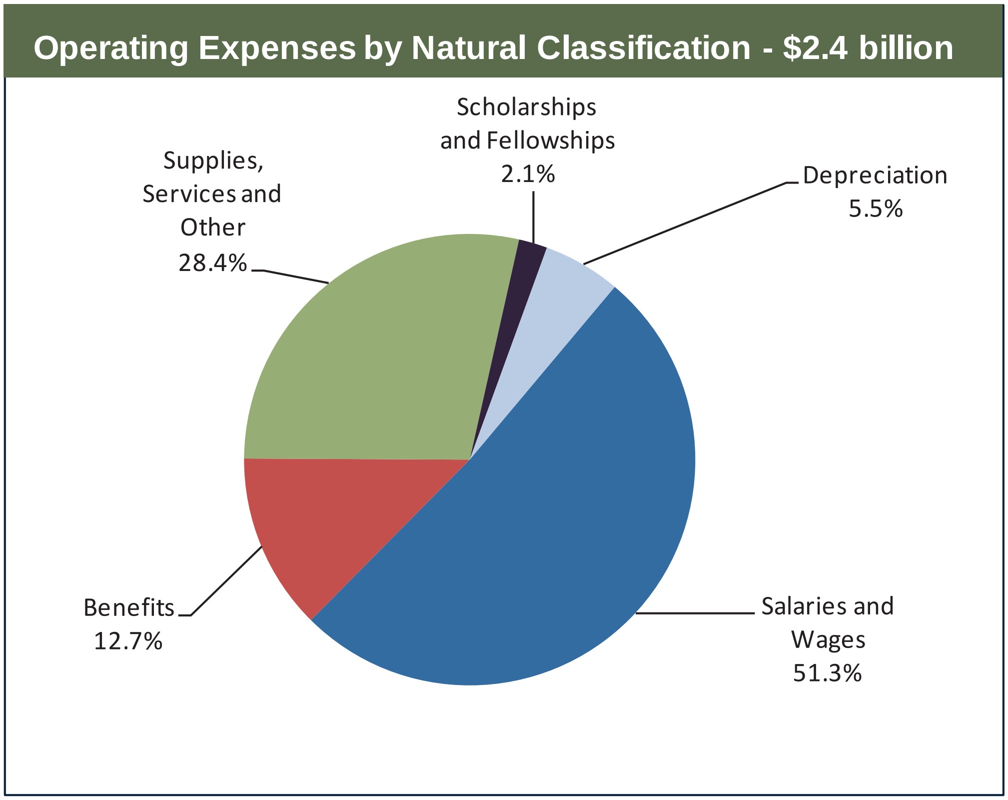
Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2009, the University received gifts totaling $86.7 million, as compared to $102.0 million and $94.1 million for FY 2008 and FY 2007, respectively.

In FY 2009, **State Capital Appropriations** of $17.8 million represented an increase of $2.3 million over FY 2008. FY 2009 State Capital Appropriations included $10.8 million for Pharmacy and Nursing shell space and $1.3 million for replacement of dental clinic equipment on the Kansas City campus, and $3.5 million for a Mechanical Engineering Building on the University's Missouri S&T campus for which $10.5 million was spent during FY 2008 out of the total $15 million 2008 appropriation.

In FY 2009, the University received additional proceeds of $2.6 million related to the 2007 sale of Missouri Care L.C., a component unit of the University. Missouri Care was a not-for-profit health maintenance organization which provided services to patients in Central Missouri under certification from the Missouri Department of Social Services. The additional proceeds received in FY 2009 and the initial proceeds of $19.3 million received in FY 2007 were recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets for the respective fiscal years.

OPERATING EXPENSES

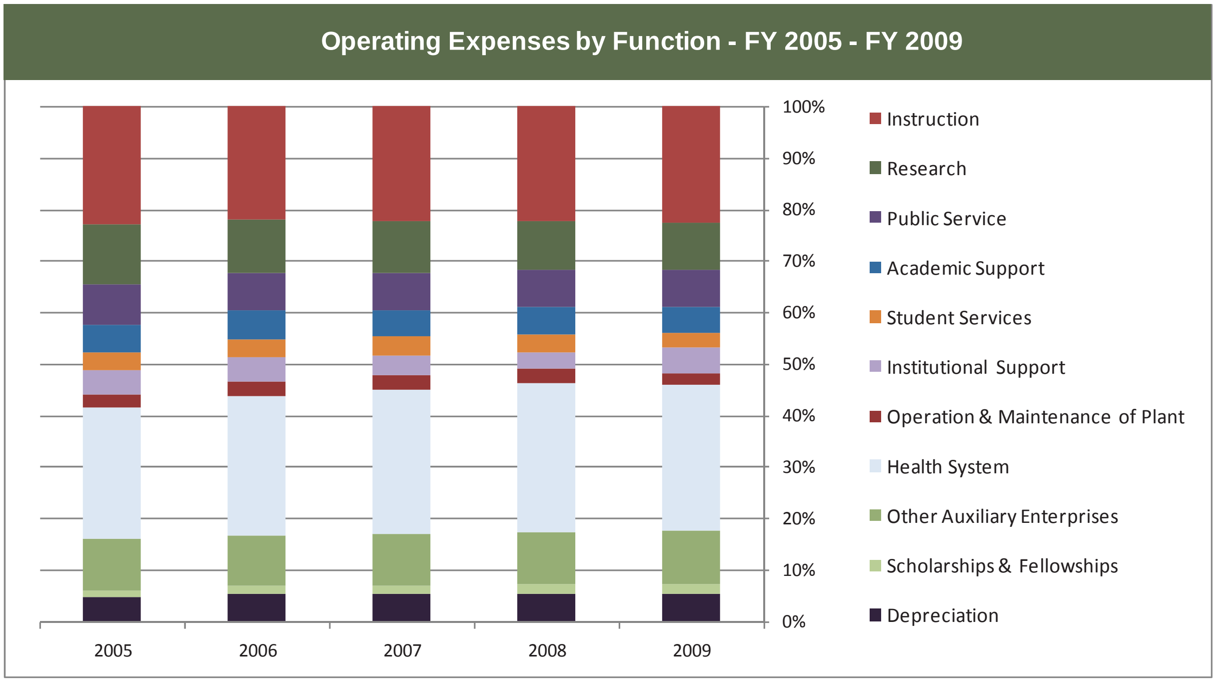
Total Operating Expenses increased by $73.9 million, or 3.2%, in FY 2009 compared to an increase of $151.3 million or 7.1% in FY 2008. The following graph illustrates the University's operating expenses by natural classification for FY 2009:



During FY 2009 and FY 2008, **Salaries and Wages** increased approximately 5.2% and 4.7%, respectively, over the prior fiscal year primarily due to Board-approved employee merit increases. At the same time, **Benefits** decreased by 3.5% in FY 2009 after increasing by 13.7%, in FY 2008. This decline was the result of a decrease in the University's funding of the other post-employment benefits trust fund. The University contributed an initial $37.0 million in FY 2008 to establish the trust fund for other post-employment benefits and also contributed an additional $16.5 million in pay-as-you-go costs for these other post-employment benefits. In FY 2009, the University contributed an additional $7.4 million plus pay-as-you-go costs of $16.4 million.

In FY 2009, the University's **Supplies, Services, and Other Operating** expenses of $672.7 million increased by $10.4 million, or 1.6%, as compared to FY 2008. The smaller increase year over year was due to tight controls over expenses in response to the downturn in the economy. In contrast, Supplies, Services, and Other Operating expenses increased by $54.2 million, or 8.9%, in FY 2008 as compared to FY 2007.

The following illustrates the University's operating expenses by function for FY 2005 through FY 2009:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 39.4% for FY 2009. The University Health System constitutes the next highest proportion at 27.4% of expenses for FY 2009. Further, these functions represent approximately the same percentages of operating expenses as in FY 2008. Institutional support, which represents the core administrative operations of the University, was only 4 to 5 cents of each dollar spent during this 5-year period.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2009, 2008 and 2007:

Statement of Cash Flows (in thousands of dollars)

	Fiscal Year 2009	Fiscal Year 2008	Fiscal Year 2007
Net Cash Used in Operating Activities	$ (295,319)	$ (344,399)	$ (386,301)
Net Cash Provided by Noncapital Financing Activities	563,657	556,155	567,782
Net Cash Used in Capital and Related Financing Activities	(304,449)	(110,046)	(244,755)
Net Cash Provided by (Used in) Investing Activities	122,043	(204,410)	166,602
Net Increase (Decrease) in Cash and Cash Equivalents	85,932	(102,700)	103,328
Cash and Cash Equivalents, Beginning of Year	167,009	269,709	166,381
Cash and Cash Equivalents, End of Year	$ 252,941	$ 167,009	$ 269,709

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 2009, $49.1 million less cash was used in operating activities compared to FY 2008 due primarily to increased cash inflows from tuition and fees; sales and services of educational activities and other auxiliaries; student housing fees; and patient revenues. In FY 2008, cash used in operating activities decreased by $41.9 million from FY 2007.

The University's most significant source of cash, **Net Cash Provided by Noncapital Financing Activities**, includes funding from State and Federal appropriations and noncapital private gifts. Cash from these sources totaling $563.7 million, $556.2 million and $567.8 million in FY 2009, FY 2008 and FY 2007, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used in Capital and Related Financing Activities increased by $194.4 million in FY 2009 compared to FY 2008, due primarily to the bond issuance in FY 2008. In FY 2009, the University used the bond-generated cash from FY 2008 for capital expansion across all campuses. In FY 2008, the University issued revenue bonds to finance capital expansion, thus decreasing the net cash outflows from capital activities by $134.7 million compared to FY 2007.

Net Cash Provided by Investing Activities reflected net cash inflows of $122.0 million in FY 2009, driven primarily by a shift in investment balances to cash equivalents. This is in comparison to net cash outflows of $204.4 million in FY 2008, largely reflecting the investment of bond issuance proceeds.

ECONOMIC OUTLOOK

Fiscal year 2009 was a challenging year for higher education in general and the University of Missouri, in particular, but not as challenging as the future is likely to be. While many public higher education institutions experienced dramatic reductions in state support for FY 2009 and FY 2010, the University's state appropriations for operations increased by 4.8% in FY 2009 and were held constant year over year for FY 2010. The latter was as a result of a commitment by the Missouri governor and general assembly to hold higher education funding harmless in exchange for no tuition increases. This agreement was possible because of the availability of federal stabilization funds to make up the shortfall in state general revenues. While some federal funding still remains, not enough is available to close the gap for FY 2011 and FY 2012. Without significant increases in general revenues, the state will be challenged to maintain or increase funding for higher education in the future. Given the severity of current economic conditions, the University is closely monitoring the State's ability to meet existing funding commitments.

Like other higher education institutions, the market value of the University's investments was negatively impacted in FY 2009 due to the historic downturn in the financial markets. Future distributions for spending from the endowment to the operating budget are projected to be lower. While the University's dependence on distributions from the endowment is small, there will be less available for scholarships and academic programs. Lower market values are also projected to drive required contributions to the University's Retirement Trust fund higher. As a result, the University took action, effective July 1, 2009, to require employees to participate in contributions to the defined benefit plan to offset in part the impact on the budget of the projected increase in employer contributions. If the recent recovery in the financial markets continues through FY 2010, this future budgetary impact of the decline in the value of investments is likely to be tempered.

With state legislation passed in 2007 that limits increases in tuition unless a waiver is granted, the University's ability to use tuition increases to meet funding shortfalls due to the downturn in the economy is constrained. However, a positive offshoot from the recession is continued enrollment growth on all four campuses. Both headcount and full-time equivalent enrollment continue to reach historic highs. From fall 2001 to fall 2008, the University's full-time equivalent enrollments grew 25%, the largest increase in enrollment at the State's four-year public higher education institutions. Enrollments are projected to be up significantly in fall 2009 as well, based on preliminary enrollment numbers. While tuition rates did not increase for FY 2010, the enrollment growth will generate additional revenue to support the operating budget.

In FY 2009, the University granted over 14,700 degrees contributing significantly to supporting an educated workforce in Missouri. This is a 35% increase over a 10-year period. The University of Missouri, as the State's research and land-grant institution of higher education, enrolls the state's top students.

The University faces increases in unavoidable costs, such as utilities, insurance, the cost of opening new buildings, and increases in the cost of ongoing operations, such as information technology including security, licenses and maintenance, increased costs of compliance and training, libraries, and additional required maintenance and repair expenditures. Flat revenues and increasing costs, in conjunction with rising enrollments and the need to maintain affordability, pose a budgetary challenge for the University.

To meet the budgetary challenges, the University has worked continuously over the years to control expenditures through administrative efficiencies and to increase revenues from other sources in order to balance the budget. In FY 2009, the University implemented a number of cost management strategies, including hiring and spending freezes, business process improvements, academic program consolidation, and energy conservation to address growing financial concerns due to the economy. These measures had a total financial impact of close to $64 million.

For FY 2009, the University Health System continued to see increasing revenues, even during a time of decreased inpatient utilizations and economic instability. As in the prior years, the University Health System is focused on improving patient care and is committed to improvements in customer service and quality. State appropriation funding for FY 2010 reflects a slight decline from FY 2009. An overall fee increase of 5% implemented in April 2009 continues in FY 2010, and pricing revisions continue as needed. For the future, the University Health System continues to focus on its physician recruitment plans, patient satisfaction, and core service lines. Additionally, the University Health System continues to pursue growth and its academic mission. In FY 2010, the University Health System began operating a 61-bed inpatient psychiatric unit which expanded services at the University of Missouri Hospital. There continues to be a focus on strategic capital improvements, which include the construction of a $48.3 million Missouri Orthopedic Institute and a new patient and surgical tower. These capital initiatives will aid in providing quality care to patients, as well as enhanced facilities for physician recruitments with the University of Missouri – Columbia School of Medicine.

The University will continue to strengthen and diversify its funding sources to meet future budget needs. In spite of the challenging economy and financial markets, private giving across the University increased during FY 2009. Sustaining and increasing the level of giving in FY 2010 will be challenging. The University's Columbia campus successfully concluded a $1.0 billion capital campaign in December 2008, while Missouri S&T and University of Missouri St. Louis are in the midst of capital campaigns.

The University has recently renegotiated its facilities and administrative cost recovery rate on federally sponsored research for FY 2010 through FY 2012. As a result of increases to the rate, the University should be able to more fully recover the facilities and administrative costs associated with future research.

The University is also focusing more of its resources on moving ideas and technologies developed in its laboratories to the market place especially in strategic areas such as the life sciences, information technology, nano-engineering, and financial services sectors. The University's President has set a goal of increasing cash flows from technology transfer from $10 million in 2009 to $50 million in five years.

The national and state economy will continue to pose budgetary challenges for the University in the future. However, strong demand demonstrated by growing enrollments, highly successful capital campaigns, robust research funding, and a developing technology transfer operation are all factors in the positive outlook for the University of Missouri.

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Auditors' Report

The Board of Curators
University of Missouri:

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri, a component unit of the State of Missouri, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the University of Missouri's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University of Missouri's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University of Missouri's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri as of June 30, 2009 and 2008, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2009 on our consideration of the University of Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 17, the schedules of employer contributions and the schedules of funding progress on pages 68 and 69 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP

St. Louis, Missouri
October 22, 2009

STATEMENT OF NET ASSETS
As of June 30, 2009 and 2008
(in thousands of dollars)

	University		Discretely Presented Component Unit	
	2009	2008	2009	2008
Assets				
Current Assets				
Cash and Cash Equivalents	$ 115,919	$ 57,987	$ 7,961	$ 5,054
Restricted Cash and Cash Equivalents	137,022	109,022	-	-
Short-Term Investments	124,609	172,294	-	-
Restricted Short-Term Investments	25,882	91,800	-	-
Investment of Cash Collateral	111,719	106,360	-	-
Accounts Receivable, Net	241,325	249,654	16,846	18,719
Pledges Receivable, Net	13,382	9,796	-	-
Investment Settlements Receivable	15,800	72,878	-	-
Notes Receivable, Net	12,564	13,747	-	-
Due From (To) Component Units	(3,900)	(4,355)	3,900	4,355
Inventories	33,009	33,063	2,538	2,690
Prepaid Expenses and Other Current Assets	21,618	18,636	1,550	1,219
Total Current Assets	**848,949**	**930,882**	**32,795**	**32,037**
Noncurrent Assets				
Restricted Cash and Cash Equivalents	-	-	4,301	4,301
Pledges Receivable, Net	17,231	21,147	-	-
Notes Receivable, Net	47,524	46,898	-	-
Deferred Charges and Other Assets	9,836	10,397	1,470	1,384
Restricted Other Assets	-	-	3,974	2,963
Long-Term Investments	778,538	810,655	35,783	25,367
Restricted Long-Term Investments	741,556	919,364	-	-
Capital Assets, Net	2,392,852	2,227,427	77,479	75,159
Total Noncurrent Assets	**3,987,537**	**4,035,888**	**123,007**	**109,174**
Total Assets	**$ 4,836,486**	**$ 4,966,770**	**$ 155,802**	**$ 141,211**
Liabilities				
Current Liabilities				
Accounts Payable	$ 94,531	$ 105,024	$ 4,624	$ 4,120
Accrued Liabilities	130,837	120,967	11,700	9,895
Deferred Revenue	80,703	67,821	-	-
Funds Held for Others	66,403	70,744	-	-
Investment Settlements Payable	50,318	136,606	-	-
Collateral Held for Securities Lending	115,291	106,360	-	-
Capital Lease Obligations	829	501	1,061	27
Bonds and Notes Payable	249,018	247,316	1,010	970
Total Current Liabilities	**787,930**	**855,339**	**18,395**	**15,012**

(continued)

STATEMENT OF NET ASSETS

As of June 30, 2009 and 2008

(in thousands of dollars)

	University 2009	University 2008	Discretely Presented Component Unit 2009	Discretely Presented Component Unit 2008
Liabilities, Continued				
Noncurrent Liabilities				
Capital Lease Obligations	8,144	8,391	3,771	44
Bonds and Notes Payable	599,970	623,351	35,080	36,090
Deferred Revenue	1,603	1,876	-	-
Other Post Employment Benefits Liability	23,639	-	-	
Other Noncurrent Liabilities	50,423	47,371	738	703
Total Noncurrent Liabilities	**683,779**	**680,989**	**39,589**	**36,837**
Total Liabilities	**1,471,709**	**1,536,328**	**57,984**	**51,849**
Net Assets				
Invested in Capital Assets, Net of Related Debt	1,540,654	1,439,753	36,969	38,463
Restricted:				
Nonexpendable -				
Endowment	612,119	718,314	-	-
Expendable -				
Scholarships, Research, Instruction and Other	235,405	262,266	4,409	2,963
Loans	78,357	77,656	-	-
Capital Projects	30,043	27,597	-	-
Unrestricted	868,199	904,856	56,440	47,936
Total Net Assets	**3,364,777**	**3,430,442**	**97,818**	**89,362**
Total Liabilities and Net Assets	**$ 4,836,486**	**$ 4,966,770**	**$ 155,802**	**$ 141,211**

See notes to the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

(in thousands of dollars)

	University		Discretely Presented Component Unit	
	2009	**2008**	**2009**	**2008**
Operating Revenues				
Tuition and Fees (Net of Provision for Doubtful Accounts of $6,165 in 2009 and $5,674 in 2008)	$ 601,742	$ 557,085	$ -	$ -
Less: Scholarship Allowances	148,578	139,880	-	-
Net Tuition and Fees	453,164	417,205	-	-
Federal Grants and Contracts	204,318	211,648	-	-
State and Local Grants and Contracts	53,042	54,414	-	-
Private Grants and Contracts	71,034	60,318	-	-
Sales and Services of Educational Activities	22,088	19,569	-	-
Auxiliary Enterprises -				
Patient Medical Services, Net	702,424	681,312	158,724	147,932
Housing and Dining Services (Net of Scholarship Allowance of $522 in 2009 and $502 in 2008)	81,939	72,503	-	-
Bookstores	62,113	61,423	-	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of $7,426 in 2009 and $6,351 in 2008)	174,643	167,230	-	-
Other Operating Revenues	69,353	61,631	-	-
Total Operating Revenues	**1,894,118**	**1,807,253**	**158,724**	**147,932**
Operating Expenses				
Salaries and Wages	1,213,837	1,153,676	65,170	57,984
Benefits	299,586	310,375	13,169	12,589
Supplies, Services and Other Operating Expenses	672,711	662,331	61,193	64,878
Scholarships and Fellowships	48,456	39,485	-	-
Depreciation	131,167	125,996	11,059	10,061
Total Operating Expenses	**2,365,757**	**2,291,863**	**150,591**	**145,512**
Operating Income (Loss) before State Appropriations	**(471,639)**	**(484,610)**	**8,133**	**2,420**
State Appropriations	479,478	462,281	-	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	**7,839**	**(22,329)**	**8,133**	**2,420**
Nonoperating Revenues (Expenses)				
Federal Appropriations	14,858	14,277	-	-
Investment and Endowment Income (Losses), Net of Fees	(175,106)	39,673	911	1,844
Private Gifts	52,552	51,680	76	15
Interest Expense	(29,681)	(37,099)	(1,991)	(1,760)
Other Nonoperating Revenues (Expenses)	(3,930)	(4,750)	1,327	320
Net Nonoperating Revenues (Expenses)	**(141,307)**	**63,781**	**323**	**419**

(continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

(in thousands of dollars)

	University		Discretely Presented Component Unit	
	2009	**2008**	**2009**	**2008**
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Items	**(133,468)**	**41,452**	**8,456**	**2,839**
State Capital Appropriations	17,817	15,532	-	-
Capital Gifts and Grants	13,009	17,341	-	-
Private Gifts for Endowment Purposes	21,093	32,995	-	-
Extraordinary Item:				
Net Proceeds from Sale of Missouri Care	2,550	-	-	-
Increase (Decrease) in Net Assets	**(78,999)**	**107,320**	**8,456**	**2,839**
Net Assets, Beginning of Year	**3,430,442**	**3,303,206**	**89,362**	**86,523**
Cumulative Effect of Change in Accounting Principles	13,334	19,916	-	-
Net Assets, Beginning of Year, as Adjusted	**3,443,776**	**3,323,122**	**89,362**	**86,523**
Net Assets, End of Year	**$ 3,364,777**	**$ 3,430,442**	**$ 97,818**	**$ 89,362**

See notes to the financial statements.

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

(in thousands of dollars)

	2009	2008
Cash Flows from Operating Activities		
Tuition and Fees	$ 441,294	$ 417,719
Federal, State and Private Grants and Contracts	338,469	336,045
Sales and Services of Educational Activities and Other Auxiliaries	205,603	181,217
Patient Care Revenues	716,777	671,091
Student Housing Fees	82,219	74,452
Bookstore Collections	62,003	61,769
Payments to Suppliers	(680,494)	(650,475)
Payments to Employees	(1,206,587)	(1,147,430)
Payments for Benefits	(275,797)	(310,375)
Payments for Scholarships and Fellowships	(48,456)	(39,485)
Student Loans Issued	(8,269)	(12,071)
Student Loans Collected	8,074	10,987
Student Loan Interest and Fees	1,251	1,092
Other Receipts, Net	68,594	61,065
Net Cash Used in Operating Activities	**(295,319)**	**(344,399)**
Cash Flows from Noncapital Financing Activities		
State Appropriations	479,478	462,281
Federal Appropriations	13,987	12,810
Private Gifts	52,512	56,717
Endowment and Similar Funds Gifts	21,093	32,995
Other Receipts (Payments)	928	(2,244)
Deposits of Affiliates	(4,341)	(6,404)
Net Cash Provided by Noncapital Financing Activities	**563,657**	**556,155**
Cash Flows from Capital and Related Financing Activities		
Capital State Appropriations	18,312	10,452
Capital Gifts and Grants	13,009	17,341
Proceeds From Sales of Capital Assets	1,554	1,083
Purchase of Capital Assets	(286,156)	(317,944)
Proceeds from Issuance of Capital Debt, Net	-	376,452
Principal Payments on Capital Debt	(21,196)	(56,975)
Proceeds from Capital Project Notes	100,500	158,800
Payments on Capital Project Notes	(100,000)	(160,000)
Payments on Capital Lease	(785)	(462)
Escrow Deposit on Defeasance	-	(96,965)
Loss on Defeasance	-	(3,844)
Payments on Cost of Debt Issuance	-	(2,282)
Interest Payments on Capital Debt	(29,687)	(35,702)
Net Cash Used in Capital and Related Financing Activities	**(304,449)**	**(110,046)**

(continued)

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

(in thousands of dollars)

	2009	2008
Cash Flows from Investing Activities		
Interest and Dividends on Investments	64,564	99,815
Purchase of Investments, Net of Sales and Maturities	57,934	(304,518)
Other Investing Activities	(455)	293
Net Cash Provided by (Used in) Investing Activities	**122,043**	**(204,410)**
Net Increase (Decrease) in Cash and Cash Equivalents	**85,932**	**(102,700)**
Cash and Cash Equivalents, Beginning of Year	**167,009**	**269,709**
Cash and Cash Equivalents, End of Year	**$ 252,941**	**$ 167,009**
Reconciliation of Operating Loss Used in Operating Activities		
Operating Loss	$ (471,639)	$ (484,610)
Adjustments to Net Cash Used in Operating Activities -		
Depreciation Expense	131,167	125,996
Changes in Assets and Liabilities:		
Accounts Receivable, Net	8,705	(7,132)
Inventory, Prepaid Expenses and Other Assets	(2,928)	(330)
Notes Receivable	557	(621)
Accounts Payable	(10,993)	4,894
Accrued Liabilities	36,917	13,601
Deferred Revenue	12,895	3,803
Net Cash Used in Operating Activities	**$ (295,319)**	**$ (344,399)**
Supplemental Disclosure of Noncash Activities		
Net Decrease in Fair Value of Investments	$ (139,199)	$ (121,677)
Noncash Gifts	$ 7,503	$ 13,427

See notes to the financial statements.

STATEMENT OF PLAN NET ASSETS

As of June 30, 2009 and 2008

(in thousands of dollars)

	2009	2008
Assets		
Cash and Cash Equivalents	$ 88,235	$ 129,860
Investment of Cash Collateral	216,645	294,781
Investment Settlements Receivable	35,397	181,062
Investments:		
Debt Securities	792,680	922,237
Corporate Stocks	1,088,747	1,611,859
Other	315,103	307,454
Total Assets	**2,536,807**	**3,447,253**
Liabilities		
Accounts Payable and Accrued Liabilities	1,816	2,429
Collateral Held for Securities Lending	221,242	294,781
Investment Settlements Payable	148,043	400,142
Total Liabilities	**371,101**	**697,352**
Net Assets Held in Trust for Retirement and OPEB	**$ 2,165,706**	**$ 2,749,901**

STATEMENT OF CHANGES IN PLAN NET ASSETS

For the Years Ended June 30, 2009 and 2008

(in thousands of dollars)

	2009	2008
Net Revenues and Other Additions		
Investment Income (Loss):		
Interest and Dividend Income, Net of Fees	$ 65,103	$ 77,376
Net Depreciation in Fair Value of Investments	(583,606)	(243,951)
Net Investment Loss	(518,503)	(166,575)
Contributions:		
University	80,452	125,745
Members	12,144	12,231
Other	1,924	2,503
Total Contributions	94,520	140,479
Total Net Revenues and Other Additions (Deductions)	**(423,983)**	**(26,096)**
Expenses and Other Deductions		
Administrative Expenses	2,752	2,173
Payments to Retirees and Beneficiaries	157,460	152,864
Total Expenses and Other Deductions	**160,212**	**155,037**
Decrease in Net Assets Held in Trust for Retirement and OPEB	**(584,195)**	**(181,133)**
Net Assets Held in Trust for Retirement and OPEB, Beginning of Year	**2,749,901**	**2,931,034**
Net Assets Held in Trust for Retirement and OPEB, End of Year	**$ 2,165,706**	**$ 2,749,901**

See notes to the financial statements.

1. *ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

UNIVERSITY OF MISSOURI

Organization – The University of Missouri (the "University"), a Federal land grant institution, conducts education, research, public service, and related activities, which include the University Health System and related health care facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis (also known, collectively, as the "University of Missouri System"). The University also administers a statewide cooperative extension service with centers located in each county in the State. The University is a component unit of the state of Missouri (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. 14, *The Financial Reporting Entity*, 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 the University Health System. 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 organization that follows generally accepted accounting principles under the Financial Accounting Standards Board ("FASB"), is a discretely presented component unit of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Financial statements for the Medical Alliance are not available.

The University operates the University of Missouri Retirement, Disability, and Death Benefit Plan (the "Retirement Plan") and the University of Missouri Other Post-Retirement 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 – In accordance with GASB Statement No. 20*, Accounting and Financial Reporting for Proprietary Funds and Other Governmental*

Entities That Use Proprietary Fund Accounting, the University follows all applicable GASB pronouncements. In addition, the University applies all applicable FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

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 Assets, 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. Nonoperating 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 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 19.

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. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days. 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 Assets.

Alternative investments include investments in private equity, absolute return funds and real estate. These investments 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 Assets.

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 Assets and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Assets, at the present value of the estimated future cash flows. An allowance of $5,130,000 and $4,805,000 as of June 30, 2009 and 2008, 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 University Health System'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. 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.

Deferred Revenue – Deferred 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. Deferred revenues also include grant and contract amounts that have been received but not yet earned.

Net Assets – The University's net assets are classified as follows:

- Invested in capital assets, net of related debt: This component represents capital assets, net of accumulated depreciation and outstanding principal debt balances related to the acquisition, construction or improvement of those assets.

- Restricted:

  Nonexpendable – These net assets 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.

  Expendable – These net assets are subject to externally imposed stipulations on the University's use of the resources.

- Unrestricted: These net assets are 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 assets are 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 revenues are reported net of contractual allowances and bad debt allowances. Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Columbia Regional Hospital, Missouri Rehabilitation Center and University Physicians (collectively, the "University Health System").

The University Health System has agreements with third-party payors that provide for payments that differ from the entity's established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Patient medical services revenue is reported at net amounts estimated to be realizable from patients, third-party payors, and others. These estimated amounts include retroactive adjustments for reimbursement agreements with third-party payors. Retroactive adjustments are estimated and accrued in the period that related services are provided, and then adjusted in future periods as estimates are refined and final settlements are determined.

Amounts receivable under Medicare and Medicaid reimbursements agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient medical services revenue by $1,977,000 for the year ended June 30, 2009, and decreased net patient medical services revenue by $3,019,000 for the year ended June 30, 2008.

For the years ended June 30, 2009 and 2008, the University Health System's percentage of gross patient accounts receivable classified by major payor is as follows:

Percentage of Gross Patient Accounts Receivable
(by Major Payor)

	2009	2008
Medicare	26%	30%
Commercial Insurance	10%	8%
Medicaid	20%	19%
Self Pay and Other	17%	17%
Managed Care Agreements	27%	26%
	100%	100%

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

Gross to Net Patient Medical Services Revenue (in thousands of dollars)	2009	2008
Patient Medical Services Revenue, Gross	$1,466,437	$1,443,517
Less Deductions for Contractuals	(720,759)	(711,031)
Less Bad Debt Deductions	(43,254)	(51,174)
Patient Medical Services Revenue, Net	$ 702,424	$ 681,312

Interest Rate Swap Agreements – The University enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net payments resulting from those agreements, no amounts related to the interest rate swaps are recorded in the financial statements.

New Accounting Pronouncements – Effective for fiscal year 2009, the University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which establishes accounting and financial reporting standards for pollution remediation obligations, including current and potential effects of existing pollution through pollution remediation activities. Through voluntary agreements with the Environmental Protection Agency and the Missouri Department of Natural Resources, or its own voluntary actions, the University is remediating or evaluating certain former hazardous waste storage sites and a property that had been used for a gas station by previous owners. The University is remediating contamination of floors and/or pipes in the basement of a building formerly used for chemical research in accordance with requirements of the Nuclear Regulatory Commission. Identified pollution remediation obligations, including evaluation activities, are not estimated to be material to the financial statements. If the evaluation processes identify contamination, additional potential liability may exist but such costs cannot currently be estimated. However, certain obligations are expected to be covered by the Missouri Petroleum Storage Tank Insurance Fund.

Effective for fiscal year 2009, the University adopted GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which establishes accounting and financial reporting standards for land and other real estate held as investments by endowments. The University owns seven tracts of land held as investments by endowments as of June 30, 2009 with an aggregate fair value of approximately $14,731,000. The University obtained independent appraisals on approximately 82% of the market values of the properties using the Sales Comparison Approach and performed internal appraisals on the remaining 18% using the same method of valuation. The Sales Comparison Approach is a method of developing an opinion on market value whereby the subject property is compared with recent sales of similar properties on the premise that the market value of a property is directly related to the prices of comparable, competitive properties. The sales prices of comparable properties are adjusted up or down for differences between the subject property and comparable properties, such as soil composition, location, use and size of properties. In adopting this standard, the University recognized the effect of a change in accounting principle, which increased net assets by $13,334,000 for the increase in fair value of the land holdings over historic cost. Changes in fair value in future reporting periods will be reported as current year investment income.

The GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for fiscal years beginning after June 15, 2009. The statement requires all intangible assets not specifically excluded by its scope provisions be classified as capital assets and establishes guidance specific to their amortization. The statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable and establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The University has not yet determined the effect that adoption of GASB Statement No. 51 may have on its financial statements.

The GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The statement requires derivative instruments to be measured at fair value at the reporting date, with changes in fair value generally being reported as investment gains or losses. However, changes in fair value of hedging derivative instruments would be deferred until the related instrument ends or ceases to significantly reduce risk. The University has not yet determined the effect that adoption of GASB Statement No. 53 may have on its financial statements.

The GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2010. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarifying the existing governmental fund type definitions. These fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The University has not yet determined the effect that adoption of GASB Statement No. 54 may have on its financial statements.

In March 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective immediately. The statement incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature so that the accounting principles are derived from a single source. Adoption of GASB Statement No. 55 had no effect on the University's financial statements.

In March 2009, the GASB issued Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, effective immediately. The statement incorporates guidance on related party transactions, going concern considerations, and subsequent events from the American Institute of Certified Public Accountants (AICPA) Statements on Auditing Standards into the GASB's body of standards. Adoption of GASB Statement No. 56 had no effect on the University's financial statements.

Reclassifications – Certain prior year amounts have been reclassified to conform to current year presentation.

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 and liabilities 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.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Nature of Operations – The Curators of the University of Missouri, for and on behalf of the University Health System, and the Capital Region Medical Center (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 the University Health System.

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.

Net Assets – As a not-for-profit organization, the Medical Alliance records its net assets in accordance with Financial Accounting Standards Board Statement No. 117, Financial Statements of Not-for-Profit Organizations. For presentation within the accompanying basic financial statements, the net assets are redistributed amongst the net asset components defined by GASB Statement No. 34.

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.

Fair Value - The Medical Alliance adopted SFAS 157 on July 1, 2008, 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 (unadjusted) in active markets for identical assets or liabilities that the Medical Center has the ability to access at the measurement date; Level 2 - Inputs (financial matrices, models, valuation techniques) other than quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset or liability. 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.

Of the assets measured at fair value on a recurring basis (including items that are required to be measured at fair value and items for which the fair value option has been elected) at June 30, 2009, $48,045,000 and $553,000 were Level

1 and Level 2, respectively. Additionally, at June 30, 2009, there were $553,000 in liabilities measured at fair value at Level 2.

2. CASH AND CASH EQUIVALENTS

Cash & Cash Equivalents – University – 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. Cash equivalents also include variable rate demand notes, which are debt securities with an original maturity beyond three months, but with a demand feature that allows for liquidity with advance notice of no more than seven days.

Custodial Credit Risk – Deposits – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2009 and 2008, respectively.

3. INVESTMENTS

UNIVERSITY OF MISSOURI

The University's investment policies are established by its governing board, the Board of Curators. The policies are established to ensure that University funds are managed in accordance with Section 105.688 of the Revised Statutes of Missouri and prudent investment practices. The University is authorized to use outside managers for its investments and may pool funds for investment purposes. The policy provides that the University's internally managed short-term funds may be invested in the following instruments: repurchase agreements collateralized by U.S. Government and U.S. Government Agency issues; U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; investment grade (A or better) corporate bonds; collateralized certificates of deposit at banks with which the University has a depository agreement; commercial paper with credit ratings of A-1+ or A-1 by Standard & Poor's Ratings Group (S&P) and P-1 by Moody's Investors Service (Moody's); bankers' acceptances; and other similar short-term investment instruments of like or better quality. Short-term funds may also be invested in the University's Balanced Pool and absolute return funds.

The University's investments are managed in two major categories:

General Investments (Short-Term Funds) – The general investment pools managed by the University averaged total returns of 5.44% and 6.48%, including unrealized gains and losses, for the years ended June 30, 2009 and 2008, respectively.

Endowment Investments – 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. There are two separate endowment pools: an externally managed Balanced Pool and an internally managed Fixed Income Pool, which earned total returns of (17.5)% and 6.1%, respectively, including unrealized gains and losses, for the year ended June 30, 2009, and (4.8)% and 6.1%, respectively, for the year ended June 30, 2008.

If a donor has not provided specific restrictions, state law permits the Board of Curators to appropriate an amount of the endowment investment's 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. In fiscal year 2009, donor-restricted endowments depreciated by approximately $130,577,000, which consisted of both realized and unrealized losses on investments.

The Board of Curators has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. Annually, the spending formula distributes 5% of a trailing 12-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, to achieve uniformity from year to year, the actual amount made available in any given year will be not less than 96% or more than 106% of the prior year's expenditure.

At June 30, 2009 and 2008, the University held the following types of investments:

Investments by Type
(in thousands of dollars)

	2009	2008
Debt Securities	$1,012,889	$1,252,832
Corporate Stocks	497,610	599,808
Absolute Return	50,368	25,819
Real Estate	44,181	58,197
Private Equity	24,875	22,898
Other	40,662	34,559
Total Investments	1,670,585	1,994,113
Money Market Funds	110,182	52,517
Commercial Paper	90,568	104,433
Variable Rate Demand Notes	39,650	-
Other	12,541	10,059
Total Cash and Cash Equivalents	252,941	167,009
Total Investments and Cash and Cash Equivalents	$1,923,526	$2,161,122

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. The University's General Investments consist primarily of fixed income securities, with a specific limitation that no more than 15% of the pool consists of variable rate securities. As a means of preserving the Endowment Investments' principal, the University's investment policy requires this pool to have a diversified investment portfolio.

At June 30, 2009 and 2008, the University's debt securities mature as follows:

Debt Securities by Type and Maturity
(in thousands of dollars)

As of June 30, 2009	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Treasury Obligations	$ 10,175	$ 68,568	$ 82,993	$ 127,692	$ 289,428
U.S. Agency Obligations	107,416	95,938	40,119	155,021	398,494
Foreign Government Obligations	1,325	13,283	42,051	15,153	71,812
U.S. Corporate Bonds & Notes	28,892	114,135	47,756	12,077	202,860
Foreign Corporate Bonds & Notes	2,682	26,488	12,953	8,172	50,295
Total	$ 150,490	$ 318,412	$ 225,872	$ 318,115	$ 1,012,889

As of June 30, 2008	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Treasury Obligations	$ 9,103	$ 39,064	$ 54,017	$ 91,705	$ 193,889
U.S. Agency Obligations	115,614	371,629	95,336	49,813	632,392
Foreign Government Obligations	3,497	25,298	38,824	22,206	89,825
U.S. Corporate Bonds & Notes	59,991	140,713	87,833	24,842	313,379
Foreign Corporate Bonds & Notes	612	8,326	5,207	9,202	23,347
Total	$ 188,817	$ 585,030	$ 281,217	$ 197,768	$ 1,252,832

Credit Risk – An investment's credit risk is the risk that the issuer or other counterparty will not meet its obligations. For investments in debt securities, this credit risk is typically measured by the credit quality ratings provided by a nationally recognized statistical rating organization such as Moody's or S&P. For Endowment Investments, the University's policy is to hold debt securities rated investment-grade (Baa/BBB) or better. For General Investments, the University's policy is to hold corporate bonds rated A or better by S&P. Also within General Investments, commercial paper and other short-term securities should be rated A-1/P-1 or better. 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 commercial paper and variable rate demand notes were rated A-1/P-1 or better at June 30, 2009 and 2008, respectively. All holdings of money market funds were rated AAA at June 30, 2009 and 2008, respectively.

Based on investment ratings provided by Moody's or S&P, the University's credit risk exposure as of June 30, 2009 and 2008, is as follows:

Debt Securities by Type and Credit Rating
(in thousands of dollars)

As of June 30, 2009	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Total
U.S. Treasury Obligations	$ 289,428	$ -	$ -	$ -	$ -	$ 289,428
Mortgage-Backed Securities						
Guaraneed by U.S. Agencies	-	54,858	-	-	-	54,858
Aaa/AAA	-	343,636	47,914	10,253	28,635	430,438
Aa/AA	-	-	20,602	46,840	10,935	78,377
A/A	-	-	2,193	135,949	6,663	144,805
Baa/BBB	-	-	1,103	5,965	2,036	9,104
Ba/BB	-	-	-	412	-	412
B/B	-	-	-	806	-	806
Caa/CCC	-	-	-	391	-	391
Unrated	-	-	-	2,244	2,026	4,270
Total	$ 289,428	$ 398,494	$ 71,812	$ 202,860	$ 50,295	$ 1,012,889

As of June 30, 2008	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Total
U.S. Treasury Obligations	$ 193,889	$ -	$ -	$ -	$ -	$ 193,889
Mortgage-Backed Securities						
Guaraneed by U.S. Agencies	-	49,937	-	-	-	49,937
Aaa/AAA	-	582,063	55,497	53,500	11,035	702,095
Aa/AA	-	-	668	109,514	4,896	115,078
A/A	-	392	31,309	137,050	5,217	173,968
Baa/BBB	-	-	944	7,574	737	9,255
Ba/BB	-	-	-	-	-	-
B/B	-	-	-	-	-	-
Caa/CCC	-	-	-	-	-	-
Unrated	-	-	1,407	5,741	1,462	8,610
Total	$ 193,889	$ 632,392	$ 89,825	$ 313,379	$ 23,347	$ 1,252,832

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 investments are insured or registered and are held by the University or an agent in its name.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of investments in a single issuer is known as the concentration of credit risk. Investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools are excluded from this category.

For University funds invested in the General Investments category, the following restrictions apply: 1) Corporate Bonds should not exceed 20% of the portfolio; 2) Variable Rate securities should not exceed 15% of the portfolio; and 3) Investments in obligations of the U.S. Government, U.S. Government Agency issues or U.S. Government guaranteed securities are unlimited.

For University funds invested in the Endowment Investments category, target asset mixes are evaluated to ensure appropriate diversification. The investment policy allows a portfolio consisting of no more than 37% U.S. equity, 24% international equity, 12.5% emerging markets equity, 10% private equity, 10% absolute return funds, 12.5% real estate, 22% global fixed income, and 12% Treasury Inflation-Protected Securities (TIPS). However, within the Endowment Investments category, due to donor restrictions certain monies can only be invested in fixed income securities. The Fixed Income Pool portfolio for these monies consists of U.S. Government, U.S. Government Agency issues, corporate fixed income, commercial paper and repurchase agreements.

As of June 30, 2009, of the University's total investments and cash and cash equivalents, 7.0% are issues of the Federal Home Loan Bank (FHLB) and 8.0% are issues of Federal National Mortgage Association (FNMA).

As of June 30, 2008, of the University's total investments and cash and cash equivalents, 14.1% are issues of the FHLB, 6.1% are issues of the Federal Home Loan Mortgage Corporation (FHLMC) and 5.6% are issues of the FNMA.

Foreign Currency Risk –The risk that changes in exchange rates will adversely affect the fair value of a foreign investment is referred to as foreign currency risk. The University's investment policy allows for exposure to non-U.S. dollar denominated equities and fixed income securities. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. At June 30, 2009 and 2008, 13.3% and 14.1%, 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 $120,576,000 and $115,688,000 were in place at June 30, 2009 and 2008, respectively.

The University's exposure to foreign currency risk as of June 30, 2009 and 2008, was as follows:

Foreign Currency Risk
International Investment Securities at Fair Value
(in thousands of dollars)

Currency	Cash and Cash Equivalents	Foreign Government Obligations	Foreign Corporate Bonds and Notes	Corporate Stocks	2009 Total	2008 Total
Euro	$ 4,590	$ 40,777	$ 18,498	$ 56,592	$ 120,457	$ 131,207
Japanese Yen	250	17,990	1,907	29,248	49,395	74,697
British Pound Sterling	760	6,594	3,143	24,295	34,792	34,853
Australian Dollar	128	-	6,736	5,504	12,368	8,244
Canadian Dollar	76	1,366	2,964	7,221	11,627	16,104
Swiss Franc	23	-	-	11,489	11,512	15,981
Hong Kong Dollar	38	-	-	5,011	5,049	3,442
Swedish Krona	14	699	143	2,230	3,086	5,497
Other	41	4,281	581	2,094	6,997	16,954
Total	$ 5,920	$ 71,707	$ 33,972	$ 143,684	$ 255,283	$ 306,979

Securities Lending Transactions – The University participates in an external investment pool securities lending program to augment income. The program is administered by the University's 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. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. The University has minimized its exposure to credit risk from borrower default 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.

At June 30, 2009 and 2008, there were a total of $114,610,000 and $113,629,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of $115,291,000 cash and $2,212,000 noncash collateral at June 30, 2009 and $106,360,000 cash and $15,238,000 noncash collateral at June 30, 2008. Cash collateral received from the borrower is invested by the University's custodial agent bank in investment pools in the name of the University, with guidelines approved by the University. These investments are shown as Investment of Cash Collateral in the Statement of Net Assets 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 Assets. Noncash collateral received for securities lending activities is not recorded as an asset because the University does not have the ability to pledge or sell such collateral unless the borrower defaults.

The University continues 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, 2009, the University has no 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 is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

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."

At June 30, 2009 and 2008, Medical Alliance held the following investments:

Medical Alliance Investments
(in thousands of dollars)

	2009	2008
Internally Designated for Capital Improvements:		
Mortgage-backed securities	$ -	$ 5,695
Money Market Accounts	16,628	5,721
Interest Receivable	33	65
U.S. Treasury Obligations	74	74
Certificates of Deposit	20,387	15,105
Subtotal	37,122	26,660
Held by Trustee Under Indenture Agreement:		
Money Market Accounts	4,301	4,299
Interest Receivable	-	2
Less Portion Required for Current Obligations	(1,339)	(1,293)
	$ 40,084	$ 29,668

UNIVERSITY OF MISSOURI PENSION TRUST FUNDS

Investments –The Board of Curators of the University of Missouri establishes the policy for Retirement Trust investments which emphasizes diversification across asset classes, dominated by equity securities to maximize investment returns. While pursuing this investment objective, the Retirement Trust also observes its fiduciary duties set forth in Section 105.688 of the Revised Statutes of Missouri to act in the interest of the Retirement Plan's participants and beneficiaries. The Retirement Trust investments earned a total return of (18.4)%, including unrealized gains and losses, for the year ended June 30, 2009, and (5.7)% for the year ended June 30, 2008.

The OPEB Trust held $37,167,000 and $34,497,000 at June 30, 2009 and 2008, respectively, in a money market mutual fund rated AAA at both June 30, 2009 and 2008. The OPEB Trust has no other investments.

At June 30, 2009 and 2008, the Pension Trust Funds held the following types of investments:

Pension Trust Funds - Investments By Type
(in thousands of dollars)

	2009	2008
Debt Securities	$ 792,680	$ 922,237
Corporate Stocks	1,088,747	1,611,859
Real Estate	134,241	178,362
Absolute Return Funds	115,811	58,134
Private Equity	62,074	58,453
Other	2,977	12,505
Total Investments	2,196,530	2,841,550
Money Market Funds	67,675	77,220
Commercial Paper	-	25,431
Other	20,560	27,209
Total Cash Equivalents	$ 88,235	$ 129,860

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of preserving invested principal, the Board of Curators' investment policy requires diversification of the investment portfolio.

At June 30, 2009 and 2008, the maturities of the Pension Trust Funds' debt securities are as follows:

Pension Trust Funds - Debt Securities by Type and Maturity
(in thousands of dollars)

As of June 30, 2009	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Treasury Obligations	$ 8,752	$ 105,556	$ 85,128	$ 85,098	$ 284,534
U.S. Agency Obligations	2,739	3,592	2,254	106,905	115,490
Foreign Government Obligations	2,188	36,852	116,626	30,352	186,018
U.S. Corporate Bonds & Notes	14,854	27,401	27,076	28,630	97,961
Foreign Corporate Bonds & Notes	8,221	49,327	33,578	17,551	108,677
Total	$ 36,754	$ 222,728	$ 264,662	$ 268,536	$ 792,680

As of June 30, 2008	Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years	Carrying Value
U.S. Treasury Obligations	$ 10,586	$ 50,983	$ 106,449	$ 74,710	$ 242,728
U.S. Agency Obligations	1,433	790	6,570	109,718	118,511
Foreign Government Obligations	7,497	63,028	131,864	76,916	279,305
U.S. Corporate Bonds & Notes	21,833	78,740	57,268	66,568	224,409
Foreign Corporate Bonds & Notes	1,422	23,377	14,603	17,882	57,284
Total	$ 42,771	$ 216,918	$ 316,754	$ 345,794	$ 922,237

Credit Risk – An investment's credit risk is the risk that the issuer or other counterparty will not meet its obligations. For investments in debt securities, this credit risk is typically measured by the credit quality ratings provided by a nationally recognized statistical rating organization such as Moody's or S&P. For Retirement Trust investments, the University's policy is to hold securities rated investment-grade (Baa/BBB) or better. Disposition of securities whose ratings have been downgraded after purchase is generally left to the discretion of the investment manager after consideration of individual facts and circumstances.

The Pension Trust Funds' credit risk exposure for debt securities based on Moody's or S&P investment ratings as of June 30, 2009 and 2008, is as follows:

Pension Trust Funds - Debt Securities by Type and Credit Rating
(in thousands of dollars)

As of June 30, 2009	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Totals
U.S. Treasury Obligations	$ 284,534	$ -	$ -	$ -	$ -	$ 284,534
Mortgage-Backed Securities						
Guaranteed by U.S. Agencies	-	109,736	-	-	-	109,736
Aaa/AAA	-	5,754	117,300	28,425	60,749	212,228
Aa/AA	-	-	62,109	13,235	26,456	101,800
A/A	-	-	4,534	40,702	15,057	60,293
Baa/BBB	-	-	2,075	11,083	5,538	18,696
Ba/BB	-	-	-	1,091	578	1,669
B/B	-	-	-	1,789	-	1,789
Caa/CCC	-	-	-	776	-	776
Unrated	-	-	-	860	299	1,159
Total	$ 284,534	$ 115,490	$ 186,018	$ 97,961	$ 108,677	$ 792,680

As of June 30, 2008	U.S. Treasury Obligations	U.S. Agency Obligations	Foreign Government Obligations	U.S. Corporate Debt	Foreign Corporate Debt	Totals
U.S. Treasury Obligations	$ 242,728	$ -	$ -	$ -	$ -	$ 242,728
Mortgage-Backed Securities						
Guaranteed by U.S. Agencies	-	112,588	-	-	-	112,588
Aaa/AAA	-	4,099	153,058	81,383	28,210	266,750
Aa/AA	-	-	45,684	69,296	9,393	124,373
A/A	-	1,824	76,032	52,488	14,104	144,448
Baa/BBB	-	-	2,891	12,629	3,130	18,650
Unrated	-	-	1,640	8,613	2,447	12,700
Total	$ 242,728	$ 118,511	$ 279,305	$ 224,409	$ 57,284	$ 922,237

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of failure of the counterparty to a transaction, the Pension Trust Funds will not be able to recover the value of its investments held by an outside party. All Pension Trust Funds investments are insured or registered and are held by the Pension Trust Funds or an agent in its name.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of investments in a single issue is known as the concentration of credit risk. Investments issued or guaranteed by the U.S. government, investments in mutual funds, or external investment pools are excluded from this category. The Retirement Trust investment policy allows for a portfolio consisting of no more than 37% U.S. equity, 24% international equity, 12.5% emerging markets equity, 10% private equity, 10% absolute return funds, 12.5% real estate, 22% global fixed income, and 12% TIPS. At June 30, 2009 and 2008, the Pension Trust Funds portfolio did not contain investments from any single issuer that exceeded 5% of the total portfolio.

Foreign Currency Risk –The risk that changes in exchange rates will adversely affect the fair value of a foreign investment is referred to as foreign currency risk. The Retirement Trust's investment policy allows for exposure to non-U.S. dollar denominated equities and fixed income securities. Exposure to foreign currency risk from these securities is permitted and it may be fully or partially hedged using forward foreign currency exchange contracts. At June 30, 2009 and 2008, 26.5% and 28.8%, respectively, of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling $313,321,000 and $303,808,000 were in place at June 30, 2009 and 2008, respectively.

As of June 30, 2009 and 2008, the Pension Trust Funds' exposure to foreign currency risk was as follows:

Pension Trust Funds - Foreign Currency Risk
International Investment Securities at Fair Value
(in thousands of dollars)

Currency	Cash and Cash Equivalents	Foreign Government Obligations	Foreign Corporate Bonds and Notes	Corporate Stocks	2009 Total	2008 Total
Euro	$ 9,118	$ 103,885	$ 42,624	$130,969	$ 286,596	$ 390,073
Japanese Yen	493	56,253	5,059	68,315	130,120	197,481
British Pound Sterling	1,605	13,741	5,140	58,323	78,809	90,962
Australian Dollar	45	-	-	27,533	27,578	41,926
Canadian Dollar	150	-	13,206	12,451	25,807	21,950
Swiss Franc	187	2,078	8,354	14,255	24,874	45,070
Hong Kong Dollar	84	-	-	11,011	11,095	9,345
Swedish Krona	37	1,413	153	4,921	6,524	14,639
Other	190	8,648	1,247	4,492	14,577	44,141
Total	$ 11,909	$ 186,018	$ 75,783	$332,271	$ 605,980	$ 855,587

Securities Lending Transactions – The Retirement Trust participates in an external investment pool securities lending program to augment income. The program is administered by the Retirement Trust's 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 Retirement Trust. Loaned domestic securities are initially collateralized at 102% of their fair value, while loaned international securities are collateralized at 105% of fair value. The Retirement Trust has minimized its exposure to credit risk from borrower default 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.

At June 30, 2009 and 2008, there were a total of $232,477,000 and $303,713,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of $221,242,000 cash and $16,745,000 noncash collateral at June 30, 2009 and $294,781,000 cash and $20,336,000 noncash collateral at June 30, 2008. Cash collateral received from the borrower is invested by the Retirement Trust's custodial agent bank in investment pools in the name of the Retirement Trust, with guidelines approved by the Retirement Trust. These investments are shown as Investment of Cash Collateral on the Statement of Plan Net Assets and reported at fair value, with changes in market value recorded in Net Depreciation in Fair Value of Investments on the Statement of Changes in Plan Net Assets. Noncash collateral received for securities lending activities is not recorded as an asset because the Retirement Trust does not have the ability to pledge or sell such collateral unless the borrower defaults.

The Retirement Trust continues 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, 2009, the Retirement Trust has no 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 Retirement Trust is fully indemnified by its custodial bank against any losses incurred as a result of borrower default.

4. FUNDS HELD IN TRUST BY OTHERS

At June 30, 2009 and 2008, Funds Held in Trust by Others (principally endowment funds) aggregated $85,723,000 and $80,910,000, respectively, at fair value. Due to time restrictions or a legal event that has not occurred, these funds are not available to the University and are not included in the accompanying Statement of Net Assets. Income earned and distributed to the University for the years ended June 30, 2009 and 2008, aggregated $996,000 and $1,115,000, respectively.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009 and 2008, are summarized as follows:

Accounts Receivable
(in thousands of dollars)

	2009	2008
Grants and Contracts	$ 70,206	$ 68,613
Federal Appropriations	2,889	2,018
State Appropriations and State Bond Funds	4,585	5,080
Student Fees and Other Academic Charges	88,514	84,007
University Health System Patient Services, Net of Contractual Allowances	108,005	129,718
Subtotal	274,199	289,436
Less Provisions for Loss on Accounts Receivable:		
Grants and Contracts Allowance	583	622
University Health System Patient Services Allowances	26,126	33,486
Student Fees and Other Academic Charges	6,165	5,674
Subtotal	32,874	39,782
Total	$ 241,325	$ 249,654

6. NOTES RECEIVABLE

Notes receivable 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, 2009 and 2008, are summarized as follows:

Notes Receivable
(in thousands of dollars)

	2009	2008
Federal Health Profession Loans	$ 14,212	$ 13,955
Carl D. Perkins National Loans	31,011	31,622
University Loan Programs	18,353	18,296
Subtotal	63,576	63,873
Less Provision for Loss on Notes Receivable	3,488	3,228
Total	$ 60,088	$ 60,645

7. CAPITAL ASSETS

UNIVERSITY OF MISSOURI

Capital assets activity for the years ended June 30, 2009 and 2008, is summarized as follows:

Capital Assets
(in thousands of dollars)

	2009 Beginning Balance	Additions/ Transfers	Retirements	2009 Ending Balance
Capital Assets, Nondepreciable:				
Land	$ 66,030	$ 3,654	$ 359	$ 69,325
Artwork and Historical Artifacts	11,663	191	-	11,854
Construction in Progress	180,386	(61,491)	-	118,895
Total Capital Assets, Nondepreciable	258,079	(57,646)	359	200,074
Capital Assets, Depreciable:				
Buildings and Improvements	2,322,026	267,713	2,490	2,587,249
Infrastructure	227,752	24,702	-	252,454
Equipment	557,275	57,880	22,726	592,429
Library Materials	227,712	7,805	-	235,517
Total Capital Assets, Depreciable	3,334,765	358,100	25,216	3,667,649
Less Accumulated Depreciation:				
Buildings and Improvements	795,529	63,982	905	858,606
Infrastructure	93,171	9,532	-	102,703
Equipment	339,401	50,767	20,808	369,360
Library Materials	137,316	6,886	-	144,202
Total Accumulated Depreciation	1,365,417	131,167	21,713	1,474,871
Total Capital Assets, Depreciable, Net	1,969,348	226,933	3,503	2,192,778
Total Capital Assets, Net	$ 2,227,427	$ 169,287	$ 3,862	$ 2,392,852

	2008 Beginning Balance	Additions/ Transfers	Retirements	2008 Ending Balance
Capital Assets, Nondepreciable:				
Land	$ 66,040	$ 759	$ 769	$ 66,030
Artwork and Historical Artifacts	11,575	88	-	11,663
Construction in Progress	102,600	77,786	-	180,386
Total Capital Assets, Nondepreciable	180,215	78,633	769	258,079
Capital Assets, Depreciable:				
Buildings and Improvements	2,188,407	148,016	14,397	2,322,026
Infrastructure	217,483	10,471	202	227,752
Equipment	511,539	71,417	25,681	557,275
Library Materials	218,306	9,406	-	227,712
Total Capital Assets, Depreciable	3,135,735	239,310	40,280	3,334,765
Less Accumulated Depreciation:				
Buildings and Improvements	747,082	61,309	12,862	795,529
Infrastructure	83,808	9,546	183	93,171
Equipment	316,286	47,530	24,415	339,401
Library Materials	129,705	7,611	-	137,316
Total Accumulated Depreciation	1,276,881	125,996	37,460	1,365,417
Total Capital Assets, Depreciable, Net	1,858,854	113,314	2,820	1,969,348
Total Capital Assets, Net	$ 2,039,069	$ 191,947	$ 3,589	$ 2,227,427

The estimated cost to complete construction in progress at June 30, 2009, is $708,955,000 of which $175,728,000 is available from unrestricted net assets. The remaining costs are expected to be funded from $69,229,000 of State appropriations, $2,209,000 of State funded bonds, $24,341,000 of gifts, $154,783,000 of grants, and $282,665,000 of bond proceeds.

Capital assets include a building facility under a capital lease of $8,332,000 and related accumulated depreciation of $4,062,000 and $3,645,000 at June 30, 2009 and 2008, respectively, and equipment under a capital lease of $964,000 entered into in fiscal year 2009.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2009 and 2008 are summarized as follows:

Medical Alliance - Capital Assets
(in thousands of dollars)

	2009	2008
Land and Improvements	$ 6,219	$ 6,109
Buildings	109,496	102,071
Movable Equipment	73,577	65,570
Construction in Progress	1,627	4,922
	190,919	178,672
Less Accumulated Depreciation	113,440	103,513
Total Capital Assets, Net	$ 77,479	$ 75,159

8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2009 and 2008, are summarized as follows:

Accrued Liabilities
(in thousands of dollars)

	2009	2008
Accrued Salaries, Wages, and Related Benefits	$ 48,045	$ 44,454
Accrued Vacation	42,775	38,691
Accrued Self Insurance Claims	35,054	32,503
Accrued Interest Payable	4,963	5,319
	$ 130,837	$ 120,967

9. OTHER NONCURRENT LIABILITIES

Other Noncurrent Liabilities
(in thousands of dollars)

Fiscal Year 2009	**Beginning of Year**	Additions	Payments	**Total End of Year**	Less Current Portion	**Noncurrent End of Year**
Accrued Vacation	$ 51,327	$ 40,750	$ (37,091)	$ 54,986	$ (42,775)	$ 12,211
Accrued Self-Insurance Claims	67,238	177,386	(171,358)	73,266	(35,054)	38,212
	$ 118,565	$ 218,136	$ (208,449)	$ 128,252	$ (77,829)	$ 50,423

Fiscal Year 2008	**Beginning of Year**	Additions	Payments	**Total End of Year**	Less Current Portion	**Noncurrent End of Year**
Accrued Vacation	$ 49,001	$ 36,639	$ (34,313)	$ 51,327	$ (38,691)	$ 12,636
Accrued Self-Insurance Claims	79,799	136,343	(148,904)	67,238	(32,503)	34,735
	$ 128,800	$ 172,982	$ (183,217)	$ 118,565	$ (71,194)	$ 47,371

10. BONDS AND NOTES PAYABLE

UNIVERSITY OF MISSOURI

As of June 30, 2009 and 2008, bonds and notes payable totaled $848,988,000 and $870,667,000, respectively. Of these amounts, $846,924,000 and $868,207,000, respectively, were bonds outstanding, net of unamortized premium/discount and loss on defeasance totaling $10,619,000 and $11,102,000, respectively. The principal and interest of the bonds are payable from net income or designated revenues from the related financed activities. Designated revenues for the bonds include 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. For fiscal years 2009 and 2008, available related operating revenues totaled $880,993,000 and $848,025,000, respectively, while the annual debt service payments totaled $55,360,000 and $50,259,000, respectively. This proportion is expected to continue to be less than 10% of pledged operating revenues in the future. These bonds bear interest at fixed and variable rates ranging from 0.18% to 5.8% per annum and mature at various dates through November 2037. Interest on the variable rate System Facilities Revenue Bonds is paid at rates 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 (SIFMA) rate, which resets weekly.

As of June 30, 2009 and 2008, outstanding notes totaling $2,064,000 and $2,460,000, respectively, consisted of two loans from the state Department of Natural Resources Energy Efficiency Leveraged Loan Program. Interest is payable semiannually and ranges from 3.0% to 3.2%. One of these loans matures in February 2012, while the second loan matures in February 2016.

Bonds and Notes Payable activity by issuance series for the years ended June 30, 2009 and 2008, was as follows:

Bonds and Notes Payable Activity
(in thousands of dollars)

		2009 Beginning Balance	Additions	Reductions	2009 Ending Balance	Amounts Due Within One Year
System Facilities Revenue Bonds:						
Series 1998	Fixed Rate	$ 15,025	$ -	$ (1,895)	$ 13,130	$ 1,975
Series 2000A	Fixed Rate	10,320	-	(3,265)	7,055	3,435
Series 2000B	Variable Rate	50,000	-	-	50,000	50,000
Series 2001A	Variable Rate	35,285	-	(780)	34,505	34,505
Series 2001B	Fixed Rate	44,680	-	(1,275)	43,405	1,345
Series 2003A	Fixed Rate	15,520	-	(1,905)	13,615	1,995
Series 2003B	Fixed Rate	31,535	-	(1,460)	30,075	1,500
Series 2006A	Fixed Rate	249,815	-	(7,140)	242,675	7,480
Series 2006B	Variable Rate	39,705	-	-	39,705	39,705
Series 2007A	Fixed Rate	262,970	-	(2,740)	260,230	4,790
Series 2007B	Variable Rate	102,250	-	(340)	101,910	101,910
		857,105	-	(20,800)	836,305	248,640
Unamortized Premium		22,043	-	(1,076)	20,967	-
Unamortized Loss on Defeasance		(10,941)	-	593	(10,348)	-
		868,207	-	(21,283)	846,924	248,640
Notes Payable		2,460	-	(396)	2,064	378
		$ 870,667	$ -	$ (21,679)	$ 848,988	$ 249,018

		2008 Beginning Balance	Additions	Reductions	2008 Ending Balance	Amounts Due Within One Year
System Facilities Revenue Bonds:						
Series 1997	Fixed Rate	$ 1,135	$ -	$ (1,135)	$ -	$ -
Series 1998	Fixed Rate	16,840	-	(1,815)	15,025	1,895
Series 2000A	Fixed Rate	13,425	-	(3,105)	10,320	3,265
Series 2000B	Variable Rate	50,000	-	-	50,000	50,000
Series 2001A	Variable Rate	36,025	-	(740)	35,285	35,285
Series 2001B	Fixed Rate	44,735	-	(55)	44,680	1,275
Series 2002	Variable Rate	40,000	-	(40,000)	-	-
Series 2003A	Fixed Rate	114,315	-	(98,795)	15,520	1,905
Series 2003B	Fixed Rate	32,965	-	(1,430)	31,535	1,460
Series 2006A	Fixed Rate	256,680	-	(6,865)	249,815	7,140
Series 2006B	Variable Rate	39,705	-	-	39,705	39,705
Series 2007A	Fixed Rate	-	262,970	-	262,970	2,740
Series 2007B	Variable Rate	-	102,250	-	102,250	102,250
		645,825	365,220	(153,940)	857,105	246,920
Unamortized Premium		17,004	8,772	(3,733)	22,043	-
Unamortized Loss on Defeasance		(10,044)	-	(896)	(10,941)	-
		652,785	373,992	(158,569)	868,207	246,920
Notes Payable		-	2,460	-	2,460	396
		$652,785	$376,452	($158,569)	$870,667	$247,316

On July 26, 2007, the University issued $365,220,000 of System Facilities Revenue Bonds, consisting of $262,970,000 in Series 2007A bonds at the interest cost of 4 to 5% and $102,250,000 of Series 2007B bonds with variable rates. Proceeds from the issuance of the Series 2007 A and B bonds were used to finance construction of new housing facilities on the Columbia and Missouri S&T campuses, various other projects and the cost of issuance. Proceeds from issuance of the Series 2007B bond were used to advance refund and defease $96,965,000 of the Series 2003A bonds.

The partial defeasance of the 2003A Series bonds resulted in a $1,610,000 loss that is included as a reduction of debt outstanding and will be amortized over the remaining life of the bonds. The defeasance decreased aggregate debt service payments by $14,672,000 resulting in an economic gain (difference between the present values of the old and new debt service payments) to the University of $9,505,000.

At June 30, 2009 and 2008, in-substance defeased bonds aggregating $96,965,000 and $147,935,000, respectively, are outstanding.

System Facilities Revenue Bonds, Series 2000B, Series 2001A, Series 2006B, and Series 2007B are variable rate demand bonds with an option to tender on no more than seven days notice. The University's variable rate demand bonds totaled $226,120,000 and $227,240,000 at June 30, 2009 and 2008, respectively, with final maturities ranging from 2031 to 2036. 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 Assets. In terms of contractual maturities, $1,195,000 and $1,120,000 of these bonds were due within one year at June 30, 2009 and 2008, respectively.

As of June 30, 2009, principal and interest due on bonds and notes during the next five years and in subsequent five-year periods is as follows:

Future Debt Service
(in thousands of dollars)

Fiscal Year	Principal	Interest	Net Payments (Funds Received) on Swap Agreement
2010	$ 24,093	$ 29,575	$ 5,111
2011	24,295	28,539	5,051
2012	23,058	27,521	5,037
2013	24,093	26,544	5,036
2014	25,277	25,509	5,020
2015-2019	142,793	111,300	23,998
2020-2024	171,370	80,969	20,641
2025-2029	206,540	46,705	15,114
2030-2034	126,785	21,893	6,131
2035-2038	70,065	5,650	-
	$ 838,369	$ 404,205	$ 91,139

Future interest payment requirements for variable rate demand bonds are determined using the rate in effect at June 30, 2009, ranging from 0.18% to 0.30%. The above interest payments also include estimated payments on two interest rate swap agreements, as discussed below, at fixed rates of 3.95% and 3.798%, net of the funds received from the counterparty to the transaction at a rate effective at June 30, 2009, of 0.35% and 0.22%, respectively.

The University is a party to two interest rate swap agreements which effectively convert a portion of its variable rate debt to a fixed rate. Through its first interest rate swap with a $40,000,000 notional amount, the University semi-annually pays interest calculated at a fixed rate of 3.95% to the swap's counterparty. In return, the counterparty owes the University interest based on a variable rate set weekly through November 2032. Through a second interest rate swap with a $101,910,000 notional amount, the University semi-annually pays interest calculated at a fixed rate of 3.798% to the counterparty, while the counterparty pays the University interest based on a variable rate that is set monthly through November 2031. The $141,910,000 in bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The University continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the interest rate swap agreement, the University effectively pays a fixed rate on the debt. The University will revert to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the University making or receiving a termination payment.

As of June 30, 2009, the two interest rate swaps had a fair value of ($23,604,000), which represents the cost to the University to terminate the swap. This fair value, developed using the zero coupon method and proprietary models, was prepared by the counterparty, J.P. Morgan Chase Bank, a major U.S. financial institution. 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.

As of June 30, 2009, the University was not exposed to credit risk on the termination payment because the interest rate swap had a negative fair value and the University would have owed the payment. However, should interest rates change and the fair value of the swap become positive, the University would be exposed to credit risk. The swap counterparty was rated AA- by Standard & Poor's and Aa1 by Moody's Investors Service as of June 30, 2009. In the event a ratings downgrade occurs, the counterparty may be required to provide collateral if the University's overall exposure exceeds predetermined levels. Permitted collateral investments include U.S. Treasuries, U.S. government agencies, cash and commercial paper rated A1/P1 by Standard & Poor's and Moody's, respectively. Collateral may be held by the University or by a third party custodian.

The swap exposes the University to basis risk should the weekly SIFMA rate paid by the counterparty fall below the daily interest rate due on the bonds. This basis risk can be the result of a downgrade of the University's rating, daily rates becoming higher than weekly rates, or the pricing of the University's bonds by the remarketing agent at rates higher than the SIFMA index.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Bonds payable activity by series of issuance for the years ended June 30, 2009 and 2008, was as follows:

Medical Alliance - Bonds Payable
(in thousands of dollars)

	2009 Beginning Balance	Issuance	Payments	2009 Ending Balance
Health Facilities Revenue Bonds Series 1998, dated December 1, 1998 and maturing November 1, 2028, payable in graduated installments from November 1, 1999 to November 1, 2028, bearing interest ranging from 3.35% to 5.30%	$ 20,685	$ -	$ (575)	$ 20,110
Health Facilities Revenue Bonds Series 2004, dated June 1, 2004 and maturing November 1, 2029, payable in graduated installments from November 1, 2005 to November 1, 2029, bearing interest ranging from 2.25% to 5.75%	16,375	-	(395)	15,980
	37,060	$ -	$ (970)	36,090
Less current maturities	(970)			(1,010)
	$ 36,090			$ 35,080

	2008 Beginning Balance	Issuance	Payments	2008 Ending Balance
Health Facilities Revenue Bonds Series 1998, dated December 1, 1998 and maturing November 1, 2028, payable in graduated installments from November 1, 1999 to November 1, 2028, bearing interest ranging from 3.35% to 5.30%	$ 21,235	$ -	$ (550)	$ 20,685
Health Facilities Revenue Bonds Series 2004, dated June 1, 2004 and maturing November 1, 2029, payable in graduated installments from November 1, 2005 to November 1, 2029, bearing interest ranging from 2.25% to 5.75%	16,760	-	(385)	16,375
	37,995	$ -	$ (935)	$ 37,060
Less current maturities	(935)			(970)
	$ 37,060			$ 36,090

In June 2004, the Medical Alliance issued $17,500,000 of tax-exempt Health Facilities Revenue Bonds Series 2004 through the Health and Educational Facilities Authority of the state of Missouri. The bonds proceeds are being used primarily to pay or reimburse the costs of acquiring, constructing and equipping certain health facilities of Medical Alliance and to fund the future debt service requirement fund for these Series 2004 bonds.

Similar to the Series 1998 bonds, the Series 2004 bonds were issued pursuant to the Master Trust Indenture dated December 1, 1998, as supplemented on June 1, 2004. Under the terms of the Master Trust Indenture (the "Master Indenture"), Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. The Series 1998 and 2004 bonds are secured by the unrestricted receivables of Medical Alliance. In addition, the Master Indenture contains certain restrictions on the operations and activities of 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 2014 and 2025 for the Series 1998 bonds and Series 2004 bonds, respectively.

Interest expense incurred on the bonds during the years ended June 30, 2009 and 2008 was $1,910,000 and $1,960,000, respectively, of which $100,000 and $206,000 were capitalized during the years ended June 30, 2009 and 2008, respectively.

As of June 30, 2009, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Future Debt Service
(in thousands of dollars)

Year ending June 30:	Principal	Interest
2010	$ 1,010	$ 1,874
2011	1,055	1,828
2012	1,105	1,779
2013	1,155	1,725
2014	1,210	1,669
2015-2019	7,020	7,341
2020-2024	9,040	5,260
2025-2029	11,745	2,468
2030	2,750	79
	$ 36,090	$ 24,023

11. SHORT-TERM BORROWINGS

During the years ended June 30, 2009 and 2008, the University sold $100,000,000 and $160,000,000 of capital project notes at effective interest rates of 1.7% and 3.7%, respectively. The maximum amount of notes outstanding was $100,000,000 and $160,000,000 and all were repaid in full by June 30, 2009 and 2008, respectively. Proceeds from the issuance of the capital project notes were used to fund various construction projects.

Capital project note activity for the years ended June 30, 2009 and 2008 is as follows:

Capital Project Notes
(in thousands of dollars)

	Fiscal Year	Beginning of Year	Issuance	Payments	End of Year
Series FY 2008-2009	2009	$ -	$ 100,000	$ (100,000)	$ -
Series FY 2007-2008	2008	-	160,000	(160,000)	-

Capital Projects Notes are secured by the University's unrestricted revenues (generally state appropriations for general operations, student fee revenue, and other operating revenues), plus unencumbered balances from prior fiscal years. These balances totaled approximately $1,700,000,000 in fiscal year 2009. Excluded are revenues from auxiliary enterprises (such as bookstore and housing operations), the Health System, and other such facilities pledged to repay System Facilities Revenue Bonds. Capital Project Notes are expected to continue to be 10% or less of available pledged balances.

12. LEASE OBLIGATIONS AND COMMITMENTS

The University leases various facilities and equipment through operating and capital leases. In fiscal year 2009, the University entered into a capital lease obligation for equipment used by the four campuses. Facilities and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

Capital lease obligations activity for the years ended June 30, 2009 and 2008, is as follows:

Capital Lease Obligations
(in thousands of dollars)

Fiscal Year	Beginning of Year	Additions	Payments	End of Year	Current Portion
2009	$ 8,892	$ 867	$ (786)	$ 8,973	$ 829
2008	9,354	-	(462)	8,892	501

The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2009, are as follows:

Future Lease Payments
(in thousands of dollars)

Fiscal Year	Capital	Operating
2010	$ 1,685	$ 3,582
2011	1,536	2,484
2012	1,530	1,681
2013	1,374	1,206
2014	1,374	1,072
2015-2019	6,870	1,651
2020-2022	344	-
Total Future Minimum Payments	14,713	$ 11,676
Less: Amount Representing Interest	(5,740)	
Present Value of Future Minimum Lease Payments	$ 8,973	

Total rental expenditures for operating leases for the years ended June 30, 2009 and 2008, were $19,503,000 and $15,047,000, respectively.

In addition to the above lease obligations, the University has outstanding commitments for the acquisition, usage and ongoing support of certain software for its patient clinical systems. As of June 30, 2009, these commitments totaled $4,652,000 and will be paid in the following amounts: $3,708,000 in 2010 and $944,000 in 2011.

Description of Sublease Arrangement with Institute for Outpatient Surgery ("IOS") – Concurrent with the sale of assets to IOS on July 1, 2002, the University entered into an agreement with IOS whereby IOS subleased certain building space from the University for a period of approximately 17 years at current market rates. The University recorded the transaction as a direct financing lease and recorded a minimum lease payment to be received of $6,375,000, unearned rental income of $3,233,000 and a write-off of $3,142,000 of building and improvements related to the sublease. During fiscal years 2009 and 2008, the University received $418,000 of rental income from IOS each year.

As of June 30, 2009, the future minimum lease payments to be received under this sublease are as follows:

IOS - Future Capital Lease Payments
(in thousands of dollars)

	Amount
Total Minimum Lease Payments to be Received:	
Current	$ 418
Noncurrent	3,867
Total	4,285
Less: Unearned Rental Income	(1,876)
Present Value of Future Minimum Lease Payments Receivable	$ 2,409

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance leases certain computer and medical equipment through operating and capital leases. Equipment under capitalized leases is recorded at the present value of future minimum lease payments.

Total rental expenditures for operating leases for the years ended June 30, 2009 and 2008, were $970,000 and $719,000, respectively.

Capital lease obligations activity for the years ended June 30, 2009 and 2008, is as follows:

Medical Alliance - Capital Lease Obligations
(in thousands of dollars)

Fiscal Year	Beginning of Year	Additions	Payments	End of Year	Current Portion
2009	$ 71	$ 5,584	$ (823)	$ 4,832	$ 1,061
2008	101	-	(30)	71	27

The future minimum payments on all significant leases with initial or remaining terms of one year or more at June 30, 2009, are as follows:

Medical Alliance - Future Lease Payments
(in thousand of dollars)

Fiscal Year	Capital	Operating
2010	$ 1,231	$ 631
2011	1,231	587
2012	1,231	366
2013	1,231	344
2014	330	290
2015-2017	-	212
Total Future Minimum Payments	5,254	$ 2,430
Less: Amount Representing Interest	(422)	
Present Value of Future Minimum Lease Payments	$ 4,832	

13. 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, 2009 and 2008 of $73,266,000 and $67,238,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 3.7% to 4.5% for fiscal year 2009 and 3.7% to 4.8% for fiscal year 2008, based on expected future investment yield assumptions. Additionally, at June 30, 2009, there are self-insurance claims outstanding, that range from $5,000 to $300,000, for which the University has determined there is a reasonable possibility that a loss contingency may be incurred, but no accrual has been made in the financial statements because the loss is not both probable and estimable.

Changes in the self-insurance liability during fiscal years 2009, 2008, and 2007 were as follows:

Self-Insurance Claims Liability
(in thousands of dollars)

Fiscal Year	Beginning of Year	New Claims and Changes in Estimates	Claim Payments	End of Year
2009	$ 67,238	$ 177,386	$ (171,358)	$ 73,266
2008	79,799	136,343	(148,904)	67,238
2007	86,850	139,294	(146,345)	79,799

14. COMMITMENTS AND CONTINGENCIES

The University and the Retirement Trust have made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments totaled $20,262,000 and $54,248,000 for the University and the Retirement Trust, respectively, at June 30, 2009.

The University does not have any contingencies that are probable and estimable as of June 30, 2009.

15. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

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.

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. 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 2.2% times the credited service years times the compensation base. The employee's average compensation for the five highest consecutive salary years determines the compensation base. Academic members who provide summer teaching and research service receive additional summer service credit. At times, the Board of Curators may approve pension adjustments that increase the benefits paid to existing pensioners. However, vested members who leave the University system prior to eligibility for retirement are not eligible for these pension increases.

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

Vested employees who terminate prior to retirement eligibility may elect to transfer the actuarial equivalent of their benefit to an Individual Retirement Account or into another employer's qualified plan that accepts such rollovers. If the actuarial equivalent is less than $20,000, it may instead be taken in the form of a lump sum payment.

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 member receives the greater of a benefit equal to the actuarial equivalent of 5% of the employee's eligible compensation invested at 7.5% per credited service year or the regularly calculated benefit.

Retirement Plan Membership (active members)	2009	2008
Active members:		
Vested	10,302	10,094
Nonvested	7,758	7,760
Pensioners	6,866	6,773
Former Employees with Deferred Pensions	3,091	3,002
Total	28,017	27,629

Contributions – The University of Missouri's contributions to the Retirement Plan are equal to the actuarially determined contribution requirement, as a percent of payroll, which averaged 5.9% and 8% of payroll for the years ended June 30, 2009 and 2008, respectively. The Retirement Plan is funded 100% by University contributions, and does not require employee contributions. The contribution rate is updated annually 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.

The University's annual pension cost and net pension obligation to the Retirement Plan for the current year, along with three-year trend information, were as follows:

Three-Year Trend Information
(in thousands of dollars)

Fiscal Year Ending	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Contributions Made	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$74,736	$74,736	$74,736	100%	-
6/30/2008	72,284	72,284	72,284	100%	-
6/30/2009	56,663	56,663	56,663	100%	-

Funded Status – As of the most recent actuarial valuation date, October 1, 2008, the Retirement Plan was 102.7% funded. The actuarial accrued liability for benefits was $2,733,032,000 and the actuarial value of the assets was $2,808,126,000, resulting in excess funding of $75,094,000. The covered payroll (annual payroll of active employees covered by the plan) was $954,430,000, and the ratio of excess funding to covered payroll was 7.9%.

The Schedule of Funding Progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – In the October 1, 2008 actuarial valuation, the entry age actuarial cost method was used. Actuarial assumptions included (1) an 8% rate of investment return net of administrative expenses, and (2) projected salary increases ranging from 4.5% to 5.2% per year. The assumptions did not include postretirement benefit increases. 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 overfunded actuarial accrued liability is being amortized as a level dollar amount on an open basis over 20 years from the October 1, 2008 valuation date.

16. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – In addition to the pension benefits described in Note 15, the University operates a single-employer, defined benefit postemployment plan. The University's Other Post-Employment Benefits (OPEB) Plan provides postretirement 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, 2009 and 2008, 5,738 and 5,642 retirees, respectively, were receiving benefits, and an estimated 18,060 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, 2009 and 2008, 243 and 244 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.

Basis of Accounting – The OPEB Plan's accounting records are prepared using the accrual basis of accounting. In June 2008, the University established its OPEB Trust Fund, the assets of which are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. Previously, postemployment benefit costs other than long-term disability were funded on a current basis, and expenses were recorded on a pay-as-you-go basis. Long-term disability costs were recognized during the period in which the employee became eligible to receive disability benefits. The OPEB Plan does not issue a separate financial report.

Effective for fiscal year 2008, the University adopted GASB Statements No. 43 and No. 45, which establish requirements for financial reporting for postemployment benefits other than pension plans. In adopting these standards, the University recognized the effect of a change in accounting principle, which increased net assets by $19,916,000 as a result of writing off previously established benefit reserves that were not in accordance with the new requirements.

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 toward premiums at the same rate as for active employees, which is 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, 2009, participants contributed $11,755,000 or approximately 46.7% of total premiums through their required contributions, which vary depending on the plan and coverage selection. Other contributions to the Plan were Medicare Part D retiree drug subsidies received from the federal government.
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.

Further, the University currently plans to contribute to the trust fund an amount that, in addition to the current year premium contributions, is sufficient to fund 50% of the annual required contribution (ARC). The ARC, which is actuarially determined in accordance with the parameters of GASB Statement 45, represents the ongoing level of funding projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. In fiscal year 2009, the University contributed $23,789,000, or 50.0% of the ARC. The $47,578,000 ARC represents 5.1% of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2009:

Changes in Net OPEB Obligation (Asset)
(in thousands of dollars)

Annual required contribution/OPEB cost	$ 47,578
Contributions made	(23,789)
Increase in net OPEB obligation (asset)	23,789
Net OPEB obligation - beginning of year	(150)
Net OPEB obligation (asset) - June 30, 2009	$ 23,639

Funding Status and Funding Progress – As of July 1, 2007, the actuarial accrued liability (AAL) for postemployment benefits was $488,140,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $488,140,000. The covered payroll (annual payroll of active employees covered by the plan) was $930,365,000, and the ratio of UAAL to covered payroll was 52.5%.

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.

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, 2007, actuarial valuation. Actuarial assumptions included a 6.75% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 7.0% to 11.5% initially, reduced by 0.5% decrements to an ultimate rate of 4.5%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

17. SEGMENT INFORMATION

A segment is an identifiable activity reported within a stand-alone entity for which one or more revenue bonds are outstanding. A segment has a specific identifiable revenue stream pledged in support of revenue bonds and has related expenses, gains and losses, assets and liabilities that are required by an external party to be accounted for separately. The University has one segment that meets the reporting requirements of GASB Statement No. 37.

As of June 30, 2009, the University's outstanding bond debt consists of System Facilities Revenue Bonds. The System Facilities Revenue Bonds are issued in accordance with a Resolution adopted by the Board of Curators in October 1993. The Resolution provides that the bonds are payable from the gross income and revenues derived from the related facilities including student fees, housing, dining, bookstore, parking, and various other revenues.

Summary financial information for the System Facilities Revenue Bond Fund as of June 30, 2009 and 2008, follows:

System Facilities Revenue Bond Fund Condensed Financial Statements
(in thousands of dollars)

	2009	2008
Condensed Statement of Net Assets		
Assets:		
Current Assets	$ 235,559	$ 239,366
Capital Assets, Net	1,059,664	966,244
Noncurrent Assets	289,716	351,557
Total Assets	$ 1,584,939	$ 1,557,167
Liabilities:		
Current Liabilities	$ 376,392	$ 384,768
Noncurrent Liabilities	607,735	631,956
Total Liabilities	984,127	1,016,724
Net Assets:		
Invested in Capital Assets, Net of Related Debt	210,864	181,352
Restricted -		
Nonexpendable	522	595
Expendable	13,687	10,874
Unrestricted	375,739	347,622
Total Net Assets	600,812	540,443
Total Liabilities and Net Assets	$ 1,584,939	$ 1,557,167
Condensed Statement of Revenues, Expenses and Changes in Net Assets		
Operating Revenues:		
Net Patient Revenue	$ 685,207	$ 663,227
Net Tuition and Fees	17,428	15,853
Bookstore	61,640	61,423
Housing and Related Food Service	81,724	72,382
Parking	15,113	15,218
Other Operating Revenue	19,881	19,922
Total Operating Revenues	880,993	848,025
Operating Expenses:		
Depreciation	56,731	52,784
All Other Operating Expenses	788,873	772,105
Total Operating Expenses	845,604	824,889
Operating Income	35,389	23,136
Nonoperating Revenues (Expenses)	(3,808)	13,515
Income Before Transfers	31,581	36,651
Transfer From Other University Units	28,788	44,336
Increase in Net Assets	60,369	80,987
Net Assets, Beginning of Year	540,443	459,456
Net Assets, End of Year	$ 600,812	$ 540,443
Condensed Statement of Cash Flows		
Net Cash Flows Provided by Operating Activities	$ 96,804	$ 74,416
Net Cash Flows Provided by (Used In) Investing Activities	74,865	(176,233)
Net Cash Flows Used In Capital and Related Financing Activities	(200,100)	(26,426)
Net Cash Flows Provided by Noncapital Financing Activities	52,531	69,669
Net Increase (Decrease) in Cash and Cash Equivalents	24,100	(58,574)
Cash and Cash Equivalents, Beginning of Year	47,639	106,213
Cash and Cash Equivalents, End of Year	$ 71,739	$ 47,639

18. 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:

Operating Expenses by Functional and Natural Classifications
(in thousands of dollars)

For the Year Ended June 30, 2009

Functional Classification	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 383,438	$ 100,339	$ 60,248	$ -	$ -	$ 544,025
Research	108,818	27,493	78,180	-	-	214,491
Public Service	84,964	24,749	63,914	-	-	173,627
Academic Support	74,556	2,062	32,008	-	-	108,626
Student Services	38,079	10,285	20,870	-	-	69,234
Institutional Support	91,828	27,288	(14,918)	-	-	104,198
Operation and Maintenance of	34,970	10,839	24,193	-	-	70,002
Auxiliary Enterprises	397,184	96,531	408,216	-	-	901,931
Scholarships and Fellowships	-	-	-	48,456	-	48,456
Depreciation	-	-	-	-	131,167	131,167
Total Operating Expenses	$ 1,213,837	$ 299,586	$672,711	$ 48,456	$ 131,167	$ 2,365,757

For the Year Ended June 30, 2008

Functional Classification	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 362,929	$ 84,070	$ 66,971	$ -	$ -	$ 513,970
Research	104,556	21,545	80,702	-	-	206,803
Public Service	79,571	20,378	63,254	-	-	163,203
Academic Support	69,735	17,848	32,488	-	-	120,071
Student Services	35,535	8,556	25,578	-	-	69,669
Institutional Support	84,507	52,522	(20,357)	-	-	116,672
Operation and Maintenance of	33,378	9,361	5,057	-	-	47,796
Auxiliary Enterprises	383,465	96,095	408,638	-	-	888,198
Scholarships and Fellowships	-	-	-	39,485	-	39,485
Depreciation	-	-	-	-	125,996	125,996
Total Operating Expenses	$ 1,153,676	$ 310,375	$662,331	$ 39,485	$ 125,996	$ 2,291,863

19. 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:

Statement of Plan Net Assets

(in thousands of dollars)

	2009 Retirement	2009 OPEB	2009 Total	2008 Retirement	2008 OPEB	2008 Total
Assets						
Cash and Cash Equivalents	$ 51,068	$ 37,167	$ 88,235	$ 95,363	$ 34,497	$ 129,860
Investment of Cash Collateral	216,645	-	216,645	294,781	-	294,781
Investment Settlements Receivable	35,393	4	35,397	181,062	-	181,062
Investments:						
Debt Securities	792,680	-	792,680	922,237	-	922,237
Corporate Stocks	1,088,747	-	1,088,747	1,611,859	-	1,611,859
Other	315,103	-	315,103	307,454	-	307,454
Total Assets	**2,499,636**	**37,171**	**$ 2,536,807**	**3,412,756**	**34,497**	**$ 3,447,253**
Liabilities						
Accounts Payable and Accrued Liabilities	1,816	-	1,816	2,429	-	2,429
Collateral Held for Securities Lending	221,242	-	221,242	294,781	-	294,781
Investment Settlements Payable	148,043	-	148,043	400,142	-	400,142
Total Liabilities	**371,101**	**-**	**371,101**	**697,352**	**-**	**697,352**
Net Assets Held in Trust for Retirement and OPEB	**$ 2,128,535**	**$ 37,171**	**$ 2,165,706**	**$ 2,715,404**	**$ 34,497**	**$ 2,749,901**

Statement of Changes in Plan Net Assets
(in thousands of dollars)

	2009			2008		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Net Revenues and Other Additions						
Investment Income (Loss):						
Interest and Dividend Income, Net of Fees	$ 64,899	$ 204	$ 65,103	$ 77,372	$ 4	$ 77,376
Net Depreciation in Fair Value of Investments	(583,606)	-	(583,606)	(243,951)	-	(243,951)
Net Investment Income (Loss)	(518,707)	204	(518,503)	(166,579)	4	(166,575)
Contributions:						
University	56,663	23,789	80,452	72,284	53,461	125,745
Other	-	12,144	12,144	-	12,231	12,231
Members	-	1,924	1,924	-	2,503	2,503
Total Contributions	56,663	37,857	94,520	72,284	68,195	140,479
Total Net Revenues and Other Additions (Deductions)	**(462,044)**	**38,061**	**(423,983)**	**(94,295)**	**68,199**	**(26,096)**
Expenses and Other Deductions						
Administrative Expenses	2,456	296	2,752	1,932	241	2,173
Payments to Retirees and Beneficiaries	122,369	35,091	157,460	119,403	33,461	152,864
Total Expenses and Other Deductions	**124,825**	**35,387**	**160,212**	**121,335**	**33,702**	**155,037**
Increase (Decrease) in Net Assets Held in Trust for Retirement and OPEB	**(586,869)**	**2,674**	**(584,195)**	**(215,630)**	**34,497**	**(181,133)**
Net Assets Held in Trust for Retirement and OPEB, Beginning of Year	**2,715,404**	**34,497**	**2,749,901**	**2,931,034**	**-**	**2,931,034**
Net Assets Held in Trust for Retirement and OPEB, End of Year	**$ 2,128,535**	**$ 37,171**	**$ 2,165,706**	**$ 2,715,404**	**$ 34,497**	**$ 2,749,901**

20. EXTRAORDINARY ITEMS

In fiscal year 2009, the University received additional proceeds of $2.6 million related to the 2007 sale of Missouri Care L.C., a component unit of the University. Missouri Care was a not-for-profit health maintenance organization which provided services to patients in Central Missouri under certification from the Missouri Department of Social Services. The additional proceeds received in fiscal year 2009 were recorded as an extraordinary item in the Statement of Revenues, Expenses and Changes in Net Assets.

21. SUBSEQUENT EVENTS

On July 1, 2009, the University sold $125,000,000 of Capital Project Notes, Series FY 2009-2010A, at an effective interest rate of 0.4%. The notes will be repaid in full by June 30, 2010. Proceeds from the issuance of the capital project notes will be used to fund various construction projects of the University.

On July 23, 2009, the University issued $332,060,000 of System Facilities Revenue Bonds, consisting of $256,300,000 in taxable Series 2009A Bonds designated as "Build America Bonds" under the Internal Revenue Code of 1986, as amended, and $75,760,000 in traditional tax exempt Series 2009B Bonds. The Series 2009A bonds bear interest at a stated rate of 5.96%. The University will receive a cash subsidy payment from the United States Treasury in an amount equal to 35% of the interest payable on each interest payment date. The all-in true interest cost of the Series 2009A Bonds, after taking into account the 35% interest subsidy from the federal government, is 3.95%. The Series 2009B Bonds bear interest at rates of 3.0% to 5.0% with an all-in true interest cost of 3.02%. Proceeds from issuance of the Series 2009 A and B bonds will be used to finance construction/renovation of housing facilities on the Columbia, Kansas City, and Missouri S&T campuses, renovation of power plant and other energy management improvements on the Columbia campus, construction of new student union facility on the Kansas City campus, Research Park office facility on the Missouri S&T campus, new patient care tower and Missouri Orthopedic Institute at the Health System, and renovation, furnishing and equipping various other facilities, and to finance capitalized interest and certain costs of issuance.

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RETIREMENT PLAN

Schedule of Funding Progress
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL/ (Excess Funding) (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL/(Excess) as a Percentage of Covered Payroll ([b-a] / c)
10/1/2003	$2,067,728	$2,030,613	($37,115)	101.8%	$687,681	(5.4%)
10/1/2004	2,075,032	2,144,738	69,706	96.7%	753,266	9.3%
10/1/2005	2,125,656	2,271,230	145,574	93.6%	795,758	18.3%
10/1/2006	2,325,264	2,400,807	75,543	96.9%	846,884	8.9%
10/1/2007	2,651,535	2,555,592	(95,943)	103.8%	891,648	(10.8%)
10/1/2008	2,808,126	2,733,032	(75,094)	102.7%	954,430	(7.9%)

Schedule of Employer Contributions
(in thousands of dollars)

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation/ (Asset)
6/30/2004	10/1/2002	$48,521	100%	$ -
6/30/2005	10/1/2003	49,075	100%	-
6/30/2006	10/1/2004	64,399	100%	-
6/30/2007	10/1/2005	74,736	100%	-
6/30/2008	10/1/2006	72,284	100%	-
6/30/2009	10/1/2007	56,663	100%	-

See independent auditors' report.

OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

Schedule of Funding Progress
(in thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a] / c)
7/1/2006	$ -	$546,058	$546,058	0.0%	$883,614	61.8%
7/1/2007	-	488,140	488,140	0.0%	930,365	52.5%

Schedule of Employer Contributions
(in thousands of dollars)

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation / (Asset)
6/30/2008	7/1/2006	$53,310	100.2%	($150)
6/30/2009	7/1/2007	47,578	50.0%	23,639

See independent auditors' report.

Mission Statement

The mission of the four-campus University of Missouri System -- a land-grant university and Missouri's only public research and doctoral-level institution -- is to discover, disseminate, preserve and apply knowledge. The university facilitates lifelong-learning by its students and Missouri's citizens; fosters innovation to support economic development; and advances the health, cultural and social interests of the people of Missouri, the nation and the world.

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