

2017 Financial Report



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS



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Message from the President

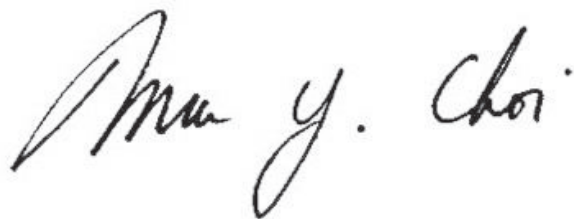
The University of Missouri System, its four campuses, extension and health system are proud to serve as the state's premier land-grant public research institution. Given our vital role, we share a collective vision is to be a premier land-grant institution dedicated to the creation and inclusive sharing of knowledge to advance the educational, health, cultural, economic and social interests of the people of Missouri, the nation and the world.

In recent months, we have taken bold actions to become a stronger university. Amid significant budget constraints, the campus and system communities identified nearly \$40 million in strategic investments to be made in student success, research and creative breakthroughs, and meaningful engagement with Missouri citizens to improve their lives. We seek to achieve all of this while remaining good fiscal stewards and focusing on providing a great place to learn and work.

Despite challenges, our fiscal position and health remains strong and stable with backing from our investment services. You will see in the following pages that we will continue to make the decisions in the best interest of the university to help ensure our financial stability well into the future.

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

Sincerely,



Mun Y. Choi
President, University of Missouri System



Curators of the University of Missouri

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



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



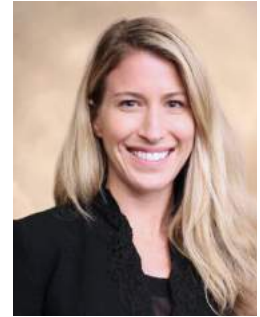
John R. Phillips
District 5, Vice Chairman
Kansas City
Term expires Jan. 1, 2019



Julia G. Brncic
District 1
St. Louis
Term expires Jan. 1, 2021



Darryl M. Chatman
At-Large member
St. Louis
Term expires Jan. 1, 2023



Jamie L. Farmer
District 3
Jefferson City
Term expires Jan. 1, 2023



Jeffrey L. Layman
District 7
Springfield
Term expires Jan. 1, 2023



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



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



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



Courtney Lauer
Student Representative
MU
Term expires Jan. 1, 2018

University of Missouri System General Officers



Mun Y. Choi
President



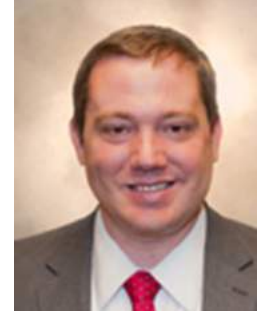
Stephen J. Owens, JD
General Counsel



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



Mark McIntosh, PhD
Vice President for Research
and Economic Development



Ryan D. Rapp
Vice President for Finance,
Human Resources and Chief
Financial Officer



Barbara A. Bichelmeyer, PhD
Interim Chancellor,
University of Missouri-Kansas
City



Alexander N. Cartwright, PhD
Chancellor,
University of Missouri-Columbia



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



Christopher G. Maples, PhD
Interim Chancellor,
Missouri University of Science
and Technology

Finance Staff

Ryan D. Rapp, Vice President for Finance and Chief Financial Officer

Thomas Richards, Treasurer and Chief Investment Officer

Eric Vogelweid, Controller

University of Missouri-Columbia



Founded:
1839

Enrollment:
33,239*

Alumni:
304,057

The University of Missouri-Columbia (MU) was the first public university west of the Mississippi River. Today, with enrollment of more than 32,000 students, 12,000 full-time employees, and 304,000 alumni worldwide, MU is a \$2.2 billion enterprise. MU is one of only 60 public and private U.S. universities in the Association of American Universities. As the state's largest university, MU offers more than 300 degree programs and has more than 100 online education options.

Supporters worldwide invest in MU by making private gifts for scholarships, academic programs, facilities and life-changing research. With more than 40,000 donors, \$905 million has been raised for the \$1.3 billion "Mizzou: Our Time to Lead" campaign to endow resources for MU's future. In its capacity as a land-grant institution, MU provides information to more than 5 million Missouri citizens each year through extension programs that promote health and success for youth, families, communities and businesses.

*Enrollment numbers are reflective of 2016-2017 enrollment.

University of Missouri-Kansas City



Founded:
1929

Enrollment:
16,936*

Alumni:
121,967

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

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

*Enrollment numbers are reflective of 2016-2017 enrollment.

Missouri University of Science & Technology



Founded:
1870

Enrollment:
8,835*

Alumni:
61,000

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

Research is at the forefront of an S&T education. Missouri S&T's four signature research areas of advanced manufacturing, advanced materials for sustainable infrastructure, enabling materials for extreme environments, and smart living all address high-priority state and national needs. Missouri S&T is also home to the state's first nuclear reactor, a "solar village" of student-designed and -built solar houses, and an experimental mine, which was cited by Popular Science magazine as a top "awesome college lab."

*Enrollment numbers are reflective of 2016-2017 enrollment.

University of Missouri-St. Louis



UMSL

Founded:
1963

Enrollment:
16,989*

Alumni:
92,000

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

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

*Enrollment numbers are reflective of 2016-2017 enrollment.

University of Missouri Health



Founded:
1956

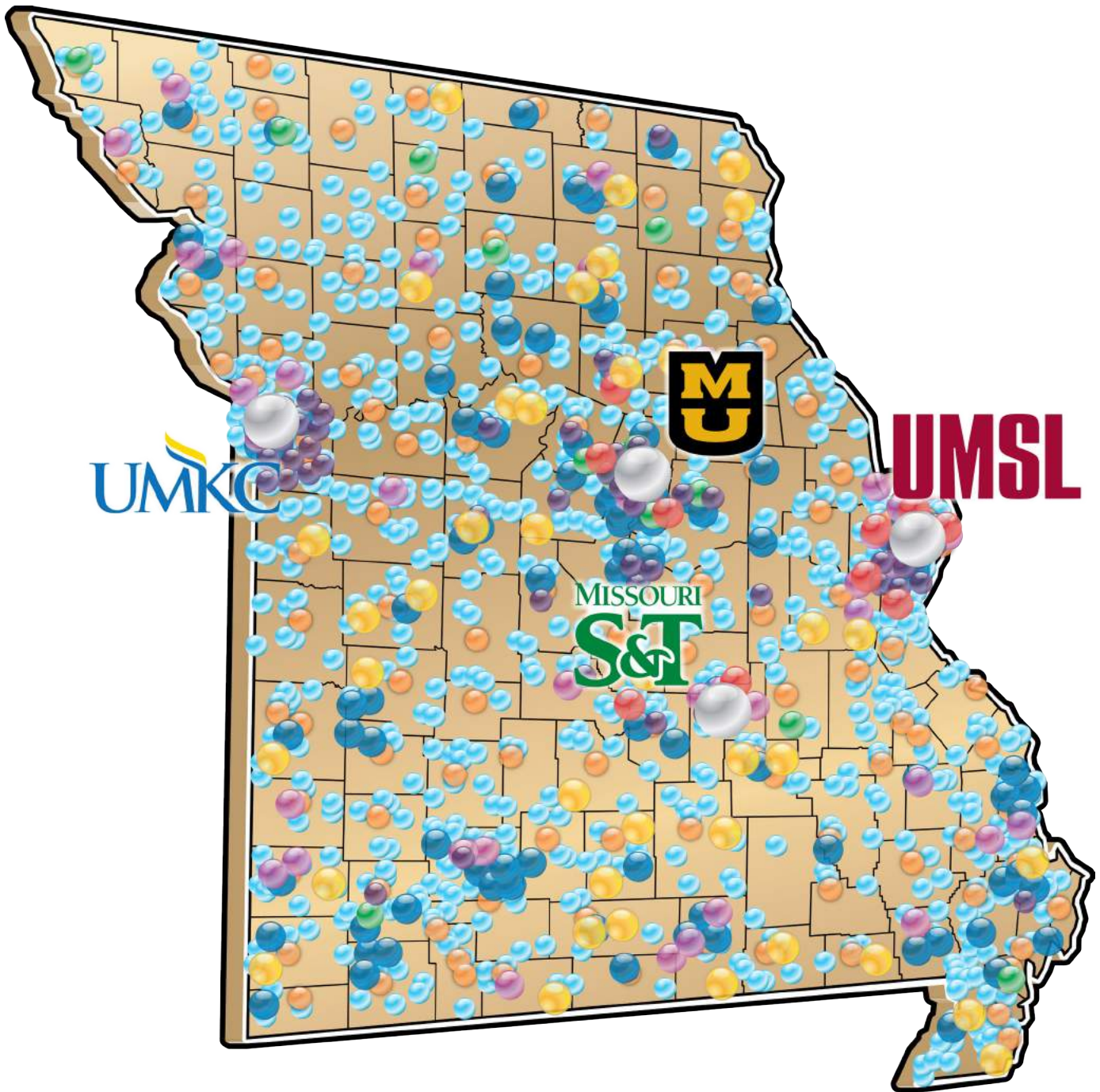
Based:
Columbia, MO

ER visits per year:
75,000

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

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

University of Missouri System Statewide Reach



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

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

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

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MISSOURI

October 12, 2017

The management of the University of Missouri System (the “University”) is responsible for the preparation, integrity, and fair presentation of the financial statements. The financial statements, presented on pages 32 to 85, have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

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

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

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

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

Ryan D. Rapp
Vice President for Finance and Chief Financial Officer

University of Missouri System COLUMBIA | KANSAS CITY | MISSOURI S&T | ST. LOUIS

118 University Hall • Columbia, MO 65211 • 573-882-3611 www.umsystem.edu

Financial Information



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

Management's Discussion and Analysis provides an overview of the financial position and activities of the University of Missouri System (the "University") for the fiscal years ended June 30, 2017 and 2016, and should be read in conjunction with the financial statements and notes. The University is a component unit of the State of Missouri and an integral part of the State's Comprehensive Annual Financial Report.

This report includes five financial statements.

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

The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 of the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that

includes campus-level financial statements is available at the University of Missouri, 118 University Hall Columbia, Mo 65211, and at www.umsystem.edu.

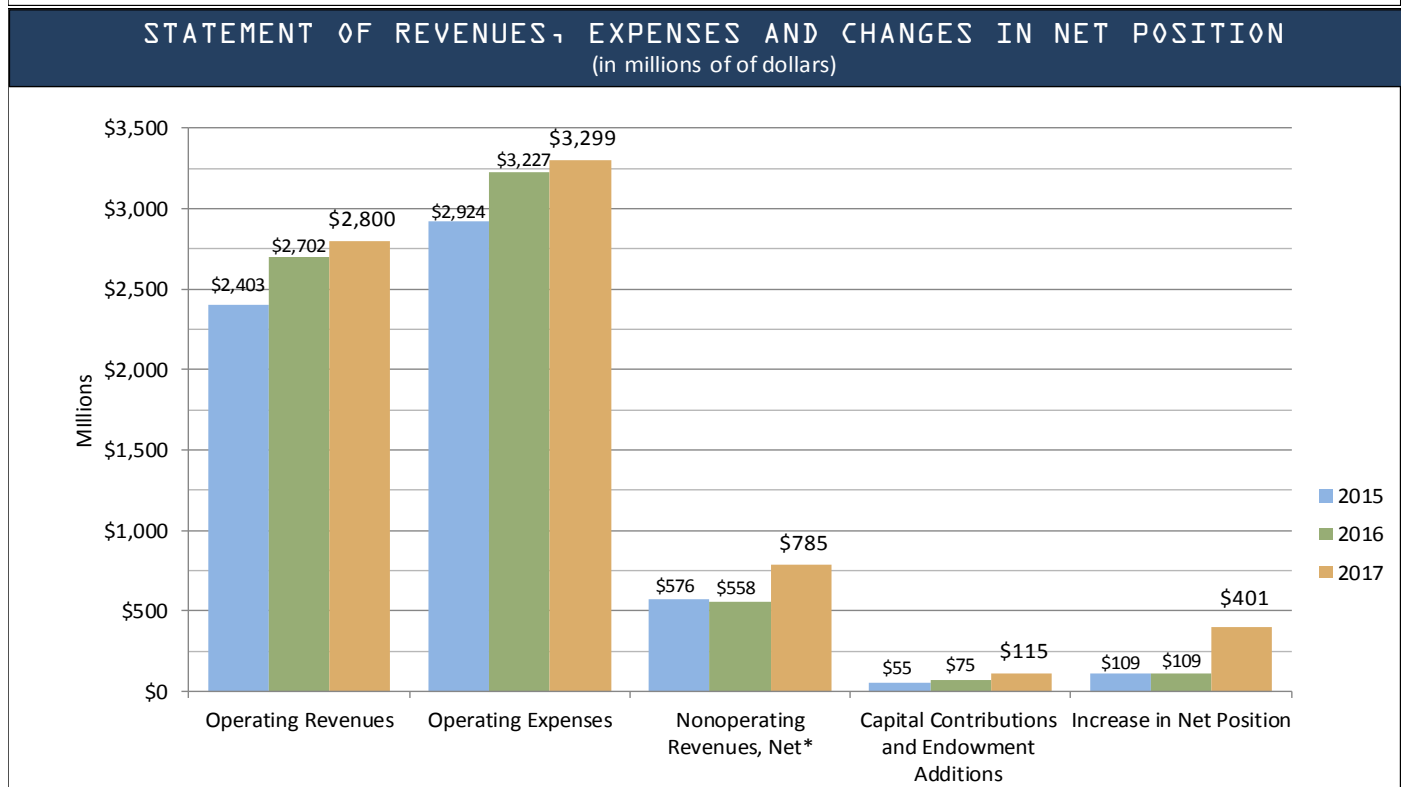
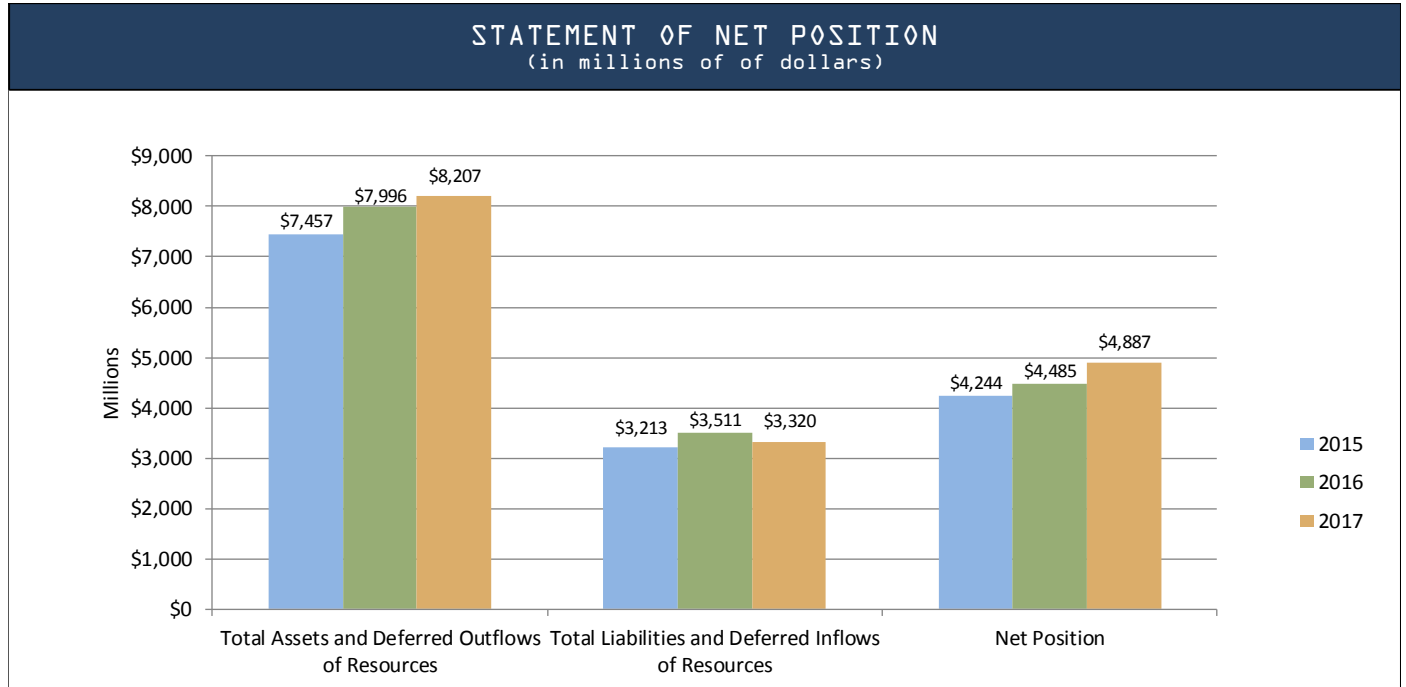
FINANCIAL HIGHLIGHTS

At June 30, 2017, the University's financial position remained solid, with Total Assets and Deferred Outflows of Resources of \$8.2 billion. Net Position, which represents the residual value of the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources, totaled \$4.9 billion. When operating and non-operating changes are included, Net Position increased by approximately \$401.7 million as compared to fiscal year (FY) 2016, driven primarily by improved investment and endowment income and increased patient medical services revenues. Taking into account a \$132.1 million cumulative effect of a change in accounting principle, Net Position increased \$240.7 million between FY 2015 and FY 2016 and was primarily driven by the implementation of GASB Statement No. 80 that added the Medical Alliance component unit into the University's reporting entity as well as increased patient medical services revenue and state capital appropriations.

As discussed in Note 1 to the financial statements, the University adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The FY 2015 information in this Management's Discussion and Analysis has not been restated for the adoption of GASB No. 80.

**UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**
June 30, 2017 and 2016 (unaudited)

The following charts compare Total Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, and Net Position at June 30, 2017, 2016 and 2015, and the major components of changes in Net Position for the years ended June 30, 2017, 2016, and 2015:



* Includes State Appropriations

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

CONDENSED STATEMENT OF NET POSITION

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

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

The following table summarizes the University's assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position at June 30, 2017, 2016, and 2015:

CONDENSED STATEMENTS OF NET POSITION			
(in thousands of dollars)			
As of June 30,	2017	2016	2015
Assets			
Current Assets	\$ 1,086,513	\$ 1,076,599	\$ 1,108,951
Noncurrent Assets			
Endowment and Other Long-Term Investments	3,436,352	3,135,882	2,936,609
Capital Assets, Net	3,412,410	3,364,972	3,198,011
Other	134,309	125,595	116,642
Deferred Outflows of Resources	137,888	292,836	97,615
Total Assets and Deferred Outflows of Resources	\$ 8,207,472	\$ 7,995,884	\$ 7,457,828
Liabilities			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 232,821	\$ 224,254	\$ 71,022
Long-Term Debt Subject to Remarketing Agreements	89,695	93,070	96,320
Other	703,688	742,773	725,367
Noncurrent Liabilities			
Long-Term Debt	1,386,017	1,405,916	1,527,661
Other	863,587	1,012,759	793,061
Deferred Inflows of Resources	44,857	32,052	-
Total Liabilities & Deferred Inflows of Resources	3,320,665	3,510,824	3,213,431
Net Position			
Net Investment in Capital Assets	1,728,982	1,692,629	1,613,846
Restricted -			
Nonexpendable	1,109,498	993,760	1,010,357
Expendable	522,861	494,963	490,839
Unrestricted	1,525,466	1,303,708	1,129,355
Total Net Position	4,886,807	4,485,060	4,244,397
Total Liabilities and Net Position	\$ 8,207,472	\$ 7,995,884	\$ 7,457,828

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total Assets and Deferred Outflows of Resources increased by \$211.6 million, or 2.6%, to \$8.2 billion as of June 30, 2017 compared to the prior year. The increase during FY 2017 was driven primarily by a \$300.5 million increase in **Endowment and Long-Term Investments** and a \$154.9 million decrease in **Deferred Outflows of Resources**. The FY 2016 increase was driven by a \$199.3 million increase in **Endowment and Other Long-Term Investments** and a \$195.2 million increase in **Deferred Outflows of Resources**. At the same time, the University continued to expand **Capital Assets** to meet housing, educational, and patient care needs. At June 30, 2017, the University's

working capital, which is current assets less current liabilities, was \$60.3 million, an increase of \$43.8 million from the previous year. The largest driver of the increase was a \$48.8 million decrease in **Investments Settlements Payable**. At June 30, 2016, the University's working capital was \$16.5 million, a decrease of \$199.7 million over FY 2015 largely due to an increase in **Commercial Paper**. As a measurement of actual liquidity, working capital is adversely impacted by the inclusion, per accounting guidelines, of Long-Term Debt Subject to Remarketing. If Long-Term Debt Subject to Remarketing were excluded from Current Liabilities, working capital would be \$150.0 million and \$109.6 million at June 30, 2017 and 2016, respectively, also expressed as Current Assets of 1.16 and 1.11 times Current Liabilities.

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

SUMMARY OF WORKING CAPITAL (in thousands of dollars)			
As of June 30,	2017	2016	2015
Current Assets	\$ 1,086,513	\$ 1,076,599	\$ 1,108,951
Current Liabilities	1,026,204	1,060,097	892,709
Working Capital	\$ 60,309	\$ 16,502	\$ 216,242
Ratio of Current Assets to Current Liabilities	1.06	1.02	1.24
Current Assets	1,086,513	1,076,599	1,108,951
Current Liabilities	1,026,204	1,060,097	892,709
Less: Long-Term Debt Subject to Remarketing	(89,695)	(93,070)	(96,320)
Current Liabilities, As Adjusted	936,509	967,027	796,389
Working Capital, As Adjusted	\$ 150,004	\$ 109,572	\$ 312,562
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.16	1.11	1.39

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

At June 30, 2017, the University held \$399.8 million in **Cash and Cash Equivalents**, an increase of \$51.9 million from June 30, 2016. At June 30, 2016, the University held \$347.9 million in cash and cash equivalents, a decrease of \$87.3 million from June 30, 2015. The increase in cash at June 30, 2017 is largely due to timing differences as more working capital was invested at June 30, 2017 as compared to June 30, 2016. **Short-Term and Long-Term Investments** totaled \$3.6 billion and \$3.3 billion as of June 30, 2017 and 2016, respectively as compared to \$3.1 billion as of June 30, 2015.

Investment performance strengthened during FY 2017. Net realized and unrealized gains and losses increased by \$263.3 million, going from a net gain of \$22.7 million in FY 2016 to a net gain of \$286.0 million in FY 2017. The Endowment Pool and General Pool experienced a net gain of 13.7% and 4.5% in FY 2017. For comparison, the Endowment Pool and General Pool experienced a net gain (loss) of (0.2%) and (1.6%) in FY 2016, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2017 and 2016 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS							
(in thousands of dollars)							
	June 30, 2017					June 30, 2016	
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	\$ 206,950	\$ 1,807,866	\$ 2,014,816	4.5%	1.2%	\$ 2,068,566	1.6%
Endowment Funds							
Endowment Pool	128,387	1,414,920	1,543,307	13.7%	10.9%	1,364,410	-0.2%
Other	64,454	350,773	415,227	N/A	N/A	205,912	N/A
Total	\$ 399,791	\$ 3,573,559	\$ 3,973,350			\$ 3,638,888	

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

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017 and 2016 (unaudited)

At June 30, 2017, the University's investment in **Capital Assets** totaled \$3.4 billion compared to \$3.3 billion at June 30, 2016. The University added \$257.7 million in capital assets, net of retirements, during FY 2017, offset by

depreciation of \$210.2 million for the year. FY 2016 capital asset additions of \$285.7 million, net of retirements, were offset by \$201.7 million in depreciation.

Note 7 presents additional information by asset classification. Major capital projects either substantially completed in FY 2017 or ongoing are show in the following table.

SELECTED CAPITAL PROJECTS			
(Fiscal Year Ended June 30, 2017)			
Campus	Project Budget	Expenditures	
		Through June 30, 2017	Source of Funding
Columbia:			
Dobbs Group Replacement Project	\$ 139,603,000	\$ 57,071,000	Revenue Bonds, Campus Reserves
Medical Science Addition SOM Expansion	42,500,000	32,881,000	Revenue Bonds, Campus Reserves
Memorial Stadium South Expansion	96,700,000	664,000	Gifts, Revenue Bonds
East Campus Site Utility	30,000,000	1,358,000	Campus Reserves
Applied Learning Center	39,908,000	740,000	State Appropriations, Gifts
School of Music	24,000,000	541,000	Gifts
Stewart Hall Renovation	18,625,000	10,293,000	State Appropriations, Campus Reserves
Hospital:			
MO Orthopaedic Institute	39,027,000	36,259,000	Revenue Bonds, Reserves
Kansas City:			
Robert W. Plaster Free Enterprise Center	16,572,000	471,000	State Appropriations, Gifts, Campus Reserves
Spencer Chemistry Building	18,950,000	4,805,000	State Appropriations, Campus Reserves
Missouri S&T:			
Schrenk Hall Renovation Phase 2	14,710,000	8,765,000	State Appropriations, Campus Reserves
St. Louis:			
Benton Renovation	20,250,000	4,145,000	State Appropriations, Reserves

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Total Liabilities and Deferred Inflows of Resources were \$190.2 million lower at June 30, 2017 as compared to June 30, 2016. The decrease during FY 2017 was primarily driven by a \$135.9 million decrease in **Net Pension Liability** as well as a \$48.8 million decrease in **Investment Settlements Payable**. The decrease in **Net Pension Liability** was largely driven by differences in expected and actual earnings on investments within the Pension Trust Fund.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$89.7 million, \$93.1 million and \$96.3 million at June 30, 2017, 2016 and 2015, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032. Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability because the University is ultimately the sole source of

liquidity should the option to tender be exercised by the bondholder.

The University's Commercial Paper Program can issue up to an aggregate outstanding principal amount of \$375 million. During FY 2017, the University issued \$19.0 million of commercial paper for new building projects. During FY 2016, the University issued the \$108.7 million of commercial paper to refund Series 2006A System Facilities Revenue Bonds. In addition, \$37.3 million of commercial paper was issued for capital projects. During FY 2015, the University repaid \$45.0 million of commercial paper issued for working capital and issued an additional \$14.6 million for capital projects.

Noncurrent Liabilities represent those commitments beyond one year. During FY 2017, \$20.0 million in Health Facilities Revenue Bonds were used on behalf of Medical Alliance. During FY 2016, Series 2006A System Facilities

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

Revenue Bonds were refunded with the issuance of commercial paper. In FY 2015, the University issued \$150.0 million in Series 2014B Taxable System Facilities Revenue Bonds. Proceeds from the issuance of the 2014B bonds are being used to fund additions, improvements, and

renovations to system facilities. The all-in-true interest cost of the Series 2014B bonds is 4.3%.

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

LONG-TERM DEBT			
(in thousands of dollars)			
As of June 30,	2017	2016	2015
System Facilities Revenue Bonds	\$ 1,381,455	\$ 1,414,630	\$ 1,551,330
Health Facilities Revenue Bonds (Medical Alliance)	43,591	25,745	27,585
Unamortized Premium	49,101	55,698	65,604
Total Bonds Payable	1,474,147	1,496,073	1,644,519
Notes Payable	33,080	33,975	32,499
Capital Lease Obligations	2,488	3,454	4,347
Commercial Paper	196,203	187,183	41,223
Guaranteed Debt Outstanding	2,615	2,555	2,346
Total Long-Term Debt	\$ 1,708,533	\$ 1,723,240	\$ 1,724,934
Contractual Maturities Within One Year			
Bonds Payable - Fixed Rate	\$ 31,199	\$ 31,810	\$ 26,730
Bonds Payable - Variable Rate Demand	3,375	3,250	3,125
Notes Payable	964	956	894
Capital Lease Obligations	1,049	966	890
Commercial Paper	196,203	187,183	41,223
Guaranteed Debt Outstanding	31	89	152
Total Contractual Maturities Within One Year	\$ 232,821	\$ 224,254	\$ 73,014

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017 and 2016 (unaudited)

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

Revenue Bonds and Commercial Paper								
(in thousands of dollars)								
	June 30, 2017							
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Medical Alliance	Unallocated Bond Cost	Total
Athletics	\$ 88,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,766
Campus Utilities	141,564	8,092	-	29,063	-	-	-	178,719
Classroom & Research	81,564	24,712	43,399	14,490	-	-	-	164,165
Critical Repairs/Maintenance	16,281	6,941	4,284	4,814	-	-	-	32,320
Housing	316,386	99,679	18,380	82,053	-	-	-	516,498
Health Care	-	-	-	-	305,062	43,591	-	348,653
Parking	40,883	42,843	17,840	-	-	-	-	101,566
Recreational Facilities	36,011	6,784	34,680	814	-	-	-	78,289
Student Centers	25,886	37,996	14,822	9,021	-	-	-	87,725
Other	521	753	-	-	-	-	23,274	24,548
Unamortized Premium	-	-	-	-	-	-	49,101	49,101
Total	\$747,862	\$227,800	\$133,405	\$140,255	\$305,062	\$43,591	\$72,375	\$1,670,350

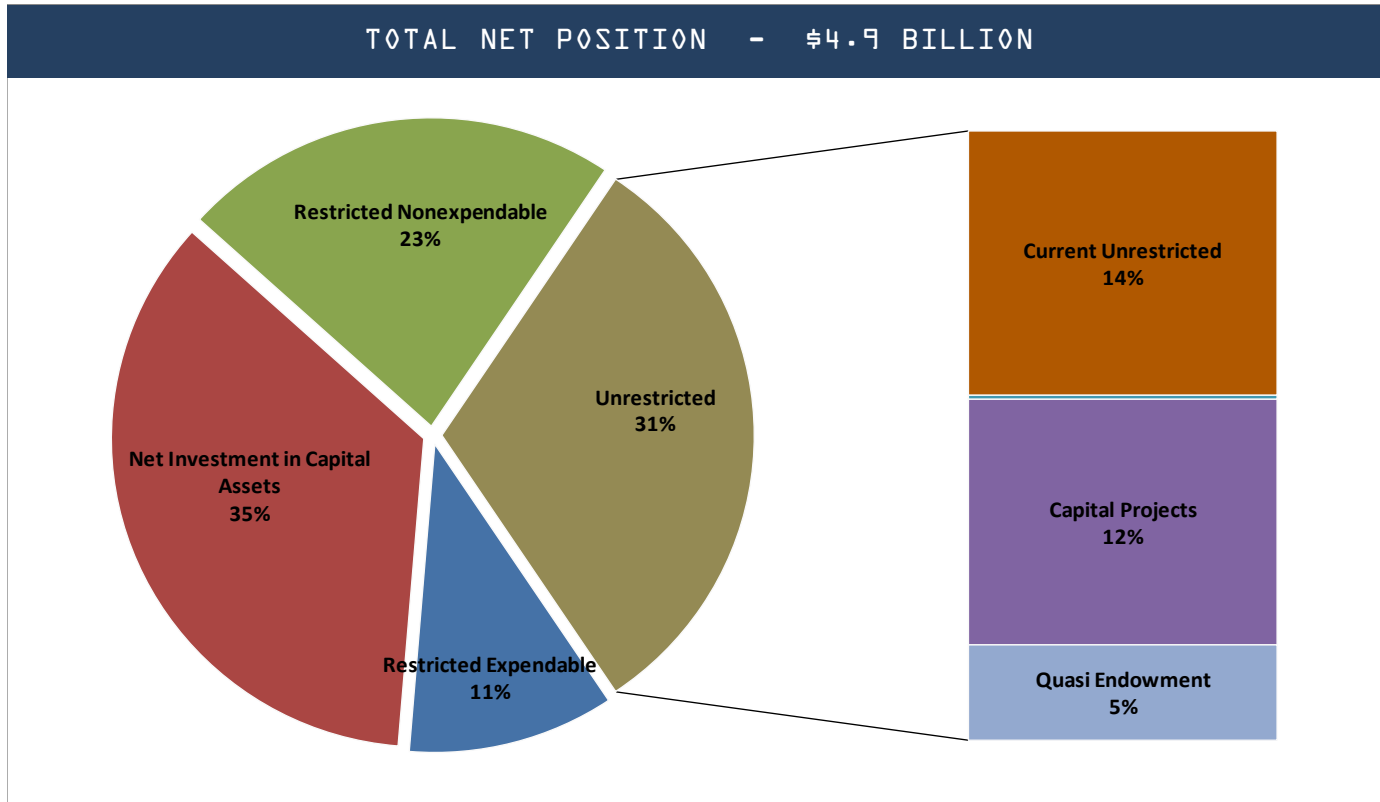
Deferred Inflows Resources represent an acquisition of net position by the University that is applicable to a future period. During FY 2017, the University recognized \$44.9 million of deferred inflows of resources representing the difference between actual and expected earnings on pension plan investments. Deferred inflows of resources recognized during FY 2016 was \$32.1 million.

NET POSITION

Net Position represents the value of the University's assets after liabilities are deducted. The University's total **Net Position** increased by \$240.7 million during the year ended June 30, 2016 to \$4.5 billion and increased by \$401.7 million to \$4.9 billion for the year ended June 30, 2017. The increase from FY 2015 to FY 2016 was partially due to the addition of the Medical Alliance and CSS to the financial statements of the University in the amount of \$132.1 million.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017 and 2016 (unaudited)

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2017, are as follows:



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

Net Investment in Capital Assets, represents the University's investment in capital assets, net of accumulated depreciation and outstanding debt related to acquisition, construction or improvement of those assets. This category increased by \$36.4 million in FY 2017 and increased by \$78.8 million in FY 2016. The increases in FY 2017 and FY 2016 were driven by additional capital funding from the State as well as the inclusion of the Medical Alliance.

Restricted Nonexpendable Net Position includes endowment assets that are subject to externally imposed stipulations for the principal to be maintained in perpetuity by the University. An increase in unrealized endowment investment income led to an increase in Restricted Nonexpendable Net Position during FY 2017, resulting in an increase of \$115.7 million or 11.6%. While unfavorable market experience led to a decline in Restricted

Nonexpendable Net Position during FY 2016, resulting in a decrease of 1.6% or \$16.6 million compared to FY 2015.

Restricted Expendable Net Position represents resources that are subject to externally imposed stipulations regarding their use, but are not required to be maintained in perpetuity. This category increased slightly during FY 2016 and increased \$27.9 million, or 5.6%, during FY 2017. As of June 30, 2017, this category includes:

- \$380.0 million of net position restricted for operations and giving purposes compared to \$356.2 million at June 30, 2016;
- \$85.1 million for student loan programs compared to \$84.5 million at June 30, 2016; and
- \$57.7 million for facilities compared to \$54.3 million at June 30, 2016.

UNIVERSITY OF MISSOURI SYSTEM
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Unrestricted Net Position is not subject to externally imposed stipulations, although these resources may be designated for specific purposes by the University's management or Board of Curators. This category increased by \$221.8 million or 17.0% to \$1.5 billion in FY 2017 and increased by \$174.4 million, or 15.4%, to \$1.3 billion at June 30, 2016. Maintaining adequate levels of unrestricted net position is one of several key factors that have enabled the University to maintain its Aa1 credit rating. As of June 30, 2017 and 2016, University Health Care designated funds

totaled \$152.7 million and \$52.7 million, respectively; capital project-designated funds totaled \$614.7 million and \$626.6 million, respectively; student loan program-designated funds totaled \$8.6 million and \$8.8 million, respectively; and unrestricted funds functioning as endowments totaled \$238.0 million and \$214.6 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$511.4 million and \$401.0 million at June 30, 2017 and 2016, respectively.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (in thousands of dollars)			
Fiscal Year Ended June 30,	2017	2016	2015
Operating Revenues			
Net Tuition and Fees	\$ 649,217	\$ 672,274	\$ 652,989
Grants and Contracts	289,875	280,172	280,019
Patient Medical Services, Net	1,323,006	1,205,084	944,161
Other Auxiliary Enterprises	447,473	444,758	433,437
Other Operating Revenues	90,172	100,069	91,923
Total Operating Revenues	2,799,743	2,702,357	2,402,529
Operating Expenses			
Salaries, Wages and Benefits	2,043,767	1,983,689	1,804,314
Supplies, Services and Other Operating Expenses	975,444	970,963	858,939
Other Operating Expenses	279,515	272,044	260,935
Total Operating Expenses	3,298,726	3,226,696	2,924,188
Operating Loss Before State Appropriations	(498,983)	(524,339)	(521,659)
State Appropriations	417,912	438,813	435,511
Loss after State Appropriations, before Nonoperating Revenues (Expenses)	(81,071)	(85,526)	(86,148)
Nonoperating Revenues (Expenses)			
Investment and Endowment Income, Net of Fees	286,025	22,696	38,187
Private Gifts	71,926	80,972	68,615
Interest Expense	(70,037)	(65,061)	(67,651)
Other Nonoperating Revenues, Net	79,656	80,840	101,443
Net Nonoperating Revenues (Expenses)	367,570	119,447	140,594
Income before Capital Contributions and Additions to Permanent Endowments	286,499	33,921	54,446
State Capital Appropriations	49,519	29,166	3,610
Capital Gifts and Grants	34,371	15,990	21,083
Private Gifts for Endowment Purposes	31,358	29,477	30,288
Increase in Net Position	401,747	108,554	109,427
Net Position, Beginning of Year	4,485,060	4,244,397	4,134,970
Cumulative Effect of a Change in Accounting Principle	-	132,109	-
Net Position, Beginning of Year, Restated	4,485,060	4,376,506	4,134,970
Net Position, End of Year	\$ 4,886,807	\$ 4,485,060	\$ 4,244,397

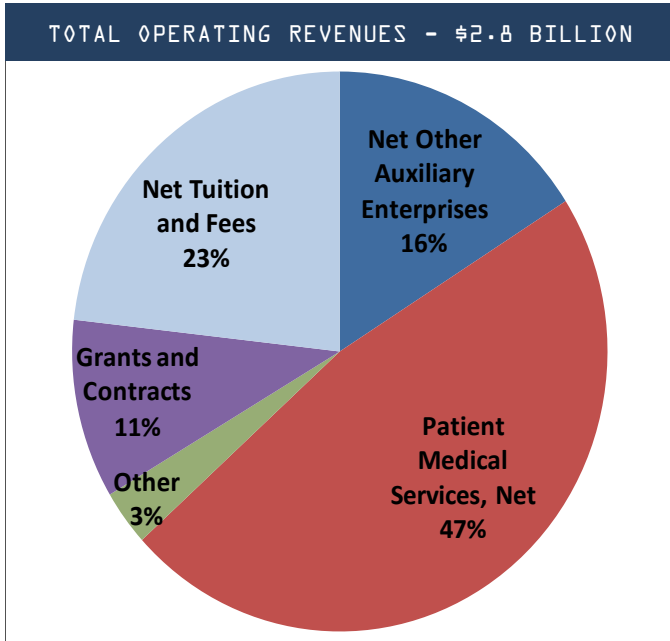
OPERATING REVENUES

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

\$97.4 million, or 3.6% in FY 2017 and \$299.8 million, or 12.5%, in FY 2016 primarily due to the inclusion of the Medical Alliance in the University's financial statements.

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Patient Medical Services had the greatest growth over FY 2017, continuing the trend from the previous year. **Net Tuition and Fees** decreased in FY 2017 and increased in FY 2016 compared to the previous year. The following is a graphic illustration of operating revenues by source for FY 2017:



Tuition and Fees, net of **Scholarship Allowances**, decreased by \$23.1 million, or 3.4%, in FY 2017 and increased \$19.3 million, or 3.0% in FY 2016 over a total of \$653.0 million in FY 2015. The decrease in FY 2017 was driven by a decrease in student enrollment.

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 \$9.7 million, or 3.5%, in FY 2017 compared to an increase of \$153,000, or 0.1%, in FY 2016 over a total of \$280.0 million in FY 2015.

The University's auxiliary enterprises include University Health Care, Housing and Dining Services, campus Bookstores, and other such supplemental activities. Total operating revenues generated by these auxiliary enterprises increased by \$120.6 million, or 7.3% in FY 2017 and \$272.2 million, or 19.8% in FY 2016 over a total of \$1.4 billion in FY 2015. **Patient Medical Services**, which includes fees for services provided by University Health Care and the Medical Alliance, had the largest increase among auxiliaries

at \$117.9 million in FY 2017 and \$260.9 million in FY 2016. This was largely driven by growth in both inpatient and outpatient areas with increases in emergency room visits, discharges, surgeries, and clinic visits. Growth between FY 2015 and FY 2016 was primarily driven to the inclusion of the Medical Alliance in the University's reporting unit.

NONOPERATING REVENUES

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

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs decreased by \$20.9 million, or 4.8% in FY 2017 and increased \$3.3 million, or 0.8%, in FY 2016 over a total of \$435.5 million in FY 2015. During FY 2017, State Appropriations for higher education were reduced as part of the State issuing a balanced budget. For FY 2016, appropriations remained relatively flat due to less available appropriations for higher education.

As one of the more volatile sources of non-operating revenues, **Investment and Endowment Income** includes interest and dividend income as well as realized and unrealized gains and losses. Realized and unrealized market value gains, losses and other activity affecting **Investment and Endowment Income** resulted in a net gain of \$286.0 million in FY 2017 as compared to a net gain of \$22.7 million in FY 2016, a decrease of \$15.5 million from the year ended June 30, 2015. As of June 30, 2015, Investment and Endowment Income was \$38.2 million.

Gift income is reflected in three categories: **Private Gifts, Capital Gifts and Grants** (which are restricted for adding or improving capital assets) and **Private Gifts for Endowments** (which are restricted for establishing endowments). Private Gifts and Grants can fluctuate significantly from year to year due to the voluntary nature of donors' gifts. In FY 2017, the University received gifts totaling \$137.7 million, as compared to \$126.4 million and \$120.0 million for FY 2016 and FY 2015, respectively.

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Total interest incurred for the years ended June 30, 2017, 2016 and 2015 was \$72.5 million, \$74.4 million, and \$76.6 million, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30,

2017, 2016, and 2015, capitalization of interest earned on unspent bond proceeds totaled \$2.5 million, \$9.3 million, and \$8.9 million, respectively, resulting in net interest expense of \$70.0 million, \$65.1 million, and \$67.7 million, respectively.

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

INTEREST EXPENSE			
(in thousands of dollars)			
Fiscal Year Ended June 30,	2017	2016	2015
System Facilities Revenue Bonds	\$ 62,778	\$ 65,128	\$ 68,117
Health Facilities Revenue Bonds	1,264	843	-
Net Payment on Interest Rate Swaps	6,112	6,958	7,157
Total Revenue Bonds	70,154	72,929	75,274
Capitalized Lease Obligations	756	832	822
Notes Payable	494	471	471
Commercial Paper	1,098	134	28
Total Interest Expense Before Capitalization of Interest	72,502	74,366	76,595
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(2,465)	(9,305)	(8,944)
Total Interest Expense	\$ 70,037	\$ 65,061	\$ 67,651

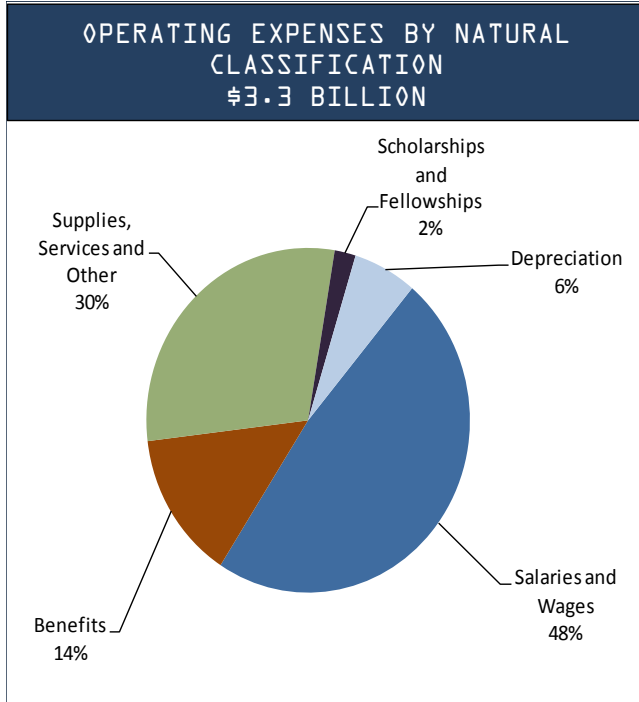
In FY 2017, **Other Nonoperating Revenues, Net** of \$79.7 million decreased \$1.2 million over FY 2016. During FY 2016, Other Nonoperating Revenues decreased by \$20.6 million primarily due to a one-time recovery related to a patent infringement lawsuit in FY 2015.

In FY 2016 and FY 2017, Federal Appropriations include cash subsidy payments from the United States Treasury totaling \$9.7 million in each fiscal year for designated Build America Bonds outstanding. Pell Grants fell by \$4.4 million in FY 2017 due to a drop in enrollment.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2017 and 2016 (unaudited)

OPERATING EXPENSES

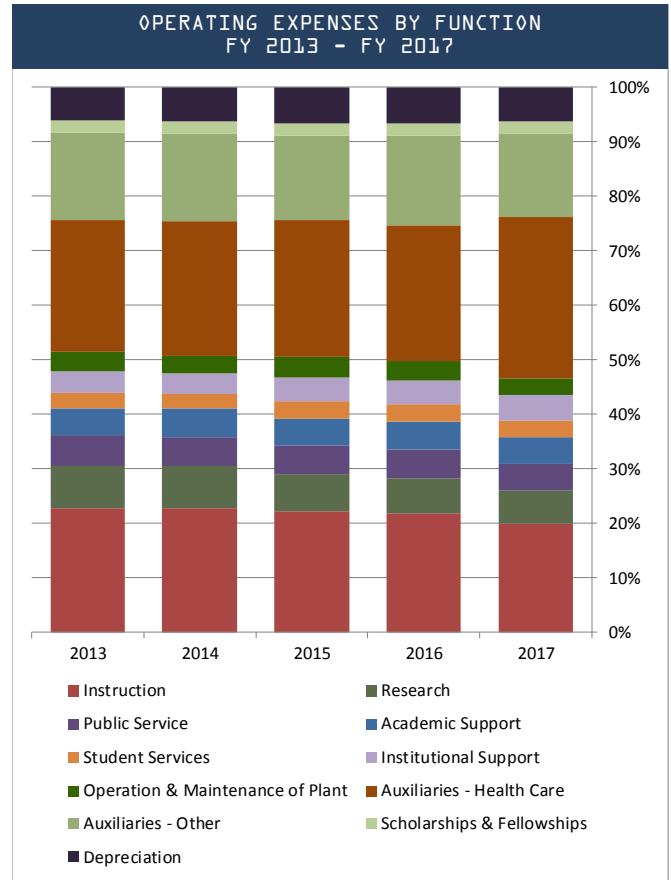
Total Operating Expenses increased by \$72.0 million, or 2.2%, in FY 2017 compared to an increase of \$302.5 million, or 10.3%, in FY 2016. The increase in total operating expenses in FY 2016 was primarily due to the inclusion of the Medical Alliance in the University's financial statements. The following graph illustrates the University's operating expenses by natural classification for FY 2017:



During FY 2017, **Salaries, Wages and Benefits** increased by approximately 3.0% as compared to a 9.9% increase in the prior fiscal year. Salaries and Wages increased by \$60.7 million, or 4.0%, driven primarily by clinical compensation and merit increases. Staff Benefits remained relatively flat in FY 2017 over FY 2016 primarily due to investment performance greater than expectation on the pension plan.

In FY 2017 and FY 2016, the University's **Supplies, Services, and Other Operating** expenses of \$975.4 million and \$971.0 million increased by \$4.4 million, or 0.5%, and \$112.0 million, or 13.0%, respectively, over the prior fiscal year. The slower growth in FY 2017 was due to cost containment measures.

The following illustrates the University's operating expenses by function for FY 2012 through FY 2017:



University Health Care, included in auxiliary, constitutes the highest proportion of Operating Expenses at 31.3% and 29.7% of expenses for FY 2017 and FY 2016, respectively. The core missions of instruction, research, and public service account for the next largest proportion of Operating Expenses at 30.4% and 30.9% for FY 2017 and FY 2016, respectively. Excluding University Health Care, instruction, research, scholarships, and public service account for 44.2% of Operating Expenses for FY 2017. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

UNIVERSITY OF MISSOURI SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016 (unaudited)

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, 2017, 2016 and 2015:

CONDENSED STATEMENTS OF CASH FLOWS (in thousands of dollars)			
Fiscal Year Ended June 30,	2017	2016	2015
Net Cash Used in Operating Activities	\$ (256,965)	\$ (312,794)	\$ (303,355)
Net Cash Provided from Noncapital Financing Activities	587,729	638,318	652,461
Net Cash Used in Capital and Related Financing Activities	(254,801)	(312,755)	(229,324)
Net Cash Provided by (Used) in Investing Activities	(24,024)	(100,114)	118,197
Net Increase (Decrease) in Cash and Cash Equivalents	51,939	(87,345)	237,979
Cash and Cash Equivalents, Beginning of Year	347,852	435,197	146,935
Cash and Cash Equivalents, End of Year	\$ 399,791	\$ 347,852	\$ 384,914

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 2017, cash used in operating activities decreased by \$55.8 million primarily due to an increase in patient services revenues which was partially offset by a decrease in tuition and fees revenues. In FY 2016, cash used in operating activities increased by \$9.4 million primarily due to increased payments to employees.

The University's most significant source of cash, **Net Cash Provided from Noncapital Financing Activities**, includes funding from State and Federal appropriations, Pell grants and noncapital private gifts. Cash from these sources totaling \$587.7 million, \$638.3 million, and \$652.5 million in FY 2017, FY 2016, and FY 2015, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital and Related Financing Activities decreased by \$58.0 million in FY 2017 due to a decrease in principal payments on capital debt. In FY 2016, Net Cash Used in Capital and Related Financing Activities increased by \$83.4 million due largely to increased principal payments on capital debt.

Net Cash Used in Investing Activities reflects a net outflow of \$24.0 million in FY 2017 as compared to a net outflow of \$100.1 million in FY 2016. The difference is largely driven

by increased interest and dividends on investments. The net inflow of \$118.2 million in FY 2015 is largely driven by the purchase and sale of investments by the University.

ECONOMIC OUTLOOK

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

The University remains a long-standing enterprise with high enrollment over the four campuses. The two past fiscal years represented unprecedented challenges during which students protested over the racial climate on the Columbia campus. The events resulted in a decline in enrollment by 4% in FY 2017 and FY 2016 across the University; comprised mostly of first-time entering freshman, which will create challenges over multiple years. New leadership is committed to taking action to help the University remain strong with a focus of student success, research, transparency and meaningful engagement.

State appropriations for operations decreased by 4.8% in FY 2017. Capital appropriations increased in FY 2017 for previously approved building projects. However, funding from the State operating budget will likely continue to decline and it is uncertain whether the University will continue to receive capital funding after the completion of

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June 30, 2017 and 2016 (unaudited)

the projects currently underway. Significant increases in state general revenues will be necessary to sustain the level of funding received during FY 2017. Due to the constraints at the State level, it is expected that appropriations will decline by approximately 7% for FY 2018. The level of funding for higher education for FY 2019 and beyond is uncertain.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. Despite the challenges generated by declining state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources, system-wide cost containment measures and historically low borrowing costs. Leadership is committed to investing in strategic initiatives that align with the mission of the University as well as creating an environment that streamlines operations across the four campuses.

For FY 2016, University Health Care (MU Health Care) continues focus on advancing the health of all people, especially Missourians. For the future, MU Health Care remains dedicated to clinical growth and support of the academic mission of education and research.

MU Health Care continues to develop collaborative arrangements throughout Missouri in an effort to improve

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

Revenue reimbursement in health care is a changing environment. The University continues to monitor State and Federal health care programs and the corresponding legislation. MU Health Care leadership continually analyzes the effects of ongoing legislation on the health care delivery.

The University's financial position remains strong with diversified revenue streams that include higher education, research, gifts and health care, which provide flexibility in responding to financial challenges. The state economy, limited increases in tuition revenue, and declining state support will continue to pose budgetary challenges for the University in the future. The University is actively managing these budgetary challenges by working towards creating administrative efficiencies and focusing efforts towards reinvesting in the University in strategic initiatives for student success, research excellence, and meaningful outreach.

INDEPENDENT AUDITOR'S REPORT

The Board of Curators
University of Missouri System

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the University of Missouri System, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University of Missouri System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the University of Missouri System as of June 30, 2017 and 2016, and the respective changes in financial position and where applicable, cash flows, thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2017 the University of Missouri System adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units- an amendment of GASB Statement No.14*. Our opinions are not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The accompanying information in the introductory and statistical sections as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
October 12, 2017

UNIVERSITY OF MISSOURI SYSTEM

STATEMENTS OF NET POSITION

As of June 30, 2017 and 2016 (in thousands)

	2017	2016
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 241,516	\$ 216,149
Restricted Cash and Cash Equivalents	155,693	130,246
Short-Term Investments	118,958	128,932
Restricted Short-Term Investments	18,249	26,222
Investment of Cash Collateral	7,437	28,225
Accounts Receivable, Net	333,862	314,908
Pledges Receivable, Net	16,450	15,035
Investment Settlements Receivable	108,385	130,513
Notes Receivable, Net	9,016	8,659
Inventories	39,037	39,892
Prepaid Expenses and Other Current Assets	37,910	37,818
Total Current Assets	1,086,513	1,076,599
Noncurrent Assets		
Restricted Cash and Cash Equivalents	2,582	1,457
Pledges Receivable, Net	44,550	31,092
Notes Receivable, Net	69,494	76,380
Other Assets	13,687	12,685
Restricted Other Assets	3,996	3,981
Long-Term Investments	2,058,102	1,873,378
Restricted Long-Term Investments	1,378,250	1,262,504
Capital Assets, Net	3,412,410	3,364,972
Total Noncurrent Assets	6,983,071	6,626,449
Deferred Outflows of Resources	137,888	292,836
Total Assets and Deferred Outflows of Resources	\$ 8,207,472	\$ 7,995,884
Liabilities		
Current Liabilities		
Accounts Payable	\$ 152,812	\$ 144,640
Accrued Liabilities	175,466	168,100
Unearned Revenue	90,495	86,090
Funds Held for Others	89,440	78,895
Investment Settlements Payable	188,038	236,823
Collateral Held for Securities Lending	7,437	28,225
Commercial Paper and Current Portion of Long-Term Debt	232,821	224,254
Long-Term Debt Subject to Remarketing Agreements	89,695	93,070
Total Current Liabilities	1,026,204	1,060,097

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF NET POSITION
As of June 30, 2017 and 2016 (in thousands)

	2017	2016
Liabilities, Continued		
Noncurrent Liabilities		
Unearned Revenue	16,465	17,137
Long-Term Debt	1,386,017	1,405,916
Derivative Instrument Liability	38,116	55,332
Other Postemployment Benefits Liability	213,442	212,572
Net Pension Liability	522,264	658,186
Other Noncurrent Liabilities	73,300	69,532
Total Noncurrent Liabilities	2,249,604	2,418,675
Deferred Inflows of Resources	44,857	32,052
Total Liabilities and Deferred Inflows of Resources	3,320,665	3,510,824
Net Position		
Net Investment in Capital Assets	1,728,982	1,692,629
Restricted		
Nonexpendable -		
Endowment	1,109,498	993,760
Expendable -		
Scholarship, Research, Instruction and Other	379,993	356,156
Loans	85,145	84,509
Capital Projects	57,723	54,298
Unrestricted	1,525,466	1,303,708
Total Net Position	4,886,807	4,485,060
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,207,472	\$ 7,995,884

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
Operating Revenues		
Tuition and Fees (Net of Provision for Doubtful Accounts of \$17,343 in 2017 and \$17,330 in 2016)	\$ 868,784	\$ 898,906
Less Scholarship Allowances	219,567	226,632
Net Tuition and Fees	649,217	672,274
Federal Grants and Contracts	158,414	155,134
State and Local Grants and Contracts	60,934	57,690
Private Grants and Contracts	70,527	67,348
Sales and Services of Educational Activities	26,492	25,406
Auxiliary Enterprises -		
Patient Medical Services, Net	1,323,006	1,205,084
Housing and Dining Services (Net of Scholarship Allowance of \$1,288 in 2017 and \$1,273 in 2016)	106,468	115,351
Bookstores	47,598	54,590
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$10,651 in 2017 and \$10,936 in 2016)	293,407	274,817
Other Operating Revenues	63,680	74,663
Total Operating Revenues	2,799,743	2,702,357
Operating Expenses		
Salaries and Wages	1,583,221	1,522,480
Benefits	460,546	461,209
Supplies, Services and Other Operating Expenses	975,444	970,963
Scholarships and Fellowships	69,289	70,353
Depreciation	210,226	201,691
Total Operating Expenses	3,298,726	3,226,696
Operating Income (Loss) before State Appropriations	(498,983)	(524,339)
State Appropriations	417,912	438,813
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(81,071)	(85,526)
Nonoperating Revenues (Expenses)		
Federal Appropriations	27,128	27,041
Federal Pell Grants	52,875	57,313
Investment and Endowment Income, Net of Fees	286,025	22,696
Private Gifts	71,926	80,972
Interest Expense	(70,037)	(65,061)
Other Nonoperating Revenues (Expenses)	(347)	(3,514)
Net Nonoperating Revenues (Expenses)	367,570	119,447

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
Income before Capital Contributions, and Additions		
to Permanent Endowments	286,499	33,921
State Capital Appropriations	49,519	29,166
Capital Gifts and Grants	34,371	15,990
Private Gifts for Endowment Purposes	31,358	29,477
Increase in Net Position	401,747	108,554
Net Position, Beginning of Year	4,485,060	4,244,397
Cumulative Effect of Change in Accounting Principle	-	132,109
Net Position, Beginning of Year, Adjusted	4,485,060	4,376,506
Net Position, End of Year	\$ 4,886,807	\$ 4,485,060

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
Cash Flows from Operating Activities		
Tuition and Fees	\$ 656,800	\$ 679,883
Federal, State and Private Grants and Contracts	301,154	274,357
Sales and Services of Educational Activities and Other Auxiliaries	313,997	302,630
Patient Care Revenues	1,294,477	1,193,220
Student Housing Fees	106,560	115,896
Bookstore Collections	47,174	51,761
Payments to Suppliers	(956,168)	(962,795)
Payments to Employees	(1,574,513)	(1,572,662)
Payments for Benefits	(438,367)	(405,346)
Payments for Scholarships and Fellowships	(69,289)	(70,353)
Student Loans Issued	(10,333)	(7,350)
Student Loans Collected	9,472	10,044
Student Loan Interest and Fees	2,238	1,868
Other Receipts, Net	59,833	76,053
Net Cash Used in Operating Activities	(256,965)	(312,794)
Cash Flows from Noncapital Financing Activities		
State Educational Appropriations	417,912	438,813
Federal Appropriations and Pell Grants	80,111	84,799
Private Gifts	57,053	86,648
Endowment and Similar Funds Gifts	31,358	29,477
Direct Lending Receipts	293,050	305,231
Direct Lending Disbursements	(293,050)	(305,231)
PLUS Loan Receipts	96,056	92,612
PLUS Loan Disbursements	(96,056)	(92,612)
Other Receipts, Net	(942)	(1,499)
Deposits (Receipts) of Affiliates	2,237	80
Net Cash Provided by Noncapital Financing Activities	587,729	638,318
Cash Flows from Capital and Related Financing Activities		
Capital Gifts and Grants	33,622	15,990
Proceeds from Sales of Capital Assets	3,199	4,161
Purchase of Capital Assets	(252,599)	(283,259)
Proceeds from Issuance of Capital Debt, Net	39,061	148,328
Principal Payments on Capital Debt	(46,265)	(139,651)
Payments on Capital Lease	(966)	(890)
Payments of Bond Issuance Costs	(503)	-
Interest Payments on Capital Debt	(76,248)	(78,985)
State Capital Appropriations	45,898	21,551
Net Cash Used in Capital and Related Financing Activities	(254,801)	(312,755)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	63,326	5,597
Proceeds from (Purchases) of Investments, Net of Sales and Maturities	(87,350)	(105,711)
Other Investing Activities	-	-
Net Cash Used in Investing Activities	(24,024)	(100,114)
Net Increase (Decrease) in Cash and Cash Equivalents	51,939	(87,345)
Cash and Cash Equivalents, Beginning of Year	347,852	435,197
Cash and Cash Equivalents, End of Year	\$ 399,791	\$ 347,852
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (498,983)	\$ (524,339)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	210,226	201,691
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(15,441)	(12,174)
Inventory, Prepaid Expenses and Other Assets	(254)	(7,602)
Notes Receivable	(168)	3,600
Deferred Outflows of Resources	144,426	(196,328)
Accounts Payable	10,414	(32,455)
Accrued Liabilities	12,199	25,744
Unearned Revenue	3,733	(446)
Pension Liability	(135,922)	197,463
Deferred Inflows of Resources	12,805	32,052
Net Cash Used in Operating Activities	\$ (256,965)	\$ (312,794)
Supplemental Disclosure of Noncash Activities		
Net Increase (Decrease) in Fair Value of Investments	\$ 156,489	\$ (59,142)
Noncash Gifts	14,130	17,135

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
As of June 30, 2017 and 2016 (in thousands)

	2017	2016
Assets		
Cash and Cash Equivalents	\$ 339,503	\$ 233,637
Investment of Cash Collateral	161,264	98,660
Investment Settlements Receivable	56,048	85,169
Accounts Receivable, Net	30	-
Investments:		
Debt Securities	526,083	594,844
Equity Securities	219,663	175,639
Commingled Funds	1,868,339	1,739,433
Nonmarketable Alternative Investments	583,666	490,628
Total Assets	3,754,596	3,418,010
Liabilities		
Accounts Payable and Accrued Liabilities	1,114	-
Collateral Held for Securities Lending	161,264	98,660
Investment Settlements Payable	70,149	63,579
Total Liabilities	232,527	162,239
Net Position Restricted for Retirement and OPEB	\$ 3,522,069	\$ 3,255,771

UNIVERSITY OF MISSOURI SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2017 and 2016 (in thousands)

	2017	2016
Additions		
Investment Income:		
Interest & Dividend Income	\$ 65,994	\$ 38,995
Net Appreciation (Depreciation) in Fair Value of Investments	319,283	(18,616)
Less investment expense	(16,858)	(10,334)
Net Investment Income (Loss)	368,419	10,045
Contributions:		
University	118,025	125,661
Members	29,968	31,820
Total Contributions	147,993	157,481
Total Additions	516,412	167,526
Deductions		
Administrative Expenses	3,207	4,301
Payments to Retirees and Beneficiaries	246,907	245,128
Total Deductions	250,114	249,429
(Decrease) Increase in Net Position Restricted for Retirement and OPEB	266,298	(81,903)
Net Position Restricted for Retirement and OPEB, Beginning of Year	3,255,771	3,337,674
Net Position Restricted for Retirement and OPEB, End of Year	\$ 3,522,069	\$ 3,255,771

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNIVERSITY OF MISSOURI SYSTEM

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

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

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

The University of Missouri-Columbia Medical Alliance (the “Medical Alliance”) is considered a component unit of the University according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is presented as a blended component unit in the University’s financial statements in accordance to GASB Statement No. 80, *Blending Requirements for Certain Component Units*.

The Medical Alliance is a not-for-profit corporation in which the University is the sole member. The Medical Alliance, provides an integrated health care delivery system for mid-

Missouri by establishing affiliations with various medical facilities. The purpose of the Medical Alliance is to develop a network of health care providers to support the missions of MU Health Care and provide medical services to the community. The Capital Region Medical Center (“CRMC”) in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit corporation that follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”), is a subsidiary of the Medical Alliance. The University is not liable for the debts of CRMC but does appoint the Board of Directors of the Medical Alliance and can impose its will on the organization. Separately audited financial statements for the Medical Alliance are not available. Combining financial statements for these funds are presented in Note 15.

Columbia Surgical Services (CSS), is considered a component unit of the University according to the criteria in GASB No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is presented as a blended component unit in the University’s financial statements in accordance to GASB Statement No. 80, *Blending Requirements for Certain Component Units*. CSS is a not-for-profit corporation in which the University is the sole member. CSS provides general surgery and surgical sub-specialties with the purpose to promote clinical integration of medical services with MU Health Care and the community. CSS follows generally accepted accounting principles under the Financial Accounting Standards Board (“FASB”). The University appoints the Board of Directors of CSS and can impose its will on the organization. Separately audited financial statements for CSS are not available. Combining financial statements for these funds are presented in Note 15.

Columbia Family Medical Services (CFMS) began operations in fiscal year 2017 and is considered a component unit of the University according to the criteria in GASB No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is presented as a blended component unit in the University’s financial statements in accordance to GASB Statement No. 80, *Blending Requirements for Certain Component Units*. CFMS is a not-for-profit corporation in which the University is the sole member. CFMS provides family and community medical services with the purpose to improve patient access and quality. CFMS is a public benefit corporation formed with the Curators of the University of Missouri as the sole member. CFMS follows generally accepted

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

accounting principles under the Financial Accounting Standards Board (“FASB”). The University appoints the Board of Directors of CFMS and can impose its will on the organization. Separately audited financial statements for CFMS are not available. Combining financial statements are presented in Note 15.

The Missouri Renewable Energy Corporation (MREC) is considered a component unit of the University, for financial reporting purposes, according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is included in the University’s financial statements using the blended method. MREC is a for-profit corporation, and the University holds the majority equity interest. MREC provides green energy facilities exclusively to the University. At June 30, 2017, the University was the majority owner of MREC. Financial statements for MREC are available at the University of Missouri System Controller’s Office. Combining financial statements are presented in Note 15.

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

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

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

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

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 17.

Cash, Cash Equivalents and Investments – Cash and cash equivalents consist of the University’s bank deposits, repurchase agreements, money market funds, and other investments with original maturities of three months or less. Investment assets are carried at fair value based primarily on market quotations. Purchases and sales of investments are accounted for on the trade date basis. Investment settlements receivable and investment settlements payable represent investment transactions occurring on or before June 30, which settle after that date. Investment income is recorded on the accrual basis. Net unrealized gains (losses) are included in investment and endowment income in the Statement of Revenues, Expenses and Changes in Net Position.

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

Derivative instruments such as forward foreign currency contracts are recorded at fair value. The University enters into forward foreign currency contracts to reduce the foreign exchange rate exposure of its international investments. These contracts are marked to market, with the changes in market value being reported in investment

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

and endowment income on the Statement of Revenues, Expenses, and Changes in Net Position.

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of \$10,536,000 and \$7,639,000 as of June 30, 2017 and 2016, respectively, has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

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

Capital Assets – If purchased, these assets are carried at cost or, if donated, at fair value at the date of gift. The University capitalizes assets with useful lives greater than one year and acquisition cost greater than or equal to \$5,000. Depreciation expense is computed using the straight-line method over the assets' estimated useful lives – generally ten to forty years for buildings and improvements, eight to twenty-five years for infrastructure, three to fifteen years for equipment and twenty years for library materials. American Hospital Association useful life guidelines are followed for capital assets that are medical in nature. 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. 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 Outflows of Resources – The University reports increases in net position that relate to future periods as deferred outflows of resources in a separate section of the Statements of Net Position.

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

Compensated Absences – Compensated absences include accumulated unpaid vacation and compensatory time accrued as well as related employer payroll taxes. An expense and related liability are recognized as vacation and compensatory benefits are earned. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized.

Deferred Inflows of Resources – The University reports decreases in net position that relate to future periods as deferred inflows of resources in a separate section of the Statements of Net Position.

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

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

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

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

Restricted Nonexpendable net position is subject to externally imposed stipulations that the principal be maintained in perpetuity, such as the University’s permanent endowment funds. The University’s policy permits any realized and unrealized appreciation to remain with these endowments after the spending distribution discussed in Note 3.

Restricted Expendable net position is subject to externally imposed stipulations on the University’s use of the resources.

Unrestricted net position is not subject to externally imposed stipulations, but may be designated for specific purposes by the University’s management or the Board of Curators. Unrestricted net position is derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such sources, and are used for academics and the general operation of the University. When both restricted and unrestricted resources are available for expenditure, the University’s policy is to first apply restricted resources, and then the unrestricted resources. Medical Alliance, CSS, and CFMS, as not-for-profit organizations, record net position in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. For presentation within the accompanying basic financial statements, the net position is redistributed amongst the net position components defined by GASB Statement No. 63.

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

Patient Medical Services, Net – Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Women’s and Children’s Hospital, University Physicians, and the

Medical Alliance. The University has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Net patient service revenue is also shown net of estimated uncollectible accounts. Amounts receivable under Medicare and Tricare/Champus reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient services revenues by \$5,148,000 for the year ended June 30, 2017 and decreased net patient services by \$6,465,000 for the year ended June 30, 2016.

The Medicaid program reimburses inpatient services on a prospective established per diem rate. The Medicaid program reimburses outpatient services under a combination of prospective and fee schedule amounts. For the years ended June 30, 2017 and 2016, the MU Health Care’s percentage of gross patient accounts receivable classified by major payor is as follows:

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

	2017	2016
Medicare	29%	28%
Commercial Insurance	13%	12%
Medicaid	19%	21%
Self Pay & Other	14%	15%
Managed Care Agreements	25%	24%
	100%	100%

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

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

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

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

	2017	2016
Patient Medical Services		
Revenue, Gross	\$ 2,989,918	\$ 2,696,720
Deductions for Contractuals	(1,600,099)	(1,438,908)
Deductions for Bad Debt	(66,813)	(52,728)
Patient Medical Services		
Revenue, Net	\$ 1,323,006	\$ 1,205,084

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

The estimated costs of providing these services are as follows:

Table 1.3 - Uncompensated Care Revenue (in thousands)

	2017	2016
Cost of Charity Care	\$ 33,480	\$ 33,565
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	(6,241)	-
Cost of uncollectible accounts	29,365	25,270
Total Uncompensated Care	\$ 56,604	\$ 58,835

New Accounting Pronouncements – Effective for fiscal year 2017, the University adopted GASB Statement No. 77, *Tax Abatement Disclosures*, which intends to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. Adoption of this statement had no effect on the University’s financial statements.

Effective for fiscal year 2017, the University adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which amends the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The scope was amended

to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that is not a state or local government pension plan. Adoption of this statement had no effect on the University’s financial statements.

Effective for fiscal year 2017, the University adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which intends to improve financial reporting by establishing an additional blending requirement for component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. Adoption of GASB Statement No. 80 resulted in the blended presentation in the financial statements and note disclosures of the University for the Medical Alliance, CSS, and CFMS. Medical Alliance and CSS had previously been reported as discretely presented component units while CFMS began operations in fiscal year 2017 and thus represents a change in reporting entity. The fiscal year 2016 financial statements have been restated to reflect the adoption of GASB Statement No. 80. The cumulative effect of the change in accounting principle resulted in an increase in beginning net position at July 1, 2015 of \$132,109,000.

Effective for fiscal year 2017, the University adopted GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues with regard to current GASB standards on pensions. Adoption of this statement had no effect on the University’s financial statements.

In June 2015, GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which intends to improve financial reporting by state and local governmental postemployment benefit plans other than pension plans. Also, in June 2015, GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which intends to improve financial reporting by requiring recognition of the entire Other Postemployment Benefits (OPEB) liability and a more comprehensive measure of OPEB expense. GASB Statement No. 74 was adopted during fiscal year 2017 resulting in additional note disclosures and required supplementary information regarding Net Postemployment Benefits Liability. The adoption of Statement No. 75 will require the University to record a Net Postemployment Benefits Liability on its Statements of Net Position. The University has determined adoption will have a significant impact on its financial

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

statements and will reduce unrestricted net position when implemented during the year ending June 30, 2018.

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

In November 2016, GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining recognition of a liability and corresponding deferred outflows of resources for legally enforceable liabilities associated with the retirement of certain intangible capital assets. The University will adopt this statement in fiscal year 2019 and has determined that additional liabilities and deferred outflows of resources would be recognized for capital assets such as x-ray machines, imaging machines, and research reactors.

In January 2017, GASB issued GASB Statement No. 84, *Fiduciary Activities*, which intends to enhance consistency and comparability on how fiduciary activities are reported. The University has not yet determined the effect of implementing GASB Statement No. 84 will have on its financial statements.

In March 2017, GASB issued GASB Statement No. 85, *Omnibus 2017*, which intends to enhance consistency in the application of certain accounting and financial reporting requirements. The University has not yet determined the effect of implementing GASB Statement No. 85 will have on its financial statements.

In May 2017, GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which intends to improve the consistency in accounting and reporting for in-substance defeasance of debt. The University has not yet determined the effect of implementing GASB Statement No. 86 will have on its financial statements.

In June 2017, GASB issued GASB Statement No. 86, *Leases*, which requires recognition of certain lease assets and liabilities that were previously classified as operating leases. The University has not yet determined the effect of implementing GASB Statement No. 87 will have on its financial statements.

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

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

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

Effective for fiscal year 2016, the University adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which intends to enhance comparability of financial statements by establishing specific criteria to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Adoption of GASB Statement No. 79 had no effect on the University's financial statements.

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

UNIVERSITY OF MISSOURI SYSTEM
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2017 and 2016

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

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the State of Missouri; bonds of any city, county, school district or special road district of the State of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2017 and 2016, respectively.

3. INVESTMENTS

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

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

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

sectors: fixed income, absolute return and risk parity strategies. The General Pool's total return, including unrealized gains and losses, was 4.5% and 1.6% for the years ended June 30, 2017 and 2016, respectively.

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

The Endowment Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Endowment Pool is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-linked bonds, emerging markets debt, and risk parity strategies. The Endowment Pool's total return (loss), including unrealized gains and losses, was 13.7% and (0.2%) for the years ended June 30, 2017 and 2016, respectively.

If a donor has not provided specific restrictions, state law permits the Board to appropriate an amount of the Endowment Funds' net appreciation, realized and unrealized, as the Board considers to be prudent. In establishing this amount, the Board is required to consider the University's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends, and general economic conditions. Further, any expenditure of net appreciation is required to be for the purposes for which the endowment was established. Inclusive of both realized and unrealized gains and losses on investments, donor-restricted endowments experienced net appreciation (depreciation) of approximately \$161,596,000 and (\$9,211,000) in fiscal years 2017 and 2016, respectively.

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

However, the change from 5% to 4.5% is being phased in over several years to ensure a decrease in distributions year over year is not due solely to the lower rate. In addition,

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the University distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

PENSION TRUST FUNDS

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-like bonds,

emerging markets debt and risk parity strategies. The Retirement Trust's total return, including unrealized gains and losses, was 11.0% and 0.3% for the years ended June 30, 2017 and 2016, respectively. The Retirement Trust held \$3,485,925,000 and \$3,220,626,000 of net position at June 30, 2017 and 2016, respectively.

The OPEB Trust held \$36,144,000 and \$35,145,000 of net position at June 30, 2017 and 2016, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed OPEB Trust is allowed to invest in the following asset sectors: global fixed income, global equity, and absolute return strategies.

Table 3.1 - Investments by Type (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2017	2016	2017	2016
Debt Securities:				
U.S. Treasury Obligations	\$ 565,799	\$ 468,329	\$ 160,195	\$ 242,268
U.S. Agency Obligations	174,157	232,177	-	-
Asset-Backed Securities	539,732	538,496	144,646	136,280
Government - Foreign	16,087	41,093	2,570	16,828
Corporate - Domestic	187,383	162,644	178,357	157,599
Corporate - Foreign	92,833	94,217	40,315	41,869
Equity Securities:				
Domestic	36,814	29,893	72,317	54,941
Foreign	50,361	43,829	147,346	120,698
Commingled Funds:				
Absolute Return	223,447	160,032	519,558	440,220
Risk Parity	643,202	583,859	324,089	306,006
Debt Securities - Global	1,834	26,918	86,700	102,835
Debt Securities - Domestic	179,047	75,872	37,191	66,772
Debt Securities - Foreign	67,148	65,089	200,702	184,014
Equity Securities - Domestic	87,257	171,764	1,067	68,526
Equity Securities - Foreign	47,806	67,380	80,600	67,032
Equity Securities - Global	281,680	233,848	564,930	453,665
Real Estate	28,574	26,225	53,502	50,363
Nonmarketable Alternative Investments:				
Real Estate	107,614	86,551	192,881	172,907
Private Equity	204,094	147,345	390,785	317,721
Other	38,690	35,475	-	-
Total Investments	3,573,559	3,291,036	3,197,751	3,000,544
Money Market Funds	207,236	233,684	168,129	158,940
Other	192,555	114,168	171,374	74,697
Total Cash and Cash Equivalents	399,791	347,852	339,503	233,637
Total Investments and Cash and Cash Equivalents	\$ 3,973,350	\$ 3,638,888	\$ 3,537,254	\$ 3,234,181

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

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

As of June 30, 2017 and 2016, of the University's total investments and cash and cash equivalents, 14.0% and 13.0%, respectively, are issues of U.S. Treasury Notes and 8.0% are issues of the Federal Home Loan Bank (FHLB) in the year ended June 30, 2016. At June 30, 2017 and 2016 the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

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

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

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

All holdings of money market funds were rated AAA at June 30, 2017 and 2016.

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Based on investment ratings provided by Moody's or S&P, the University's and Pension Trust Funds' credit risk exposure as of June 30, 2017 and 2016, is as follows:

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

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2017	2016	2017	2016
U.S. Treasury Obligations	\$ 565,799	\$ 468,329	\$ 160,195	\$ 242,268
U.S. Agency Obligations	174,157	232,177	-	-
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies				
Aaa/AAA	127,544	197,668	52,180	70,715
Aa/AA	58,370	60,620	5,486	7,513
A/A	17,647	20,983	1,744	1,167
A/A	25,709	5,261	3,692	136
Baa/BBB	22,968	26,873	765	1,201
Ba/BB and lower	237,331	205,015	67,270	52,096
Unrated	50,163	22,076	13,509	3,452
Government - Foreign				
Aaa/AAA	-	1,123	-	-
Aa/AA	1,629	-	1,240	-
A/A	1,824	2,312	-	3,235
Baa/BBB	1,312	489	-	2,876
Ba/BB and lower	11,322	23,232	1,330	249
Unrated	-	13,937	-	10,468
Corporate - Domestic				
Aaa/AAA	1,070	1,128	-	349
Aa/AA	2,524	3,161	98	439
A/A	12,458	10,790	2,003	3,244
Baa/BBB	37,384	34,628	9,387	13,428
Ba/BB and lower	94,371	89,045	161,395	138,461
Unrated	39,576	23,892	5,474	1,678
Corporate - Foreign				
Aaa/AAA	-	6	-	307
Aa/AA	1,242	1,271	255	661
A/A	12,953	17,174	4,836	5,720
Baa/BBB	16,558	9,957	2,001	4,666
Ba/BB and lower	57,399	58,655	32,799	31,450
Unrated	4,681	7,154	424	(935)
Total	\$ 1,575,991	\$ 1,536,956	\$ 526,083	\$ 594,844

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. Debt securities with longer maturities are likely to be subject to more variability in their fair values as a result of future changes in interest rates. Neither the University nor the Pension Trust Funds have a formal policy that addresses interest rate risk; rather, such risk is managed by each individual investment manager, as

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

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Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2017 and 2016, respectively:

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

University of Missouri					
Duration (in years)					
As of June 30,	2017		2016		
U.S. Treasury Obligations	\$ 565,799	4.4	\$ 468,329	3.9	
U.S. Agency Obligations	174,157	3.1	232,177	1.6	
Asset-Backed Securities	539,732	2.1	538,496	5.2	
Government - Foreign	16,087	6.0	41,093	3.7	
Corporate - Domestic	187,383	3.3	162,644	3.3	
Corporate - Foreign	92,833	4.7	94,217	6.4	
Total Debt Securities	\$ 1,575,991	3.4	\$ 1,536,956	4.1	

University of Missouri Pension Trust					
Duration (in years)					
As of June 30,	2017		2016		
U.S. Treasury Obligations	\$ 160,195	7.9	\$ 242,268	5.1	
Asset-Backed Securities	144,646	4.1	136,280	4.9	
Government - Foreign	2,570	6.9	16,828	1.2	
Corporate - Domestic	178,357	2.9	157,599	4.9	
Corporate - Foreign	40,315	2.9	41,869	5.9	
Total Debt Securities	\$ 526,083	4.8	\$ 594,844	5.0	

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

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

At June 30, 2017 and 2016, 13.0% and 14.6%, 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 \$400,336,000 and \$466,690,000 were in place at June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, 30.1% 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 \$63,408,000 and \$89,116,000 were in place at June 30, 2017 and 2016, respectively.

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The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2017 and 2016:

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

As of June 30,	University of Missouri		University of Missouri Pension Trust Funds	
	2017	2016	2017	2016
Debt Securities				
Australian Dollar	\$ 596	\$ 4,913	\$ 732	\$ 764
Brazil Real	7,374	30,716	578	7,576
British Pound Sterling	42,589	21,469	2,472	2,814
Canadian Dollar	-	-	236	280
Danish Krone	6	7	-	-
Euro	25,791	48,979	3,284	9,089
Japanese Yen	181	(258)	-	(154)
Mexican Peso	947	1,350	-	2,180
Other	18	231	-	-
	77,502	107,407	7,302	22,549
Equity Securities				
Australian Dollar	779	1,324	4,654	5,048
Brazil Real	637	600	1,239	1,170
British Pound Sterling	5,861	5,585	19,470	18,069
Canadian Dollar	1,577	1,414	3,203	3,134
Danish Krone	1,877	1,085	4,245	2,553
Euro	7,645	4,926	30,278	21,028
Hong Kong Dollar	2,538	1,603	6,612	4,712
Japanese Yen	7,056	5,583	25,721	20,823
Norwegian Krone	622	869	1,410	1,823
South African Rand	2,962	2,012	6,035	4,112
South Korean Won	509	324	2,085	1,954
Swedish Krona	1,981	2,002	4,754	4,533
Swiss Franc	2,614	1,646	8,522	6,150
Other	319	428	1,801	1,696
	36,977	29,401	120,029	96,805
Commingled Funds				
Various currency denominations:				
Debt Securities - Global	1,834	26,918	86,700	102,835
Debt Securities - Foreign	67,148	65,089	200,702	184,014
Equity Securities - Global	281,680	233,848	564,930	453,665
Equity Securities - Foreign	47,806	67,380	80,600	67,032
	398,468	393,235	932,932	807,546
Cash and Cash Equivalents				
Australian Dollar	(167)	(2,714)	(10)	65
Euro	439	1,382	151	339
Japanese Yen	4,866	2,287	1,084	2,518
Mexican Peso	673	114	117	458
Other	(352)	1,251	2,248	1,576
	5,459	2,320	3,590	4,956
Total Exposure to Foreign Exchange Risk	\$ 518,406	\$ 532,363	\$ 1,063,853	\$ 931,856

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

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

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

For the University, at June 30, 2017 and 2016, there were a total of \$28,312,000 and \$30,186,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$7,437,000 and \$28,225,000 in cash and \$21,662,000 and \$2,705,000 noncash collateral at June 30, 2017 and 2016, respectively.

For the Pension Trust Funds, at June 30, 2017 and 2016, there was a total of \$157,810,000 and \$101,618,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$161,264,000 and \$98,660,000 in cash and \$20,773,000 and \$5,609,000 noncash collateral at June 30, 2017 and 2016, respectively.

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

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2017 and 2016, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.

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4. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

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

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At June 30, 2017, the University had the following recurring fair value measurements.

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

		University of Missouri											
		Fair Value Measurements Using				Fair Value Measurements Using							
		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	
As of June 30,	2017					2016							
Investments by fair value level													
Debt Securities:													
U.S. Treasury Obligations	\$ 565,799	\$ 565,799		-	-	\$ 468,329	\$ 468,329		-	-			
U.S. Agency Obligations	174,157			174,157		232,177			232,177				
Asset-Backed Securities	539,732			539,732		538,496			538,496				
Government	16,087			16,087		41,093			41,093				
Corporate	280,216			280,216		256,861			256,861				
Equity Securities:													
Domestic	36,814	36,814				29,893	29,893						
Foreign	50,361	50,361				43,829	43,829						
Commingled Funds:													
Debt Securities	22,811	22,811				55,309	55,309						
Equity Securities	21,878	21,878				28,061	28,061						
Real Estate	3,398	3,398				3,093	3,093						
Other	29,410			7,311	22,099	27,117			6,306	20,811			
Investments measured at the net asset value (NAV)													
Commingled Funds:													
Absolute Return	223,447					160,032							
Risk Parity	643,202					583,859							
Debt Securities	225,218					112,570							
Equity Securities	394,865					444,931							
Real Estate	25,176					23,132							
Nonmarketable Alternative Investments:													
Real Estate	107,614					86,551							
Private Equity	204,094					147,345							
Other	9,280					8,358							
Total investments by fair value level	3,573,559	701,061		1,017,503	22,099	3,291,036	628,514		1,074,933	20,811			
Interest Rate Swaps	(38,116)			(38,116)		(55,332)			(55,332)				
Total Investments and Financing													
Derivative Instruments	\$ 3,535,443	\$ 701,061		\$ 979,387	\$ 22,099	\$ 3,235,704	\$ 628,514		\$ 1,019,601	\$ 20,811			

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University of Missouri Pension Trust Funds

As of June 30,	Fair Value Measurements Using				Fair Value Measurements Using					
	2017	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2016	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level										
Debt Securities:										
U.S. Treasury Obligations	\$ 160,195	\$ 160,195	\$ -	\$ -	\$ 242,268	\$ 242,268	\$ -	\$ -	\$ -	\$ -
Asset-Backed Securities	144,646	-	144,646	-	136,280	-	136,280	-	-	-
Government	2,570	-	2,570	-	16,828	-	16,828	-	-	-
Corporate	218,672	-	218,672	-	199,468	-	199,468	-	-	-
Equity Securities:										
Domestic	72,317	72,317	-	-	54,941	54,941	-	-	-	-
Foreign	147,346	147,346	-	-	120,698	120,698	-	-	-	-
Commingled Funds:										
Debt Securities	-	-	-	-	18,110	18,110	-	-	-	-
Investments measured at the net asset value (NAV)										
Commingled Funds:										
Absolute Return	519,558	-	-	-	440,220	-	-	-	-	-
Risk Parity	324,089	-	-	-	306,006	-	-	-	-	-
Debt Securities	324,593	-	-	-	335,511	-	-	-	-	-
Equity Securities	646,597	-	-	-	589,223	-	-	-	-	-
Real Estate	53,502	-	-	-	50,363	-	-	-	-	-
Nonmarketable Alternative Investments:										
Real Estate	192,881	-	-	-	172,907	-	-	-	-	-
Private Equity	390,785	-	-	-	317,721	-	-	-	-	-
Total investments by fair value level	\$ 3,197,751	\$ 379,858	\$ 365,888	\$ -	\$ 3,000,544	\$ 436,017	\$ 352,576	\$ -	\$ -	\$ -

UNIVERSITY OF MISSOURI SYSTEM
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The following table presents investments as of June 30, 2017 that have been valued using the NAV as a practical expedient, classified by major investment category:

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

University of Missouri					
	Fair Value	Investment Strategy and Structure (1)	Unfunded Commitments	Fund Term (1)	Redemption Terms (1)
Commingled Funds (2):					
Absolute Return	\$ 223,447	Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1 -45 days notice
Risk Parity	643,202	An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1 - 90 days notice
Debt Securities	225,218	Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily and Monthly redemption with 1 -2 days notice
Equity Securities	394,865	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1 -15 days notice
Real Estate	25,176	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 1 -30 days notice
Nonmarketable Alternative Funds (3):					
Real Estate	107,614	Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.	107,235	10 -12 years	Not applicable - no redemption ability
Private Equity	204,094	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	124,130	10 -12 years	Not applicable - no redemption ability
Other	9,280	Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.	-	Open Ended	Not applicable - no redemption ability

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University of Missouri
Pension Trust Funds

	Fair Value	Investment Strategy and Structure (1)	Unfunded Commitments	Fund Term (1)	Redemption Terms (1)
Commingled Funds (2):					
Absolute Return	\$ 519,558	Broadly diversified, traditional hedge fund and risk premia exposures obtained through long/short positions across global liquid markets, structured to achieve minimal equity beta with a lower level of volatility relative to the rest of the portfolio.	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1 -45 days notice
Risk Parity	324,089	An asset allocation strategy which seeks to provide higher risk-adjusted returns by allocating risk, not capital, equally across a broadly diversified portfolio of global equities, global nominal bonds and inflation-sensitive assets.	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1 - 90 days notice
Debt Securities	324,593	Global fixed income exposures focused primarily on high yield, emerging markets debt and other unconstrained / opportunistic strategies.	-	Open Ended	Daily, Weekly, and Monthly redemption
Equity Securities	646,597	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1 -15 days notice
Real Estate	53,502	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 45 days notice
Nonmarketable Alternative Funds (3):					
Real Estate	192,881	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	191,886	10 -12 years	Not applicable - no redemption ability
Private Equity	390,785	Diversified portfolio of longer-term private market funds focused on leveraged buyouts, special situations and venture capital investments.	357,339	10 -12 years	Not applicable - no redemption ability

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

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

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

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The unfunded commitments as of June 30, 2017 totaled \$231,365,000 and \$549,225,000 for the University and the Pension Trust Funds, respectively. The unfunded commitments as of June 30, 2016 totaled \$213,242,000 and \$480,256,000 for the University and the Pension Trust Funds, respectively. There were no significant changes in the investment strategy, structure, and liquidity terms for the investments that were measured at NAV from June 30, 2016 to June 30, 2017.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2017 and 2016, are summarized as follows:

Table 5.1 - Accounts Receivable (*in thousands*)

	2017	2016
Grants and Contracts	\$ 52,939	\$ 64,626
Federal Appropriations	9,636	9,744
State Appropriations and State Bond Funds	13,658	10,037
Student Fees and Other Academic Charges	121,699	112,265
Patient Services, Net of Contractual Allowances	184,629	151,718
Subtotal	382,561	348,390
Less Provisions for Loss:		
Grants & Contracts	1,082	902
University Health Care Patient Services	30,274	15,249
Student Fees and Other Academic Charges	17,343	17,331
Subtotal	48,699	33,482
Total Accounts Receivable, Net	\$ 333,862	\$ 314,908

6. NOTES RECEIVABLE

Notes receivable generally consist of resources available for financial loans to students. These resources are provided through Federal loan programs and University loan programs generally funded by external sources. Notes receivable at June 30, 2017 and 2016, are summarized as follows:

Table 6.1 - Notes Receivable (*in thousands*)

	2017	2016
Federal Health Profession Loans	\$ 17,381	\$ 18,526
Carl D. Perkins National Loans	30,616	28,450
University Loan Programs	14,488	15,293
Other	20,982	27,679
Subtotal	83,467	89,948
Less Provisions for Loss	4,957	4,909
Total Notes Receivable, Net	\$ 78,510	\$ 85,039

UNIVERSITY OF MISSOURI SYSTEM
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For the Years Ended June 30, 2017 and 2016

7. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2017 and 2016, is summarized as follows:

Table 7.1 - Capital Assets (in thousands)

	2017			2017
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 93,543	\$ 839	\$ (19)	\$ 94,363
Artwork and Historical Artifacts	15,351	93	(8)	15,436
Construction in Progress	160,865	20,211	-	181,076
Total Capital Assets, Nondepreciable	269,759	21,143	(27)	290,875
Capital Assets, Depreciable:				
Buildings and Improvements	3,970,529	157,682	(4,825)	4,123,386
Infrastructure	568,556	13,326	(64)	581,818
Equipment	915,121	64,260	(35,711)	943,670
Library Materials	268,929	3,910	(10)	272,829
Total Capital Assets, Depreciable	5,723,135	239,178	(40,610)	5,921,703
Less Accumulated Depreciation:				
Buildings and Improvements	1,546,304	117,703	(3,627)	1,660,380
Infrastructure	213,824	22,556	(64)	236,316
Equipment	680,125	63,277	(34,289)	709,113
Library Materials	187,669	6,690	-	194,359
Total Accumulated Depreciation	2,627,922	210,226	(37,980)	2,800,168
Total Capital Assets, Depreciable, Net	3,095,213	28,952	(2,630)	3,121,535
Total Capital Assets, Net	\$ 3,364,972	\$ 50,095	\$ (2,657)	\$ 3,412,410
<hr/>				
	2016			2016
	Beginning	Additions/	Retirements	Ending
	Balance	Transfers		Balance
Capital Assets, Nondepreciable:				
Land	\$ 91,396	\$ 2,617	\$ (470)	\$ 93,543
Artwork and Historical Artifacts	14,813	538	-	15,351
Construction in Progress	184,435	(23,570)	-	160,865
Total Capital Assets, Nondepreciable	290,644	(20,415)	(470)	269,759
Capital Assets, Depreciable:				
Buildings and Improvements	3,761,614	228,740	(19,825)	3,970,529
Infrastructure	539,876	28,786	(106)	568,556
Equipment	893,161	54,732	(32,772)	915,121
Library Materials	267,240	1,689	-	268,929
Total Capital Assets, Depreciable	5,461,891	313,947	(52,703)	5,723,135
Less Accumulated Depreciation:				
Buildings and Improvements	1,449,013	110,229	(12,938)	1,546,304
Infrastructure	191,006	22,875	(57)	213,824
Equipment	647,704	64,760	(32,339)	680,125
Library Materials	183,842	3,827	-	187,669
Total Accumulated Depreciation	2,471,565	201,691	(45,334)	2,627,922
Total Capital Assets, Depreciable, Net	2,990,326	112,256	(7,369)	3,095,213
Total Capital Assets, Net	\$ 3,280,970	\$ 91,841	\$ (7,839)	\$ 3,364,972

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The estimated cost to complete construction in progress at June 30, 2017, is \$694,759,000 of which \$388,513,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$218,471,000 of gifts and \$87,775,000 of debt proceeds and state appropriations.

Capital assets include a building facility under a capital lease of \$10,364,000 and related accumulated depreciation of \$8,843,000 and \$8,167,000 at June 30, 2017 and 2016, respectively.

8. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2017 and 2016 are summarized as follows:

Table 8.1 - Accrued Liabilities (*in thousands*)

	2017	2016
Accrued Salaries, Wages & Benefits	\$ 65,351	\$ 57,686
Accrued Vacation	53,482	57,252
Accrued Self Insurance Claims	43,881	40,214
Accrued Interest Payable	12,752	12,948
Total Accrued Liabilities	\$ 175,466	\$ 168,100

9. OTHER NONCURRENT LIABILITIES

Table 9.1 - Other Noncurrent Liabilities (*in thousands*)

Fiscal Year 2017	Beginning of Year			Total End of Year	Less Current Portion	Noncurrent End of Year
	Year	Additions	Payments	Year	Portion	End of Year
Accrued Vacation	\$ 75,714	\$ 46,392	\$ (45,524)	\$ 76,582	\$ (53,482)	\$ 23,100
Accrued Self-Insurance Claims	85,887	218,074	(214,879)	89,082	(43,881)	45,201
Accrued Other Insurance Claims	5,397	-	(398)	4,999	-	4,999
	\$ 166,998	\$ 264,466	\$ (260,801)	\$ 170,663	\$ (97,363)	\$ 73,300

Fiscal Year 2016	Beginning of Year			Total End of Year	Less Current Portion	Noncurrent End of Year
	Year	Additions	Payments	Year	Portion	End of Year
Accrued Vacation	\$ 72,727	\$ 50,520	\$ (47,533)	\$ 75,714	\$ (57,252)	\$ 18,462
Accrued Self-Insurance Claims	87,746	247,331	(249,190)	85,887	(40,214)	45,673
Accrued Other Insurance Claims	5,340	674	(617)	5,397	-	5,397
	\$ 165,813	\$ 298,525	\$ (297,340)	\$ 166,998	\$ (97,466)	\$ 69,532

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10. LONG-TERM DEBT

The University's outstanding debt at June 30, 2017 and 2016, with corresponding activity, is as follows:

Table 10.1 - Long-Term Debt (in thousands)

As of June 30, 2017	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,318,310	\$ -	\$ (29,925)	\$ 1,288,385	\$ 28,190
System Facilities Revenue Bonds - Variable	96,320	-	(3,250)	93,070	93,070
Unamortized Premium	55,698	-	(6,597)	49,101	-
Net System Facilities Revenue Bonds	1,470,328	-	(39,772)	1,430,556	121,260
Notes Payable	33,975	61	(956)	33,080	964
Capital Lease Obligations	3,454	-	(966)	2,488	1,049
Commercial Paper	187,183	19,000	(9,980)	196,203	196,203
Subtotal	1,694,940	19,061	(51,674)	1,662,327	319,476
Health Facilities Revenue Bonds	25,745	20,000	(2,154)	43,591	3,009
Guaranteed Debt Outstanding	2,555	149	(89)	2,615	31
Total Long-Term Debt	\$ 1,723,240	\$ 39,210	\$ (53,917)	\$ 1,708,533	\$ 322,516

As of June 30, 2016	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,451,885	\$ -	\$ (133,575)	\$ 1,318,310	\$ 29,925
System Facilities Revenue Bonds - Variable	99,445	-	(3,125)	96,320	96,320
Unamortized Premium	65,604	-	(9,906)	55,698	-
Net System Facilities Revenue Bonds	1,616,934	-	(146,606)	1,470,328	126,245
Notes Payable	32,499	2,367	(891)	33,975	956
Capital Lease Obligations	4,347	-	(893)	3,454	966
Commercial Paper	41,223	145,960	-	187,183	187,183
Subtotal	1,695,003	148,327	(148,390)	1,694,940	315,350
Health Facilities Revenue Bonds	27,585	-	(1,840)	25,745	1,885
Guaranteed Debt Outstanding	2,346	361	(152)	2,555	89
Total Long-Term Debt	\$ 1,724,934	\$ 148,688	\$ (150,382)	\$ 1,723,240	\$ 317,324

Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2017 and 2016 was \$72,502,000 and \$74,631,000, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the years ended June 30, 2017 and 2016, capitalization of interest earned on unspent bond proceeds totaled \$2,465,000 and \$9,570,000, respectively, resulting in net interest expense of \$70,037,000 and \$65,061,000, respectively. For the year ended June 30, 2017 and 2016, the University earned cash subsidy payments from the United States Treasury totaling \$9,739,000 and \$9,749,000, respectively, for designated Build America Bonds

outstanding, which was recorded as Federal Appropriations on the Statements of Revenues, Expenses, and Changes in Net Position.

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

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Table 10.2 - Revenue Bonds *(in thousands)*

Series	Type	Weighted Avg. Cost of Capital at		Original Issue	Balance June 30,	
		June 30, 2017	Final Maturity		2017	2016
2007A	Fixed	4.23%	11/1/2037	262,970	\$ 6,945	\$ 13,555
2009A (1)	Fixed	4.02%	11/1/2039	256,300	256,300	256,300
2009B	Fixed	3.51%	11/1/2021	75,760	35,760	42,075
2010A (1)	Fixed	3.90%	11/1/2041	252,285	252,285	252,285
2011	Fixed	3.57%	11/1/2027	54,125	39,120	43,635
2012A	Fixed	1.58%	11/1/2019	105,155	105,155	105,155
2013A	Fixed	2.33%	11/1/2023	11,325	9,660	10,795
2013B	Fixed	4.87%	11/1/2043	150,000	150,000	150,000
2014A	Fixed	3.18%	11/1/2037	294,510	283,160	294,510
2014B	Fixed	4.24%	11/1/2054	150,000	150,000	150,000
Total Fixed Rate Bonds				1,612,430	1,288,385	1,318,310
2007B	Variable	0.91% (2)	11/1/2031	102,250	93,070	96,320
Total Variable Rate Demand Bonds				102,250	93,070	96,320
Total System Facilities Revenue Bonds				\$ 1,714,680	\$ 1,381,455	\$ 1,414,630
2011 (3)	Fixed	3.49%	11/1/2027	32,835	23,860	25,745
2017 (3)	Fixed	3.10%	3/1/2032	20,000	19,731	-
Total Revenue Bonds				\$ 1,767,515	\$ 1,425,046	\$ 1,440,375

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

(2) As of June 30, 2017; rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

(3) Tax-exempt revenue bonds issued by Health and Educational Facilities Authority on behalf of the Medical Alliance, which is rated separately from the University.

System Facilities Revenue Bond Series 2007B is a variable rate demand bond with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statements of Net Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing of \$89,695,000 and \$93,070,000 at June 30, 2017 and 2016, respectively. The amount of current liabilities that represents the current principal maturities are \$3,375,000 and \$3,250,000 at June 30, 2017 and 2016, respectively.

In-substance defeased bonds aggregating \$278,765,000 and \$283,960,000 are outstanding at June 30, 2017 and 2016, respectively.

Health Facilities Revenue Bonds - Tax-exempt revenue bonds have provided financing of capital facilities and refinancing of previously issued debt. The bonds were issued by the Health and Education Facilities Authority of

the State of Missouri (the Authority) on behalf of the Medical Alliance. Premium and the deferred financing costs are amortized on the effective interest method over the life of the respective bonds. The bonds are secured by the unrestricted receivables of the Medical Alliance. Under the terms of the Master Indenture, the Medical Alliance is required to make payments of principal, premium, if any, and interest on the bonds. In addition, the Master Indenture contains certain restrictions on the operations and activities of the Medical Alliance, including, among other things, covenants restricting the incurrence of additional indebtedness and the creation of liens on property, except as permitted by the Master Indenture. The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2021 for the Series 2011 bonds and monthly for the Series 2017 bonds.

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Interest Rate Swap Agreements - With an objective of lowering the University's borrowing costs, when compared against fixed-rate debt, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds and commercial paper. Under each of the swap agreements, the University

pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate debt to fixed rate debt. Table 10.3 presents the terms of the outstanding swaps and their fair values at June 30, 2017.

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

Type	Notional Amount	Effective Date	Maturity Date	Terms	Fair Value	Counterparty Credit Rating
Pay fixed; receive variable	\$ 40,000	7/18/2002	11/1/2032	Pay 3.950%; receive SIFMA Index	\$ (11,624)	Aa3 / A+
Pay fixed; receive variable	48,495	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(8,336)	Baa2 / A-
Pay fixed; receive variable	93,070	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(18,156)	Aa3 / A+
Total	\$ 181,565				\$ (38,116)	

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

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

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

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

Type	Fair Value at June 30,		Fair Value on Acquisition	Change in Fair Value	Presentation of Change in Fair Value
	2017	2016			
2002 Swap - Investment Derivative	\$ (11,624)	\$ (16,667)	N/A	\$ 5,043	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(8,336)	(12,470)	N/A	4,134	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(18,156)	(26,195)	N/A	8,039	Deferred Outflows of Resources
Total	\$ (38,116)	\$ (55,332)		\$ 17,216	

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

or received if the swap agreements were terminated on June 30, 2017.

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

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swap collateral requirements only apply to the counterparty. The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 10.5:

Table 10.5 - Swap Collateral Requirements

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

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

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

Termination Risk. The University is exposed to termination risk for the 2002 and 2007 interest rate swaps as the counterparty has the right to terminate the agreements in

certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The 2006 interest rate swap is not exposed to termination risk. The SIFMA Index was 0.91% at June 30, 2017.

Debt-Related Items Presented as Deferred Outflows of Resources - As required by GASB, the University recognizes certain debt-related items as deferred outflows of resources. The detail of the debt related items recognized as deferred outflows resources is presented in Table 10.6.

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

	2017	2016
Swaps - Cash Flow Hedge	\$ 18,156	\$26,195
Loss on Bond Defeasance	19,368	21,851
Deferred Outflows of Resources	\$ 37,524	\$ 48,046

For the years ended June 30, 2017 and 2016 the amortization of the Loss on Bond Defeasance totaled \$2,483,000 and \$2,704,000, respectively, which increases interest expense.

Pledged Revenues and Debt Service Requirements - For fiscal years 2017 and 2016, annual debt service, including net payments on associated interest rate swaps, totaled \$106,776,000 and \$104,788,000, respectively. For fiscal years 2017 and 2016, System Facilities Pledged Revenue was twelve times greater than the annual debt service. Net System Facilities Revenue was 208% and 182% of annual debt service for fiscal years 2017 and 2016, respectively.

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Table 10.7 provides the System Facilities pledged net revenues.

Table 10.7 - System Facilities Pledged

Net Revenues (*in thousands*)

	2017	2016
Pledged Revenues:		
Net Patient Revenue	\$ 1,126,221	\$1,012,410
Housing and Food Service	107,753	116,622
Bookstores	47,662	54,673
Net Tuition and Fees	29,484	23,006
Other Operating Revenue	38,098	33,124
Pledged Revenues	1,349,218	1,239,835
Operating Expenses	1,127,186	1,048,948
Net Revenues	\$ 222,032	\$ 190,887

Table 10.8 provides future debt service requirements for Revenue Bonds, including the impact of interest rate swap agreements. With respect to the inclusion of variable rate bond interest payments and net payments on swaps, the following data was based upon variable rates in effect at June 30, 2017. As market rates vary, variable rate bond interest payments and net swap payments will vary.

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

Fiscal Year	Principal	Interest	Hedging	Total Before	Investment	Total Future
			Derivatives,	Investment	Derivatives,	
			Net	Derivatives	Net	
2018	34,574	67,015	2,739	104,328	2,651	106,979
2019	34,378	65,628	2,663	102,669	2,621	105,290
2020	140,927	61,864	2,583	205,374	2,588	207,962
2021	28,944	58,213	2,467	89,624	2,552	92,176
2022	30,272	57,001	2,348	89,621	2,511	92,132
2023-2027	208,610	260,866	9,325	478,801	11,834	490,635
2028-2032	176,456	218,038	3,278	397,772	11,417	409,189
2033-2037	147,305	181,974	-	329,279	5,742	335,021
2038-2042	323,580	124,953	-	448,533	3,558	452,091
2043-2047	150,000	42,744	-	192,744	-	192,744
2048-2052	-	31,777	-	31,777	-	31,777
2053-2055	150,000	15,889	-	165,889	-	165,889
	\$ 1,425,046	\$ 1,185,962	\$ 25,403	\$ 2,636,411	\$ 45,474	\$ 2,681,885

Commercial Paper – During fiscal year 2017, the University issued \$19,000,000 for new building projects. During fiscal year 2016, \$108,685,000 was issued to allow for the refunding of outstanding debt and \$37,275,000 for new building projects.

On October 21, 2011, the Board adopted a flexible financing program for the University referred to as the University's Commercial Paper Program ("CP Program"). The CP

Program authorizes the periodic issuance of up to an aggregate outstanding principal amount of \$375 million in Commercial Paper Notes. The initial term of the authorization is approximately fifteen years.

The Commercial Paper Notes are limited obligations of the University secured by a pledge of the University's unrestricted revenues. "Unrestricted revenues" includes state appropriations for general operations, student fee

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revenues, and all other operating revenues of the University other than System Facilities Revenues. The primary objective of the CP Program is to provide flexibility in managing the University's overall debt program to meet its various financial needs including: (a) financing capital projects, (b) allowing for the refunding/refinancing of outstanding debt, and (c) providing a readily accessible source of funds for various working capital purposes.

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

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

The future payments on all notes payable at June 30, 2017, are as follows:

Table 10.9 - Future Notes Payable Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2018	1,513
2019	1,442
2020	1,724
2021	2,491
2022	1,683
2023-2027	7,673
2028-2032	7,202
2033-2037	7,201
2038-2042	7,202
2043-2044	1,263
Total Future Notes Payable Payments	39,394
Less: Amount Representing Interest	(6,314)
Future Notes Payable	
Principal Payments	\$ 33,080

Capital Lease Obligations - The University leases various facilities and equipment through capital leases. Facilities

and equipment under capitalized leases are recorded at the present value of future minimum lease payments.

The future minimum payments on all capital leases at June 30, 2017, are as follows:

Table 10.10 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2018	1,563
2019	1,563
2020	390
Total Future Minimum Payments	3,516
Less: Amount Representing Interest	(1,028)
Present Value of Future Minimum Lease Payments	\$ 2,488

Debt Guarantee of Related Entity - During fiscal year 2015, the University acquired a minority ownership interest in Fulton Medical Center, LLC. As a part of the acquisition, The Medical Alliance agreed to guarantee a portion of Fulton Medical Center's outstanding debt, which amounted to \$2,615,000 and \$2,555,000 as of June 30, 2017 and 2016, respectively. This amount is reflected as a liability on the Medical Alliance's Statement of Net Position. The maximum amount of the guaranty is \$2,751,000 and the guaranty expires with maturity of each debt instrument, with \$350,000 for a revolving line of credit due in FY 2017 and 2,401,000 for a mortgage and equipment loan due in FY 2020. The mortgage is secured by the property and the equipment loan is secured by the hospital's related equipment, however, the Medical Alliance is unable to estimate the extent to which the collateral would cover the guarantee.

11. RISK MANAGEMENT

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; natural disasters; medical malpractice; 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, 2017 and 2016 of \$89,082,000 and \$85,887,000, respectively, represents the present value of amounts estimated to have

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been incurred by those dates, using discount rates ranging from 0.5% to 3.0%, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2017 and 2016 were as follows and are included in accrued liabilities (current) and other noncurrent liabilities (see note 9):

Table 11.1 - Self-Insurance Claims
Liability (in thousands)

Fiscal Year	Beginning of Year	New Claims		End of Year
		and Changes in Estimates	Claim Payments	
2017	\$ 85,887	\$ 218,074	\$(214,879)	\$89,082
2016	\$ 87,746	\$ 247,331	\$(249,190)	\$85,887

12. COMMITMENTS AND CONTINGENCES

University Operating Leases - The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expense for the years ended June 30, 2017 and 2016 were \$6,935,000 and \$8,456,000, respectively. Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2017, are as follows:

Table 12.1 - Future Operating Lease Payments

Fiscal Year	Amount (in thousands)
2018	7,507
2019	4,802
2020	3,703
2021	2,331
2022	1,096
2023-2026	2,752
Total Future Lease Payments	\$ 22,191

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of MU Health Care's information technology environment. As of January 2010, MU Health Care began contracting for software usage and maintenance fees, as well as, labor costs for approximately 100 full-time equivalent employees, with the Cerner Corporation. This agreement, called IT Works, represents the labor and software component of a cooperative relationship between

MU Health Care and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute is not a legally separate entity and is included within the financial statements of the University. The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2017, this contracted commitment totaled \$194,434,000 and will be paid in the following amounts: \$21,564,000 in 2018, \$22,296,000 in 2019, \$23,052,000 in 2020, \$23,834,000 in 2021, \$24,642,000 in 2022, and \$79,046,000 in 2023 through 2025.

Claims and Litigation - The University is currently involved in various claims and pending legal actions related to matters arising from ordinary conduct of business. The University Administration believes that the ultimate disposition of the actions will not have a material effect on the financial statements of the University.

Pollution Remediation - The University has been working with the Voluntary Cleanup Program of the Missouri Department of Natural Resources (MDNR) to characterize subsurface contamination on a University owned property. The University has received the results of the two-year sampling process in fiscal year 2016. The University is awaiting a determination from MDNR. The site is now on the National Regulatory Commission (NRC) license and must be decommissioned. Upon further review of the documents, the University determined that it does not believe that the documents support the decision to add the site to the NRC license. The University made a formal request to remove the site from the NRC license and is currently waiting on a response from NRC. As a result, the University is unable to estimate future costs on cleanup of the site at this time. The University has not commenced any actions requiring the recognition of a liability for this property.

Radiology and Other Health Care Matters - Beginning in November 2011, the University investigated allegations of improper billings after learning that a federal investigation led by the U.S. Attorney's Office was under way. The University's investigation identified improper billings by two radiologists. The University cooperated with the investigation of the U.S. Attorney's Office in an effort to achieve a resolution of the matter. A settlement was executed on June 30, 2016 with the University agreeing to pay \$2,200,000. Also, the University has reviewed other

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potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. A settlement was executed with the University agreeing to pay \$3,051,000 for these matters. Both settlements were paid during early fiscal year 2017.

Charitable Gift Annuities - A charitable gift annuity is a contractual agreement between one or two donors (typically husband and wife) and a charity. The donor(s) transfers assets as a gift to the charity, and in return the charity is obligated to pay a fixed annuity to one or two annuitants, of the donor(s)' choosing, for the life of the donor(s). As part of the University's "Planned Giving" program, the University enters into Charitable Gift Annuity contracts with donors. The University's liability related to the annuity obligations was \$6,772,000 and \$6,958,000 at June 30, 2017 and 2016, respectively.

13. RETIREMENT, DISABILITY, AND DEATH BENEFIT PLAN

DEFINED BENEFIT PLAN

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

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

Table 13.1 - Retirement Plan Membership

	2017	2016
Active Members	18,233	18,445
Inactive Vested Members	4,215	4,126
Pensioners and Beneficiaries	9,242	8,790
Total Members	31,690	31,361

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. The actuarial equivalent may also be taken in the form of a lump sum payment.

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

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

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

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Investment Valuation – Investments are reported at fair value.

Contributions – The University’s contributions to the Retirement Plan are equal to the actuarially determined employer contribution requirement (ADC). The ADC for those employees hired before October 1, 2012 averaged 9.5% and 9.6% of covered payroll for the years ending June 30, 2017 and 2016, respectively. The ADC for those employees hired after September 30, 2012 averaged 5.6% and 5.7% of covered payroll for the years ended June 30, 2017 and 2016, respectively. Employees are required to contribute 1% of their salary up to \$50,000 in a calendar year and 2% of their salary in excess of \$50,000. An actuarial valuation of the Plan is performed annually and the University’s contribution rate is updated at the beginning of the University’s fiscal year on July 1, to reflect the

actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year. The University contributed \$96,631,000 and \$99,454,000 during the fiscal years ended June 30, 2017 and 2016, respectively.

Net Pension Liability – The University’s net pension liability was measured as of June 30, 2017 and 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2016 and 2015, respectively. Roll-forward procedures were used to measure the Retirement Plan’s total pension liability as of June 30, 2017 and 2016.

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

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at July 1, 2016	\$3,878,812	\$3,220,626	\$658,186
Changes for the year:			
Service cost	66,269	-	66,269
Interest	296,885	-	296,885
Differences between expected and actual experience	(22,741)	-	(22,741)
Contributions – employer		96,631	(96,631)
Contributions – employee	-	15,218	(15,218)
Net investment income	-	364,486	(364,486)
Benefit payments, including refunds of employee contributions	(211,036)	(211,036)	-
Net changes	129,377	265,299	(135,922)
Balances at June 30, 2017	\$4,008,189	\$3,485,925	\$522,264
	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at July 1, 2015	\$3,763,573	\$3,302,850	\$460,723
Changes for the year:			
Service cost	68,328	-	68,328
Interest	288,438	-	288,438
Differences between expected and actual experience	(38,227)	-	(38,227)
Contributions – employer		99,454	(99,454)
Contributions – employee	-	14,976	(14,976)
Net investment income	-	6,646	(6,646)
Benefit payments, including refunds of employee contributions	(203,300)	(203,300)	-
Other changes	-	-	-
Net changes	115,239	(82,224)	197,463
Balances at June 30, 2016	\$3,878,812	\$3,220,626	\$658,186

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Actuarial Methods and Assumptions – The October 1, 2016 and 2015 actuarial valuations utilized the entry age actuarial cost method. Actuarial assumptions for both years included:

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

For purposes of determining actuarially required contributions, the actuarial value of assets was determined using techniques that spread effects of short-term volatility in the market value of investments over a 5-year period. The underfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over 27 years from the October 1, 2016 valuation date. Mortality rates were based on the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB.

The actuarial assumptions used in the October 1, 2016 valuation were based on the results the most recent quinquennial study of the University’s own experience covering 2008 to 2012.

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2016 actuarial valuation, 7.75% was used as the net long-term expected rate of return.

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

	Rate	2017 Net Pension Liability	2016 Net Pension Liability
1% Decrease	6.75%	\$999,575	\$1,129,237
Current Rate	7.75%	522,264	658,186
1% Increase	8.75%	115,926	259,235

Annual Rate of Return - The annual money-weighted rate of return is calculated as the internal rate of return on pension investments, net of pension plan investment expense. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments for the years ended June 30, 2017 and 2016 was 11.0% and 0.3%, respectively.

Table 13.4 - Asset Class Allocation

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

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Pension Expense- For the years ended June 30, 2017 and 2016, the Retirement Plan recognized pension expense of \$117,940,000 and \$132,641,000, respectively. Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected

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

The pension expense for the years ended June 30, 2017 and 2016 is summarized as follows:

Table 13.5 Pension Expense (*in thousands*)

	2017	2016
Service cost	\$66,269	\$68,328
Interest	296,885	288,438
Recognized portion of current-period difference between expected and actual experience	(3,761)	(6,175)
Contributions – employee	(15,218)	(14,976)
Projected earnings on pension plan investments	(245,073)	(251,871)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(23,883)	49,045
Recognition of deferred outflows of resources	48,896	2,127
Recognition of deferred inflows of resources	(6,175)	(2,275)
Pension expense for fiscal year ended June 30,	\$117,940	\$132,641

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

investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2017 and 2016, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	2017	2017	2016	2016
As of June 30,				
Differences between expected and actual experience	6,846	44,857	8,972	32,052
Net difference between projected and actual earnings on pension plan investments	93,518	-	235,818	-
Total	100,364	44,857	244,790	32,052

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

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

Fiscal Year	Recognition
2018	15,077
2019	61,543
2020	17,353
2021	(33,353)
2022	(4,941)
Thereafter	(172)
Total	55,507

DEFINED CONTRIBUTION PLAN

Plan Description - Employees hired after September 30, 2012 participate in a single employer, defined contribution plan. Each year the University contributes 2% of each employee's eligible salary to a 401(a) plan. Employees are able to contribute to a 457(b) and 403 (b) plan. The University will match up to 3% of the employee's contribution to the 457(b) plan with the University's match funds going into the 401(a) plan. Employees are immediately 100% vested in their contributions. The University's base contribution and matching contributions vest following three years of consecutive or nonconsecutive service. The defined contribution plan recognized \$13,891,000 and \$12,831,000 of pension expense and \$3,472,000 and \$933,000 of forfeitures for the years ended June 30, 2017 and 2016, respectively.

14. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – In addition to the pension benefits described in Note 13, the University operates a single-employer, defined benefit OPEB plan. The University's Other Postemployment Benefits (OPEB) Plan provides postemployment medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As of June 30, 2017 and 2016, 7,517 and 7,432 retirees, respectively, were receiving benefits, and an estimated 10,912 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, 2017 and 2016, 166 and 187 long-term disability claimants, respectively, met those eligibility requirements.

The terms and conditions governing the postemployment benefits to which employees are entitled are at the sole authority and discretion of the University's Board of Curators.

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

As of January 1, 2018, employees must be 60 years old and have 20 years of service at the date of retirement to access the same percentage subsidy as current retirees at retirement. Employees with age plus years of service less than 80 but with more than 5 years of service as of January 1, 2018 will receive a subsidy of \$100 per year of service up to a maximum of \$2,500 annually. Employees with less than 5 years of service as of January 1, 2018 will not receive an insurance subsidy or be eligible to participate in the University's plans.

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

Basis of Accounting – The OPEB Plan's financial statements are prepared using the accrual basis of accounting, in accordance with GASB Statement No. 74. Additionally, the requirements of GASB Statement No. 45 are followed by the University for reporting its OPEB obligations and related footnote and required supplementary information disclosures. The assets of the OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment benefits in accordance with terms of the plan. The OPEB Plan does not issue a separate financial report.

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

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

For the year ended June 30, 2017 and 2016, participants contributed \$14,750,000 and \$16,844,000, or approximately 47.5% and 46.8% respectively, of total premiums through their required contributions, which vary depending on the plan and coverage selection.

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

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees’ years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal years 2017 and 2016, the University contributed \$21,394,000 and \$26,207,000, or 93.2% and 90.8% of the ARC, respectively. The ARC, which was \$22,958,000 and \$28,866,000 for fiscal years 2017 and 2016, represented 1.9% and 2.5% of annual covered payroll, respectively.

Table 14.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2017:

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

	2017	2016
Annual Required Contribution	\$ 22,958	\$ 28,866
Interest on Existing Net OPEB Obligation	7,440	9,231
ARC Adjustment	(8,134)	(9,111)
Annual OPEB Cost	22,264	28,986
Contributions Made	(21,394)	(26,207)
Increase in net OPEB obligation	870	2,779
Net OPEB obligation - beginning of year	212,572	209,793
Net OPEB obligation - end of year	\$213,442	\$212,572

Funding Status and Funding Progress – As of July 1, 2015, the date of the last valuation, the OPEB Plan was 7.6% funded. The actuarial accrued liability (AAL) for postemployment benefits was \$464,734,000, with \$35,145,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$429,589,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,188,977,000, and the ratio of UAAL to covered payroll was 36.1%.

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.

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

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

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2017	\$ 22,958	\$ 22,264	\$ 21,394	96.1%	213,442
6/30/2016	28,866	28,986	26,207	90.4%	212,572
6/30/2015	58,512	58,462	25,709	44.0%	209,793

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

Actuarial assumptions included a 3.5% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 7.5% to 11.5% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

The University adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* during the year ended June 30, 2017. GASB No. 74, among other things, requires changes in OPEB plan financial statements, footnote disclosures and required supplementary information and is applicable to the University's OPEB plan financial statements. Because of the differences in reporting requirements under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is not yet effective for the University, and under GASB No. 45, amounts reported and disclosures herein under the two pronouncements will differ.

Net OPEB Liability – The University of Missouri will begin reporting a net OPEB liability beginning in fiscal year 2018 in accordance with GASB Statement No. 75, which established requirements for financial reporting for postemployment benefits other than pension plans and replaces GASB Statement No. 45. The net OPEB liability under GASB No. 74 was calculated using the same data, assumptions and plan provisions as the July 1, 2015 plan valuation. Net OPEB liability as of June 30, 2017 and 2016 was measured as of June 30, 2016 and 2015, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2016 and 2015, respectively.

Table 14.3 Net OPEB Liability (*in thousands*)

	Fiscal Year 2017	Fiscal Year 2016
Net OPEB Liability Components:		
Total OPEB Liability	\$ 523,250	\$ 571,776
Plan Fiduciary Net Position	35,145	36,843
Net OPEB Liability	488,105	534,933
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	6.72%	6.44%

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Total OPEB liability was determined using the following actuarial assumptions:

14.4 Total OPEB Liability Assumptions

Inflation	2.75%
Total payroll growth	2.75%, including inflation
Discount Rate	2.85%
Retiree Health PPO Plan and Rx trend rate	9.5% decreasing by 0.5% per year until an ultimate trend of 5.0% is reached
Healthy Savings Plan and Medicare Advantage Plans medical trend rate	7.5% decreasing by 0.5% per year until an ultimate trend of 5.0% is reached
EGWP Rx trend rate	11.5% decreasing by 0.5% per year until an ultimate trend of 5.0% is reached
Dental trend rates	4.0% all years
Administration expenses rate	2.5% all years
Healthy retiree mortality rates	95% of the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB
Disabled retiree mortality rates	RP-2000 Disabled Retiree Mortality Table projected to 2023 using Scale BB

Development of Blended Discount Rate – The discount rates used to measure the total OPEB liability were 2.85% and 3.85% as of fiscal year June 30, 2017 and June 30, 2016, respectively. The projection of cash flows used to determine the discount rate assumed that the University would not make additional contributions to the OPEB Trust and would continue to fund the plan on a pay-as-you-go

basis. Based on those assumptions, the OPEB plan's fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate for 20 year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Table 14.5 Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates *(in thousands)*

	1% Decrease in Discount Rate (1.85%)	Current Discount Rate (2.85%)	1% Increase in Discount Rate (3.85%)
Net OPEB Liability	\$566,973	\$488,105	\$423,557

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$433,222	\$488,105	\$554,646

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15. BLENDED COMPONENT UNITS

Condensed combining information for the University's blended component units as of and for the years ended June 30, 2017 and 2016 are presented as follows:

Table 15.1 - Blended Component Units Condensed Financial Statements *(in thousands)*

Condensed Statement of Net Position	2017						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Assets:							
Current Assets	\$ 994,372	\$ 5,211	\$ 84,666	\$ 1,116	\$ 1,271	\$ (123)	\$ 1,086,513
Non Current Other Assets	3,496,702	7,960	45,791	-	-	20,208	3,570,661
Capital Assets, Net	3,227,133	115,109	81,110	111	52	(11,105)	3,412,410
Deferred Outflows of Resources	137,888	-	-	-	-	-	137,888
Total Assets and Deferred Outflows of Resources	\$ 7,856,095	\$ 128,280	\$ 211,567	\$ 1,227	\$ 1,323	\$ 8,980	\$ 8,207,472
Liabilities:							
Current Liabilities	\$ 993,492	\$ 6,851	\$ 25,067	\$ 1,574	\$ 440	\$ (1,220)	\$ 1,026,204
Noncurrent Liabilities	2,156,852	110,555	47,602	-	-	(65,405)	2,249,604
Deferred Inflows of Resources	44,857	-	-	-	-	-	44,857
Total Liabilities and Deferred Inflows of Resources	3,195,201	117,406	72,669	1,574	440	(66,625)	3,320,665
Net Position:							
Net Investment in Capital Assets	1,639,197	19,914	35,286	111	52	34,422	1,728,982
Restricted -							
Nonexpendable	1,109,498	-	-	-	-	-	1,109,498
Expendable	486,722	(9,040)	3,996	-	-	41,183	522,861
Unrestricted	1,425,477	-	99,616	(458)	831	-	1,525,466
Total Net Position	4,660,894	10,874	138,898	(347)	883	75,605	4,886,807
Total Liabilities and Net Position	\$ 7,856,095	\$ 128,280	\$ 211,567	\$ 1,227	\$ 1,323	\$ 8,980	\$ 8,207,472

Condensed Statement of Revenues, Expenses and Changes in Net Position

Condensed Statement of Revenues, Expenses and Changes in Net Position	2017						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Operating Revenues:							
Other Operating Revenue	\$ 2,602,249	\$ 7,445	\$ 189,400	\$ 5,351	\$ 2,070	\$ (6,772)	\$ 2,799,743
Total Operating Revenues	2,602,249	7,445	189,400	5,351	2,070	(6,772)	2,799,743
Operating Expenses:							
Depreciation	193,810	4,766	11,600	34	16	-	210,226
All Other Operating Expenses	2,910,237	1,443	171,114	8,200	3,471	(5,965)	3,088,500
Total Operating Expenses	3,104,047	6,209	182,714	8,234	3,487	(5,965)	3,298,726
Operating Income (Loss)	(501,798)	1,236	6,686	(2,883)	(1,417)	(807)	(498,983)
Non-Operating Revenue (Expense)	899,152	(2,811)	62	-	-	4,327	900,730
Capital Contribution (Distribution)	-	91	-	2,250	2,300	(4,641)	-
Increase (Decrease) in Net Position	397,354	(1,484)	6,748	(633)	883	(1,121)	401,747
Net Position, Beginning of Year	4,263,540	12,358	132,150	286	-	76,726	4,485,060
Net Position, End of Year	\$ 4,660,894	\$ 10,874	\$ 138,898	\$ (347)	\$ 883	\$ 75,605	\$ 4,886,807

Condensed Statement of Cash Flows

Condensed Statement of Cash Flows	2017						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (276,167)	\$ 2,359	\$ 17,686	\$ (2,245)	\$ (1,977)	\$ 3,379	\$ (256,965)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	587,664	-	65	-	-	-	587,729
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(263,180)	(1,049)	8,257	2,250	2,300	(3,379)	(254,801)
Net Cash Flows Provided by (Used in) Investing Activities	(1,235)	-	(22,789)	-	-	-	(24,024)
Net Increase in Cash and Cash Equivalents	47,082	1,310	3,219	5	323	-	51,939
Cash and Cash Equivalents, Beginning of Year	304,199	3,778	39,635	240	-	-	347,852
Cash and Cash Equivalents, End of Year	\$ 351,281	\$ 5,088	\$ 42,854	\$ 245	\$ 323	\$ -	\$ 399,791

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Table 15.2 Blended Component Units Condensed Financial Statements (*in thousands*)

Condensed Statement of Net Position	2016					
	University	MREC	Medical Alliance	CSS	Eliminations	Total
Assets:						
Current Assets	\$ 998,232	\$ 3,818	\$ 73,685	\$ 904	\$ (40)	\$ 1,076,599
Non Current Other Assets	3,207,177	7,198	26,996	-	20,106	3,261,477
Capital Assets, Net	3,171,973	119,876	84,103	125	(11,105)	3,364,972
Deferred Outflows of Resources	292,836	-	-	-	-	292,836
Total Assets and Deferred Outflows of Resources	\$ 7,670,218	\$ 130,892	\$ 184,784	\$ 1,029	\$ 8,961	\$ 7,995,884
Liabilities:						
Current Liabilities	\$ 1,037,729	\$ 1,915	\$ 20,911	\$ 743	\$ (1,201)	\$ 1,060,097
Noncurrent Liabilities	2,336,897	116,619	31,723	-	(66,564)	2,418,675
Deferred Inflows of Resources	32,052	-	-	-	-	32,052
Total Liabilities and Deferred Inflows of Resources	3,406,678	118,534	52,634	743	(67,765)	3,510,824
Net Position:						
Net Investment in Capital Assets	1,556,283	23,539	56,076	125	56,606	1,692,629
Restricted -						
Nonexpendable	993,760	-	-	-	-	993,760
Expendable	482,043	(11,181)	3,981	-	20,120	494,963
Unrestricted	1,231,454	-	72,093	161	-	1,303,708
Total Net Position	4,263,540	12,358	132,150	286	76,726	4,485,060
Total Liabilities and Net Position	\$ 7,670,218	\$ 130,892	\$ 184,784	\$ 1,029	\$ 8,961	\$ 7,995,884

Condensed Statement of Revenues, Expenses and Changes in Net Position	2016					
	University	MREC	Medical Alliance	CSS	Eliminations	Total
Operating Revenues:						
Other Operating Revenue	\$ 2,509,026	\$ 7,429	\$ 186,483	\$ 6,191	\$ (6,772)	\$ 2,702,357
Total Operating Revenues	2,509,026	7,429	186,483	6,191	(6,772)	2,702,357
Operating Expenses:						
Depreciation	185,530	4,766	11,361	34	-	201,691
All Other Operating Expenses	2,842,090	1,574	175,478	8,499	(2,636)	3,025,005
Total Operating Expenses	3,027,620	6,340	186,839	8,533	(2,636)	3,226,696
Operating Income (Loss)	(518,594)	1,089	(356)	(2,342)	(4,136)	(524,339)
Non-Operating Revenue (Expense)	631,960	(2,589)	750	-	2,772	632,893
Capital Contribution (Distribution)	-	3,315	-	2,275	(5,590)	-
Increase (Decrease) in Net Position	113,366	1,815	394	(67)	(6,954)	108,554
Net Position, Beginning of Year	4,150,174	10,543	131,756	353	83,680	4,376,506
Net Position, End of Year	\$ 4,263,540	\$ 12,358	\$ 132,150	\$ 286	\$ 76,726	\$ 4,485,060

Condensed Statement of Cash Flows	2016					
	University	MREC	Medical Alliance	CSS	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (320,804)	\$ 8,431	\$ 4,498	\$ (2,035)	\$ (2,884)	\$ (312,794)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	638,318	-	-	-	-	638,318
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(298,726)	(5,136)	(14,052)	2,275	2,884	(312,755)
Net Cash Flows Provided by (Used in) Investing Activities	(99,020)	-	(1,094)	-	-	(100,114)
Net Increase in Cash and Cash Equivalents	(80,232)	3,295	(10,648)	240	-	(87,345)
Cash and Cash Equivalents, Beginning of Year	384,431	483	50,283	-	-	435,197
Cash and Cash Equivalents, End of Year	\$ 304,199	\$ 3,778	\$ 39,635	\$ 240	\$ -	\$ 347,852

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16. OPERATING EXPENSES BY FUNCTION

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

Table 16.1 - Operating Expenses by Functional and Natural Classifications *(in thousands)*

Fiscal Year Ended June 30, 2017	Salaries and		Supplies,	Scholarships	Depreciation	Total
	Wages	Benefits	Services and	and		
			Other	Fellowships		
Instruction	\$ 421,423	\$ 123,648	\$ 95,272	\$ -	\$ -	\$ 640,343
Research	100,746	25,360	67,397	-	-	193,503
Public Service	83,555	25,903	57,864	-	-	167,322
Academic Support	82,312	26,700	40,999	-	-	150,011
Student Services	51,222	15,842	29,873	-	-	96,937
Institutional Support	124,551	46,178	(44,835)	-	-	125,894
Operation and Maintenance of Plant	35,248	12,111	49,076	-	-	96,435
Auxiliary Enterprises	684,164	184,804	679,798	-	-	1,548,766
Scholarships and Fellowships	-	-	-	69,289	-	69,289
Depreciation	-	-	-	-	210,226	210,226
Total Operating Expenses	\$ 1,583,221	\$ 460,546	\$ 975,444	\$ 69,289	\$ 210,226	\$ 3,298,726

Fiscal Year Ended June 30, 2016	Salaries and		Supplies,	Scholarships	Depreciation	Total
	Wages	Benefits	Services and	and		
			Other	Fellowships		
Instruction	\$ 435,544	\$ 130,969	\$ 77,359	\$ -	\$ -	\$ 643,872
Research	99,997	25,669	68,579	-	-	194,245
Public Service	83,575	26,386	48,974	-	-	158,935
Academic Support	84,731	28,113	43,823	-	-	156,667
Student Services	50,395	15,774	32,963	-	-	99,132
Institutional Support	120,148	48,453	(19,133)	-	-	149,468
Operation and Maintenance of Plant	37,161	14,078	48,136	-	-	99,375
Auxiliary Enterprises	610,929	171,767	670,262	-	-	1,452,958
Scholarships and Fellowships	-	-	-	70,353	-	70,353
Depreciation	-	-	-	-	201,691	201,691
Total Operating Expenses	\$ 1,522,480	\$ 461,209	\$ 970,963	\$ 70,353	\$ 201,691	\$ 3,226,696

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17. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

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

Table 17.1 - Statement of Fiduciary Net Position *(in thousands)*

	2017			2016		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Assets						
Cash and Cash Equivalents	\$ 303,404	\$ 36,099	\$ 339,503	\$ 223,263	\$ 10,374	\$ 233,637
Investment of Cash Collateral	161,264	-	161,264	98,660	-	98,660
Investment Settlements Receivable	56,048	-	56,048	85,169	-	85,169
Other Assets	-	30	30	-	-	-
Investments:						
Debt Securities	526,083	-	526,083	594,844	-	594,844
Equity Securities	219,663	-	219,663	175,639	-	175,639
Commingled Funds	1,867,994	345	1,868,339	1,714,662	24,771	1,739,433
Nonmarketable Alternative Investments	583,666	-	583,666	490,628	-	490,628
Total Assets	3,718,122	36,474	3,754,596	3,382,865	35,145	3,418,010
Liabilities						
Accounts Payable and Accrued Liabilities	784	330	1,114	-	-	-
Collateral Held for Securities Lending	161,264	-	161,264	98,660	-	98,660
Investment Settlements Payable	70,149	-	70,149	63,579	-	63,579
Total Liabilities	232,197	330	232,527	162,239	-	162,239
Net Position Restricted for Retirement and OPEB	\$ 3,485,925	\$ 36,144	\$ 3,522,069	\$ 3,220,626	\$ 35,145	\$ 3,255,771

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Table 17.2 - Statement of Changes in Fiduciary Net Position *(in thousands)*

	2017			2016		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Additions						
Investment Income:						
Interest and Dividend Income	\$ 65,662	\$ 332	\$ 65,994	\$ 38,558	\$ 437	\$ 38,995
Net Appreciation (Depreciation) in						
Fair Value of Investments	318,701	582	319,283	(18,250)	(366)	(18,616)
Less Investment Expense	(16,858)	-	(16,858)	(10,330)	(4)	(10,334)
Net Investment Income	367,505	914	368,419	9,978	67	10,045
Contributions:						
University	96,631	21,394	118,025	99,454	26,207	125,661
Members	15,218	14,750	29,968	14,976	16,844	31,820
Total Contributions	111,849	36,144	147,993	114,430	43,051	157,481
Total Additions	479,354	37,058	516,412	124,408	43,118	167,526
Deductions						
Administrative Expenses	3,019	188	3,207	3,332	969	4,301
Payments to Retirees and Beneficiaries	211,036	35,871	246,907	203,300	41,828	245,128
Total Deductions	214,055	36,059	250,114	206,632	42,797	249,429
Increase (decrease) in Net Position Restricted						
for Retirement and OPEB	265,299	999	266,298	(82,224)	321	(81,903)
Net Position Restricted for						
Retirement & OPEB, Beginning of Year	3,220,626	35,145	3,255,771	3,302,850	34,824	3,337,674
Net Position Restricted for						
Retirement and OPEB, End of Year	\$ 3,485,925	\$ 36,144	\$ 3,522,069	\$ 3,220,626	\$ 35,145	\$ 3,255,771

18. SUBSEQUENT EVENTS

On July 17, 2017, the University notified Fulton Medical Center, LLC (the "Company") and Nueterra Holdings, LLC that it was exercising its put option to sell its membership interest in the Company pursuant to the terms of the Operating Agreement of the Company. The Company and Nueterra Holdings, LLC have not closed on the University's put option and the impact of the exercise of the option and facility closure on the guarantees provided by the Medical Alliance for Fulton Medical Center, LLC debt is not known.

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Schedule of Changes in the Net Pension Liability and Related Ratios - Last Ten Fiscal Years *(in thousands)*

	Fiscal Year End June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability										
Service cost	\$66,269	\$68,328	\$70,574	\$71,995						
Interest	296,885	288,438	275,762	263,566						
Differences between expected and actual experience	(22,741)	(38,227)	13,226	--	(Historical information prior to implementation of GASB 67/68 is not required)					
Benefit payments, including refunds of employee contributions	(211,036)	(203,300)	(182,488)	(169,992)						
Net change in total pension liability	129,377	115,239	177,074	165,569						
Total pension liability - beginning	3,878,812	3,763,573	3,586,499	3,420,930						
Total pension liability - ending (a)	\$4,008,189	\$3,878,812	\$3,763,573	\$3,586,499						
Plan fiduciary net position										
Contributions - employer	\$96,631	\$99,454	\$103,895	\$113,688						
Contributions - employee	15,218	14,976	14,486	14,113						
Net investment income	364,486	6,646	36,412	458,884						
Benefit payments, including refunds of employee contributions	(211,036)	(203,300)	(182,488)	(169,992)	(Historical information prior to implementation of GASB 67/68 is not required)					
Other	--	--	(2,150)	(2,554)						
Net change in fiduciary net position	265,299	(82,224)	(29,845)	414,139						
Plan fiduciary net position - beginning	3,220,626	3,302,850	3,332,695	2,918,556						
Plan fiduciary net position - ending (b)	\$3,485,925	\$3,220,626	\$3,302,850	\$3,332,695						

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

	Fiscal Year End June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net pension liability – ending: (a)-(b)	\$522,264	\$658,186	\$460,723	\$253,804						
Plan's fiduciary net position as a percentage of the total pension liability	86.97%	83.03%	87.76%	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)					
Covered-employee payroll	\$1,144,412*	\$1,129,784*	\$1,109,431*	\$1,078,347*						
Net pension liability as a percentage of covered-employee payroll	45.64%	58.26%	41.53%	23.54%						

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

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

Fiscal Year Ended June 30,	Covered Employee Payroll		Contributions as % of covered-employee payroll**				Contributions in relation to the actuarially determined contribution**		Contribution deficiency (excess)	
			Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
2017	\$ 794,108	\$ 350,304	9.53%	5.61%	9.53%	5.61%	9.53%	5.61%	-	-
2016	857,918	271,866	9.61%	5.68%	9.61%	5.68%	9.61%	5.68%	-	-
2015	928,088	181,343	9.99%	6.05%	9.99%	6.05%	9.99%	6.05%	-	-
2014	984,787	93,560	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-	-
2013	1,046,075	-	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-	-
2012	1,031,891	-	7.07%	-	7.07%	-	7.07%	-	-	-
2011	979,888	-	5.74%	-	5.74%	-	5.74%	-	-	-
2010	970,060	-	4.88%	-	4.88%	-	4.88%	-	-	-
2009	954,430	-	5.87%	-	5.87%	-	5.87%	-	-	-
2008	891,648	-	7.78%	-	7.78%	-	7.78%	-	-	-

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

** Net of employee contributions

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

	Fiscal Year End June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Money-Weighted Rate of Return	11.0%	0.3%	0.7%	16.2%	(Historical information prior to implementation of GASB 67/68 is not required)					

Notes to Required Supplementary Information for Contributions

Valuation Date	Actuarial determined contribution rates are calculated as of September 30, 21 months prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to determine contribution rates:	
Actuarial Cost Method	Entry age normal
Amortization Method	Level dollar, Closed
Amortization Period	27 years for 2017, 28 years for 2016
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The actuarial value is further adjusted, if necessary, to be within 20% of the market value.
Actuarial Assumptions:	The actuarial assumptions used in the October 1, 2016 and 2015 actuarial valuations were based on the results of an experience study for the period October 1, 2007 to September 30, 2012.
Investment Rate of Return	7.75%, net of expenses
Inflation	2.75%
Projected Salary Increases	4.9% average (including inflation) for academic and administrative; 4.1% average (including inflation) for clerical and service
Cost-of-living Adjustments	No future retiree ad-hoc increases assumed
Retirement Age	Retirement rates vary between 5% at 55 to 100% at age 72.
Mortality	
Healthy lives	95% of the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB
Disabled lives	RP-2000 Disabled Retiree Mortality Table projected to 2023 using Scale BB

UNIVERSITY OF MISSOURI SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Years Ended June 30, 2017 and 2016
 (unaudited)

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

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll ([b-a] /c)
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%
7/1/2011	45,745	542,844	497,099	8.4%	1,041,413	47.7%
7/1/2013 (a)(b)	49,285	650,307	601,022	7.6%	1,103,558	54.5%
7/1/2015 (c)	36,843	513,464	476,621	7.2%	1,157,156	41.2%
7/1/2015 (d)	35,145	464,734	429,589	7.6%	1,188,977	36.1%

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

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

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

(d) The 7/1/2015 Actuarial Valuation was revised based on a change in the discount rate from 4.40% to 3.50%.

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

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2013	7/1/2011	50,954	38%	142,209
6/30/2014	7/1/2013(a)	59,965	42%	177,040
6/30/2015	7/1/2013(b)	58,512	44%	209,793
6/30/2016	7/1/2015 (c)	28,866	90%	212,572
6/30/2017	7/1/2015 (d)	22,958	96%	213,442

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

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

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

(d) The 7/1/2015 Actuarial Valuation was revised based on a change in the discount rate from 4.40% to 3.50%.

UNIVERSITY OF MISSOURI SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Years Ended June 30, 2017 and 2016
 (unaudited)

Schedule of Changes in the Net OPEB Liability and Related Ratios - Last Ten Fiscal Years *(in thousands)*

	Fiscal Year End June 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB liability										
Service cost	\$9,356	--								
Interest	21,509	--								
Changes of benefit terms	(116,098)	--								
Differences between expected and actual experience	(1,349)	--			(Historical information prior to implementation of GASB 74/75 is not required)					
Changes of assumptions	64,527	--								
Benefit payments	(26,471)	--								
Net change in total OPEB liability	(48,526)	--								
Total OPEB liability - beginning	571,776	--								
Total OPEB liability - ending (a)	\$523,250	\$571,776								
Plan fiduciary net position										
Contributions - employer	--	--								
Contributions - employee	--	--								
Net investment income	--	--								
Benefit payments, including refunds of employee contributions	--	--			(Historical information prior to implementation of GASB 74/75 is not required)					
Other	--	--								
Net change in fiduciary net position	--	--								
Plan fiduciary net position - beginning	36,843	--								
Plan fiduciary net position - ending (b)	\$35,145	36,843								
Net OPEB Liability - ending (a) - (b)	\$488,105	\$534,933								
Plan's fiduciary net position as a percentage of the total OPEB liability	6.72%	6.44%			(Historical information prior to implementation of GASB 74/75 is not required)					
Covered-employee payroll	1,188,977	1,157,156								
Net OPEB liability as a percentage of covered-employee payroll	41.05%	46.23%								

UNIVERSITY OF MISSOURI SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For the Years Ended June 30, 2017 and 2016
(unaudited)

Notes to Required Supplementary Information for Net OPEB Liability

Benefit changes:

The following plan changes were made effective January 1, 2017:

Non Medicare eligible retirees are offered a choice between Healthy Savings Plan and the Retiree PPO Plan. Medicare eligible retirees are offered the choice between two Medicare Advantage options.

Retiree Insurance Program:

To be eligible for the retiree insurance program the following criteria must be met:

1. Five years of service prior to January 1, 2018, and
2. At least 60 years old on his/her retirement date; and
3. At least 20 years of service in the UM System on his/her retirement date.

If age plus years of service is 80 or greater prior to January 1, 2018, then the employee will receive the same percentage subsidy as current retirees at retirement.

If age plus years of service is less than 80 on January 1, 2018, the employee will receive a fixed annual subsidy of \$100 per year of service, up to a maximum of \$2,500 annually at retirement.

The retiree insurance program will close on January 1, 2018 to current employees who do not attain at least five years of service before January 1, 2018 and to all employees hired on or after January 1, 2018.

For current and future Medicare-eligible retirees, two different Medicare advantage plans will be offered in place of the myRetiree indemnity plan.

Changes of assumptions:

Based on past experience and future expectations, the following actuarial assumptions were changed as of the June 30, 2016 measurement date:

- The 75% pre-65 medical participation assumption was split to 90% in the Retiree Health PPO Plan and 10% in the Healthy Savings Plan. The 90% post-65 participation assumption was split to 33% in the Base Plan and 67% in the BuyUp Plan at the January 1, 2017 effective date.
 - In evaluating the impact of GASB Statements 74 & 75, the interest rate used for the valuations were changed to 3.85% and 2.85% as of June 30, 2016 and June 30, 2015 respectively.
-

Statistical Section



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

STATEMENTS OF NET POSITION

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 241,516	\$ 216,149	\$ 268,211	\$ 90,750	\$ 177,722
Restricted Cash and Cash Equivalents	155,693	130,246	116,703	56,185	80,730
Short-Term Investments	118,958	128,932	105,587	217,758	272,839
Restricted Short-Term Investments	18,249	26,222	26,762	36,176	43,087
Investment of Cash Collateral	7,437	28,225	43,902	113,477	24,428
Accounts Receivable, Net	333,862	314,908	277,373	292,854	255,081
Pledges Receivable, Net	16,450	15,035	16,958	15,930	14,803
Investment Settlements Receivable	108,385	130,513	185,576	224,423	16,176
Notes Receivable, Net	9,016	8,659	8,781	8,490	8,068
Due To Component Units	-	-	(9,469)	(8,107)	(7,826)
Inventories	39,037	39,892	37,872	35,354	37,398
Prepaid Expenses and Other Current Assets	37,910	37,818	30,695	26,884	27,533
Total Current Assets	1,086,513	1,076,599	1,108,951	1,110,174	950,039
Noncurrent Assets					
Restricted Cash and Cash Equivalents	2,582	1,457	-	-	-
Pledges Receivable, Net	44,550	31,092	34,845	40,004	43,911
Notes Receivable, Net	69,494	76,380	79,418	79,961	62,829
Deferred Charges and Other Assets	17,683	16,666	2,379	2,243	9,735
Long-Term Investments	2,058,102	1,873,378	1,614,799	1,526,603	1,338,894
Restricted Long-Term Investments	1,378,250	1,262,504	1,321,810	1,300,481	1,103,616
Capital Assets, Net	3,412,410	3,364,972	3,198,011	3,123,172	2,997,508
Total Noncurrent Assets	6,983,071	6,626,449	6,251,262	6,072,464	5,556,493
Deferred Outflow of Resources	137,888	292,836	97,615	52,417	39,859
Total Assets and Deferred Outflow of Resources	\$ 8,207,472	\$ 7,995,884	\$ 7,457,828	\$ 7,235,055	\$ 6,546,391
Liabilities					
Current Liabilities					
Accounts Payable	\$ 152,812	\$ 144,640	\$ 110,231	\$ 137,956	\$ 131,410
Accrued Liabilities	175,466	168,100	187,149	159,209	162,779
Deferred Revenue	90,495	86,090	90,554	89,318	85,323
Funds Held for Others	89,440	78,895	77,021	78,787	71,169
Investment Settlements Payable	188,038	236,823	216,510	191,449	107,183
Collateral Held for Securities Lending	7,437	28,225	43,902	113,477	24,428
Commercial Paper and Current Portion of Long-Term Debt	232,821	224,254	71,022	92,433	203,295
Long-Term Debt Subject to Remarketing	89,695	93,070	96,320	99,445	99,895
Total Current Liabilities	1,026,204	1,060,097	892,709	962,074	885,482
Noncurrent Liabilities					
Unearned Revenue	16,465	17,137	13,119	9,859	-
Long-Term Debt	1,386,017	1,405,916	1,527,661	1,411,225	1,121,127
Derivative Instrument Liability	38,116	55,332	42,353	39,571	39,869
Other Postemployment Benefits Liability	213,442	212,572	209,793	177,040	142,209
Net Pension Liability	522,264	658,186	460,723	253,804	-
Other Noncurrent Liabilities	73,300	69,532	67,073	60,652	56,765
Total Noncurrent Liabilities	2,249,604	2,418,675	2,320,722	1,952,151	1,359,970
Deferred Inflow Resources	44,857	32,052	-	185,860	-
Total Liabilities and Deferred Inflow of Resources	\$ 3,320,665	\$ 3,510,824	\$ 3,213,431	\$ 3,100,085	\$ 2,245,452
Net Position					
Net Investment in Capital Assets	1,728,982	1,692,629	1,613,846	1,626,371	1,636,334
Restricted					
Nonexpendable -					
Endowment	1,109,498	993,760	1,010,357	998,947	858,820
Expendable -					
Scholarship, Research, Instruction & Other	379,993	356,156	367,832	349,560	323,473
Loans	85,145	84,509	83,546	81,805	80,436
Capital Projects	57,723	54,298	39,461	46,363	42,357
Unrestricted	1,525,466	1,303,708	1,129,355	1,031,924	1,359,519
Total Net Position	4,886,807	4,485,060	4,244,397	4,134,970	4,300,939
Total Liabilities & Net Position	\$ 8,207,472	\$ 7,995,884	\$ 7,457,828	\$ 7,235,055	\$ 6,546,391

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Operating Revenues					
Tuition and Fees, Net	\$ 868,784	\$ 898,906	\$ 870,637	\$ 829,920	\$ 791,319
Less: Scholarship Allowances	219,567	226,632	217,648	202,647	198,514
Net Tuition and Fees	649,217	672,274	652,989	627,273	592,805
Federal Grants and Contracts	158,414	155,134	155,797	160,582	183,654
State and Local Grants and Contracts	60,934	57,690	53,926	49,538	54,298
Private Grants and Contracts	70,527	67,348	70,296	76,867	71,731
Sales and Services of Educational Activities	26,492	25,406	25,074	24,137	24,129
Auxiliary Enterprises -					
Patient Medical Services, Net	1,323,006	1,205,084	944,161	873,638	847,681
Housing and Dining Services, Net	106,468	115,351	114,361	106,818	105,794
Bookstores	47,598	54,590	55,941	54,444	55,582
Other Auxiliary Enterprises, Net	293,407	274,817	263,135	247,922	250,975
Other Operating Revenues	63,680	74,663	66,849	64,037	58,179
Total Operating Revenues	2,799,743	2,702,357	2,402,529	2,285,256	2,244,828
Operating Expenses					
Salaries and Wages	1,583,221	1,522,480	1,407,428	1,363,449	1,343,889
Benefits	460,546	461,209	396,886	346,257	385,767
Supplies, Services and Other Operating Expenses	975,444	970,963	858,939	833,799	766,624
Scholarships and Fellowships	69,289	70,353	66,860	66,919	62,461
Depreciation	210,226	201,691	194,075	183,250	167,796
Total Operating Expenses	3,298,726	3,226,696	2,924,188	2,793,674	2,726,537
Operating Loss before State Appropriations	(498,983)	(524,339)	(521,659)	(508,418)	(481,709)
State Appropriations	417,912	438,813	435,511	412,650	401,400
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	(81,071)	(85,526)	(86,148)	(95,768)	(80,309)
Nonoperating Revenues (Expenses)					
Federal Appropriations	27,128	27,041	28,399	27,675	29,154
Federal Pell Grants	52,875	57,313	59,072	59,776	59,917
Investment and Endowment Income (Losses), Net	286,025	22,696	38,187	281,837	147,433
Private Gifts	71,926	80,972	68,615	66,780	64,103
Interest Expense	(70,037)	(65,061)	(67,651)	(59,916)	(55,256)
Other Nonoperating Revenues (Expenses)	(347)	(3,514)	13,972	1,477	(4,822)
Net Nonoperating Revenues (Expenses)	367,570	119,447	140,594	377,629	240,529
Income (Loss) before Capital Contributions, Additions to Permanent Endowments,					
Extraordinary and Special Items	286,499	33,921	54,446	281,861	160,220
State Capital Appropriations	49,519	29,166	3,610	-	745
Capital Gifts and Grants	34,371	15,990	21,083	14,727	20,244
Private Gifts for Endowment Purposes	31,358	29,477	30,288	47,390	35,113
Increase (Decrease) in Net Position	401,747	108,554	109,427	343,978	216,322
Net Position, Beginning of Year	4,485,060	4,244,397	4,134,970	4,300,939	4,084,617
Cumulative Effect of Change in Accounting Principles	-	132,109	-	(509,947)	-
Net Position, Beginning of Year, as Adjusted	4,485,060	4,376,506	4,134,970	3,790,992	4,084,617
Net Position, End of Year	4,886,807	4,485,060	\$ 4,244,397	\$ 4,134,970	\$ 4,300,939

CHANGES IN NET POSITION

(% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Operating Revenues					
Tuition and Fees, Net	-3.4%	3.2%	4.9%	4.9%	7.5%
Less: Scholarship Allowances	-3.1%	4.1%	7.4%	2.1%	4.0%
Net Tuition and Fees	-3.4%	3.0%	4.1%	5.8%	8.7%
Federal Grants and Contracts	2.1%	-0.4%	-3.0%	-12.6%	-0.7%
State and Local Grants and Contracts	5.6%	7.0%	8.9%	-8.8%	-2.8%
Private Grants and Contracts	4.7%	-4.2%	-8.5%	7.2%	1.0%
Sales and Services of Educational Activities	4.3%	1.3%	3.9%	0.0%	4.4%
Auxiliary Enterprises -					
Patient Medical Services, Net	9.8%	27.6%	8.1%	3.1%	6.6%
Housing and Dining Services, Net	-7.7%	0.9%	7.1%	1.0%	6.1%
Bookstores	-12.8%	-2.4%	2.7%	-2.0%	-3.4%
Other Auxiliary Enterprises, Net	6.8%	4.4%	6.1%	-1.2%	15.3%
Other Operating Revenues	-14.7%	11.7%	4.4%	10.1%	5.2%
Total Operating Revenues	3.6%	12.5%	5.1%	1.8%	6.6%
Operating Expenses					
Salaries and Wages	4.0%	8.2%	3.2%	1.5%	1.9%
Benefits	-0.1%	16.2%	14.6%	-10.2%	7.3%
Supplies, Services and Other Operating Expenses	0.5%	13.0%	3.0%	8.8%	0.5%
Scholarships and Fellowships	-1.5%	5.2%	-0.1%	7.1%	3.4%
Depreciation	4.2%	3.9%	5.9%	9.2%	4.3%
Total Operating Expenses	2.2%	10.3%	4.7%	2.5%	2.4%
Operating Loss before State Appropriations	4.8%	-0.5%	-2.6%	-5.5%	13.4%
State Appropriations	4.8%	0.8%	5.5%	2.8%	0.9%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	5.2%	0.7%	10.0%	-19.2%	49.4%
Nonoperating Revenues (Expenses)					
Federal Appropriations	0.3%	-4.8%	2.6%	-5.1%	3.3%
Federal Pell Grants	-7.7%	-3.0%	-1.2%	-0.2%	-3.8%
Investment and Endowment Income (Losses), Net	1160.2%	-40.6%	-86.5%	91.2%	377.8%
Private Gifts	-11.2%	18.0%	2.7%	4.2%	-29.0%
Interest Expense	7.6%	3.8%	-12.9%	-8.4%	-2.5%
Other Nonoperating Revenues (Expenses)	-90.1%	-125.2%	846.0%	130.6%	52.8%
Net Nonoperating Revenues (Expenses)	207.7%	-15.0%	-62.8%	57.0%	63.0%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item	744.6%	-37.7%	-80.7%	75.9%	1536.7%
State Capital Appropriations	69.8%	707.9%	100.0%	-100.0%	-20.5%
Capital Gifts and Grants	115.0%	-24.2%	43.2%	-27.3%	71.7%
Private Gifts for Endowment Purposes	6.4%	-2.7%	-36.1%	35.0%	43.4%
Increase (Decrease) in Net Position	270.1%	-0.8%	-68.2%	59.0%	216.4%
Net Position, Beginning of Year	5.7%	2.6%	-3.9%	5.3%	1.7%
Cumulative Effect of Change in Accounting Principles	0.0%	0.0%	100.0%	-100%	0.0%
Net Position, Beginning of Year, as Adjusted	2.5%	5.8%	9.1%	-7.2%	1.7%
Net Position, End of Year	9.0%	5.7%	2.6%	-3.9%	5.3%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2016	2016	2015	2014	2013
+ Primary Reserve Ratio	0.60	0.54	0.54	0.53	0.65
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.54	4.07	4.06	3.95	4.88
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.59	1.42	1.42	1.38	1.71

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

+ Return on Net Position Ratio	8.6%	2.4%	2.6%	8.7%	5.2%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	4.29	1.22	1.31	4.34	2.58
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.86	0.24	0.26	0.87	0.52

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

+ Net Operating Revenues Ratio	5.1%	5.3%	5.1%	5.1%	5.6%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	3.89	4.06	3.95	3.92	4.30
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.39	0.41	0.40	0.39	0.43

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

+ Viability Ratio	1.17	1.01	0.93	0.91	1.24
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	2.79	2.43	2.24	2.19	2.97
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	0.98	0.85	0.78	0.77	1.04

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

Composite Financial Index	3.81	2.93	2.86	3.41	3.69
Composite Financial Index - Three Year Average	3.25	3.22	3.32	3.43	3.64

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

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Net Tuition per Student

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Gross Tuition and Fees	\$ 868,784	\$ 898,906	\$ 870,637	\$ 829,920	\$ 791,319
Less: Scholarship Discounts / Allowances	(219,567)	(226,632)	(217,648)	(202,647)	(198,514)
Less: Scholarship / Fellowship Expenses	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
Net Tuition	\$ 579,928	\$ 601,921	\$ 586,129	\$ 560,354	\$ 530,344
Net Tuition	\$ 579,928	\$ 601,921	\$ 586,129	\$ 560,354	\$ 530,344
Number of Students - Fall Semester (FTEs)	57,785	59,816	59,565	58,163	57,806
Net Tuition per Student	\$ 10,036	\$ 10,063	\$ 9,840	\$ 9,634	\$ 9,175

State Appropriations per Student

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
State Appropriations	\$ 417,912	\$ 438,813	\$ 435,511	\$ 412,650	\$ 401,400
Number of Students - Fall Semester (FTEs)	57,785	59,816	59,565	58,163	57,806
State Appropriations per Student	\$ 7,232	\$ 7,336	\$ 7,312	\$ 7,095	\$ 6,944

Educational Expenses per Student

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Total Operating Expenses	\$ 3,298,726	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537
Less: Scholarships / Fellowships Expense	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
Less: Auxiliary Operating Expenses	(1,360,986)	(1,270,059)	(1,205,871)	(1,130,729)	(1,109,157)
Less: Grants and Contracts Expenses	(289,875)	(280,172)	(280,019)	(286,987)	(309,683)
Interest Expense	70,037	65,061	67,651	59,916	55,256
Less: Auxiliary Interest Expense	(12,893)	(12,985)	(12,981)	(12,538)	(9,753)
Net Educational Expenses	\$ 1,635,720	\$ 1,658,188	\$ 1,426,108	\$ 1,356,417	\$ 1,290,739
Net Educational Expenses	\$ 1,635,720	\$ 1,658,188	\$ 1,426,108	\$ 1,356,417	\$ 1,290,739
Number of Students - Fall Semester (FTEs)	57,785	59,816	59,565	58,163	57,806
Educational Expenses per Student	\$ 28,307	\$ 27,721	\$ 23,942	\$ 23,321	\$ 22,329

Total Tuition Discount

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Scholarship Allowances	\$ 219,567	\$ 226,632	\$ 217,648	\$ 202,647	\$ 198,514
Scholarships / Fellowships Expense	69,289	70,353	66,860	66,919	62,461
Total Tuition Discounts (\$)	\$ 288,856	\$ 296,985	\$ 284,508	\$ 269,566	\$ 260,975
Total Tuition Discounts (\$)	\$ 288,856	\$ 296,985	\$ 284,508	\$ 269,566	\$ 260,975
Gross Tuition and Fees	\$ 868,784	\$ 898,906	\$ 870,637	\$ 829,920	\$ 791,319
Total Tuition Discount (%)	33.2%	33.0%	32.7%	32.5%	33.0%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Current Portion of Long-Term Debt	\$ 232,821	\$ 224,254	\$ 71,022	\$ 92,433	\$ 203,295
Long-Term Debt Subject to Remarketing	89,695	93,070	96,320	99,445	99,895
Long-Term Debt	1,386,017	1,405,916	1,527,661	1,411,225	1,121,127
Total Direct Debt	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Total Direct Debt	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317

Unrestricted Financial Resources
to Direct Debt

0.89 0.76 0.67 0.64 0.95

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

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	379,993	356,156	367,832	349,560	323,473
Net Position - Restricted Expendable - Loans	85,145	84,509	83,546	81,805	80,436
Expendable Net Position	\$ 1,990,604	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428
Expendable Net Position	\$ 1,990,604	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428
Total Direct Debt	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317

Viability Ratio

1.17 1.01 0.93 0.91 1.24

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	379,993	356,156	367,832	349,560	323,473
Net Position - Restricted Expendable - Loans	85,145	84,509	83,546	81,805	80,436
Net Position - Restricted Nonexpendable	1,109,498	993,760	1,010,357	998,947	858,820
Total Financial Resources	\$ 3,100,102	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248
Total Financial Resources	\$ 3,100,102	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248
Total Direct Debt	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317

Total Financial Resources
to Direct Debt

1.81 1.59 1.53 1.54 1.84

Direct Debt per Student

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Total Direct Debt	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103	\$ 1,424,317
Number of Students - End of Fiscal Year (FTEs)	55,398	57,785	59,816	59,565	58,163

Direct Debt per Student

\$ 30,841 \$ 29,822 \$ 28,337 \$ 26,914 \$ 24,488

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Actual Debt Service to Operations

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Debt Service - Principal	\$ 37,251	\$ 29,855	\$ 19,090	\$ 24,325	\$ 24,849
Debt Service - Interest	70,037	65,061	67,651	59,916	55,256
Total Debt Service	\$ 107,288	\$ 94,916	\$ 86,741	\$ 84,241	\$ 80,105
Operating Expenses	\$ 3,298,726	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537
Less: Scholarships & Fellowships Expense	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
Interest Expense	70,037	65,061	67,651	59,916	55,256
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332
Total Debt Service	\$ 107,288	\$ 94,916	\$ 86,741	\$ 84,241	\$ 80,105
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332
Actual Debt Service to Operations	3.3%	2.9%	3.0%	3.0%	2.9%

Capital Expense to Operations

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Depreciation Expense	\$ 210,226	\$ 201,691	\$ 194,075	\$ 183,250	\$ 167,796
Interest Expense	70,037	65,061	67,651	59,916	55,256
Total Capital Expense	\$ 280,263	\$ 266,752	\$ 261,726	\$ 243,166	\$ 223,052
Operating Expenses	\$ 3,298,726	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537
Less: Scholarships & Fellowships Expense	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
Interest Expense	70,037	65,061	67,651	59,916	55,256
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332
Total Capital Expense	\$ 280,263	\$ 266,752	\$ 261,726	\$ 243,166	\$ 223,052
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332
Capital Expense to Operations	8.5%	8.3%	8.9%	8.7%	8.2%

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Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Operating Expenses	\$ 3,298,726	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537
Less: Scholarships & Fellowships Expense	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
Interest Expense	70,037	65,061	67,651	59,916	55,256
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332

Unrestricted Financial Resources
to Operations

0.46 0.40 0.39 0.37 0.50

Expendable Financial Resources to Operations (Primary Reserve Ratio)

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	379,993	356,156	367,832	349,560	323,473
Net Position - Restricted Expendable - Loans	85,145	84,509	83,546	81,805	80,436
Expendable Net Position	\$ 1,990,604	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428
Operating Expenses	\$ 3,298,726	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674	\$ 2,726,537
Less: Scholarships & Fellowships Expense	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
Interest Expense	70,037	65,061	67,651	59,916	55,256
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332
Expendable Net Position	\$ 1,990,604	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289	\$ 1,763,428
Adjusted Total Operating Expense	\$ 3,299,474	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671	\$ 2,719,332

Primary Reserve Ratio

0.60 0.54 0.54 0.53 0.65

Total Financial Resources per Student

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Net Position - Unrestricted	\$ 1,525,466	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924	\$ 1,359,519
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	379,993	356,156	367,832	349,560	323,473
Net Position - Restricted Expendable - Loans	85,145	84,509	83,546	81,805	80,436
Net Position - Restricted Nonexpendable	1,109,498	993,760	1,010,357	998,947	858,820
Total Financial Resources	\$ 3,100,102	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248
Total Financial Resources	\$ 3,100,102	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236	\$ 2,622,248
Number of Students - End of Fiscal Year (FTE)	55,398	57,785	59,816	59,565	58,163

Total Financial Resources per Student \$ 55,961 \$ 47,385 \$ 43,318 \$ 41,337 \$ 45,084

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Annual Operating Margin (Net Operating Revenues Ratio)

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Operating Inc (Loss) After State Appropriations	\$ (81,071)	\$ (85,526)	\$ (86,148)	\$ (95,768)	\$ (80,309)
Federal Appropriations	27,128	27,041	28,399	27,675	29,154
Federal Pell Grants	52,875	57,313	59,072	59,776	59,917
Normalized Investment Income	175,081	164,675	156,107	151,113	143,305
Private Gifts	71,926	80,972	68,615	66,780	64,103
Interest Expense	(70,037)	(65,061)	(67,651)	(59,916)	(55,256)
Net Operating Surplus (Deficit)	\$ 175,902	\$ 179,414	\$ 158,394	\$ 149,660	\$ 160,914
Total Operating Revenues	\$ 2,799,743	\$ 2,702,357	\$ 2,402,529	\$ 2,285,256	\$ 2,244,828
Less: Scholarship & Fellowships Expense	(69,289)	(70,353)	(66,860)	(66,919)	(62,461)
State Appropriations	417,912	438,813	435,511	412,650	401,400
Federal Appropriations	27,128	27,041	28,399	27,675	29,154
Federal Pell Grants	52,875	57,313	59,072	59,776	59,917
Normalized Investment Income (a)	175,081	164,675	156,107	151,113	143,305
Private Gifts	71,926	80,972	68,615	66,780	64,103
Total Operating Revenues	\$ 3,475,376	\$ 3,400,818	\$ 3,083,373	\$ 2,936,331	\$ 2,880,246

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

Net Operating Surplus (Deficit)	\$ 175,902	\$ 179,414	\$ 158,394	\$ 149,660	\$ 160,914
Total Operating Revenues	\$ 3,475,376	\$ 3,400,818	\$ 3,083,373	\$ 2,936,331	\$ 2,880,246

Net Operating Revenues Ratio **5.1%** **5.3%** **5.1%** **5.1%** **5.6%**

Debt Service Coverage

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Total Debt Service	\$ 107,288	\$ 94,916	\$ 86,741	\$ 84,241	\$ 80,105
Net Operating Surplus (Deficit)	\$ 175,902	\$ 179,414	\$ 158,394	\$ 149,660	\$ 160,914
Add Back: Interest Expense	70,037	65,061	67,651	59,916	55,256
Add Back: Depreciation Expense	210,226	201,691	194,075	183,250	167,796
Adjusted Net Operating Surplus (Deficit)	\$ 456,165	\$ 446,166	\$ 420,120	\$ 392,826	\$ 383,966
Adjusted Net Operating Surplus (Deficit)	\$ 456,165	\$ 446,166	\$ 420,120	\$ 392,826	\$ 383,966
Total Debt Service	\$ 107,288	\$ 94,916	\$ 86,741	\$ 84,241	\$ 80,105

Debt Service Coverage **4.25** **4.70** **4.84** **4.66** **4.79**

Return on Net Position

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Change in Net Position	\$ 401,747	\$ 108,554	\$ 109,427	\$ 343,978	\$ 216,322
Average Net Position	\$ 4,685,934	\$ 4,430,783	\$ 4,189,684	\$ 3,962,981	\$ 4,192,778

Return on Net Position Ratio **8.6%** **2.4%** **2.6%** **8.7%** **5.2%**

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
State Appropriations	\$ 417,912	\$ 438,813	\$ 435,511	\$ 412,650	\$ 401,400
Tuition and Fees, Net of Scholarship Allow/Exp	579,928	601,921	586,129	560,354	530,344
Auxiliary Enterprises	447,473	444,758	433,437	409,184	412,351
Grants and Contracts	289,875	280,172	280,019	286,987	309,683
Federal Pell Grants	52,875	57,313	59,072	59,776	59,917
Gifts	71,926	80,972	68,615	66,780	64,103
Normalized Investment Income (a)	175,081	164,675	156,107	151,113	143,305
Patient Care	1,323,006	1,205,084	944,161	873,638	847,681
Other	117,300	127,110	120,322	115,849	111,462
Total	\$ 3,475,376	\$ 3,400,818	\$ 3,083,373	\$ 2,936,331	\$ 2,880,246
State Appropriations	12.0%	12.9%	14.1%	14.1%	13.9%
Tuition and Fees, Net of Scholarship Allow/Exp	16.7%	17.7%	19.0%	19.1%	18.4%
Auxiliary Enterprises	12.9%	13.1%	14.1%	13.9%	14.3%
Grants and Contracts	8.3%	8.2%	9.1%	9.8%	10.8%
Federal Pell Grants	1.5%	1.7%	1.9%	2.0%	2.1%
Gifts	2.1%	2.4%	2.2%	2.3%	2.2%
Normalized Investment Income (a)	5.0%	4.8%	5.1%	5.1%	5.0%
Patient Care	38.1%	35.4%	30.6%	29.8%	29.4%
Other	3.4%	3.8%	3.9%	3.9%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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

Operating Expenses by Functional Classifications

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Instruction	\$ 640,343	\$ 643,872	\$ 638,917	\$ 622,684	\$ 623,843
Research	193,503	194,245	189,339	190,406	205,970
Public Service	167,322	158,935	153,492	145,629	148,755
Academic Support	150,011	156,667	147,403	139,118	139,413
Student Services	96,937	99,132	92,629	84,787	77,025
Institutional Support	125,894	149,468	128,773	123,651	100,453
Operation and Maintenance of Plant	96,435	99,375	104,205	104,683	89,385
Auxiliary Enterprises	1,548,766	1,271,256	1,208,495	1,132,557	1,111,436
Scholarships and Fellowships	69,289	70,353	66,860	69,919	62,461
Depreciation	210,226	190,296	194,075	183,250	167,796
Total Operating Expenses	\$ 3,298,726	\$ 3,033,599	\$ 2,924,188	\$ 2,796,684	\$ 2,726,537
Instruction	19.4%	21.2%	21.8%	22.3%	22.9%
Research	5.9%	6.4%	6.5%	6.8%	7.6%
Public Service	5.1%	5.2%	5.2%	5.2%	5.5%
Academic Support	4.5%	5.2%	5.0%	5.0%	5.1%
Student Services	2.9%	3.3%	3.2%	3.0%	2.8%
Institutional Support	3.8%	4.9%	4.4%	4.4%	3.7%
Operation and Maintenance of Plant	2.9%	3.3%	3.6%	3.7%	3.3%
Auxiliary Enterprises	47.0%	41.9%	41.3%	40.5%	40.8%
Scholarships and Fellowships	2.1%	2.3%	2.3%	2.5%	2.3%
Depreciation	6.4%	6.3%	6.7%	6.6%	6.0%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

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Enrollment

Fall Semester	2016	2015	2014	2013	2012
Undergraduate Students (Head Count)	58,385	59,418	58,489	56,869	56,750
Graduate Students (Head Count)	14,498	15,184	15,614	15,224	15,130
Professional Students (Head Count)	3,116	3,131	3,180	3,179	3,164
Total Students (Head Count)	75,999	77,733	77,283	75,272	75,044
Undergraduate Students (FTE)	46,202	47,840	47,443	46,334	46,107
Graduate Students (FTE)	8,505	8,889	8,986	8,696	8,576
Professional Students (FTE)	3,077	3,087	3,137	3,133	3,123
Total Students (FTE)	57,784	59,816	59,566	58,163	57,806
Acceptance Rate - First-time Freshmen	71%	76%	75%	76%	78%
Acceptance Rate - Undergraduate Transfers	66%	69%	68%	67%	71%
Matriculation - First-time Freshmen	33%	38%	40%	39%	39%
Matriculation - Undergraduate Transfers	66%	64%	68%	67%	66%

Demographics

Fall Semester	2016	2015	2014	2013	2012
Male	48%	49%	48%	48%	48%
Female	52%	51%	52%	52%	52%
Undergraduate Residence - Missouri	81%	79%	78%	79%	80%
Undergraduate Residence - Out of State	19%	21%	22%	21%	20%
Undergraduate Full-Time	73%	75%	76%	77%	76%
Undergraduate Part-Time	27%	25%	24%	23%	24%
Graduate Full-Time	50%	49%	49%	47%	46%
Graduate Part-Time	50%	51%	51%	53%	54%
White	72.2%	72.5%	72.5%	73.7%	74.7%
Black or African American	9.2%	9.0%	9.4%	9.7%	9.9%
Non-Resident Alien	7.5%	8.0%	8.0%	7.1%	6.5%
Asian / Pacific Is.	4.0%	3.8%	3.8%	3.7%	3.6%
Hispanic	4.2%	3.9%	3.7%	3.4%	3.2%
Other	2.9%	2.8%	2.6%	2.4%	2.1%

Degrees Awarded

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Baccalaureate	11,546	11,654	11,360	10,733	10,545
Graduate Certificate	869	839	780	740	781
Master's	4,217	4,330	4,204	4,013	3,919
Educational Specialist	93	100	122	113	115
Doctoral	816	720	712	640	660
First Professional Degree	829	833	876	837	847
Total	18,370	18,476	18,054	17,076	16,867

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Enrollment

Fall Semester	2016	2015	2014	2013	2012
Undergraduate Students (Head Count)	25,877	27,791	27,642	26,928	26,960
Graduate Students (Head Count)	6,178	6,440	6,561	6,434	6,473
Professional Students (Head Count)	1,184	1,193	1,222	1,254	1,271
Total Students (Head Count)	33,239	35,424	35,425	34,616	34,704
Undergraduate Students (FTE)	23,864	25,600	25,371	24,753	24,677
Graduate Students (FTE)	3,694	3,894	3,959	3,894	3,921
Professional Students (FTE)	1,166	1,172	1,202	1,228	1,248
Total Students (FTE)	28,724	30,666	30,532	29,875	29,846
Acceptance Rate - First-time Freshmen	75%	78%	78%	79%	81%
Acceptance Rate - Undergraduate Transfers	62%	67%	65%	66%	67%
Matriculation - First-time Freshmen	30%	36%	40%	38%	39%
Matriculation - Undergraduate Transfers	57%	54%	60%	59%	61%

Demographics

Fall Semester	2016	2015	2014	2013	2012
Male	47%	47%	47%	47%	47%
Female	53%	53%	53%	53%	53%
Undergraduate Residence - Missouri	74%	72%	73%	75%	77%
Undergraduate Residence - Out of State	26%	28%	27%	25%	23%
Undergraduate Full-Time	93%	94%	94%	94%	93%
Undergraduate Part-Time	7%	6%	6%	6%	7%
Graduate Full-Time	58%	59%	59%	60%	60%
Graduate Part-Time	42%	41%	41%	40%	40%
White	76.9%	76.9%	77.4%	78.2%	79.0%
Black or African American	7.0%	7.3%	7.3%	7.2%	7.2%
Non-Resident Alien	7.2%	7.2%	6.9%	6.6%	6.3%
Asian / Pacific Is.	2.3%	2.2%	2.3%	2.3%	2.3%
Hispanic	3.6%	3.5%	3.3%	3.1%	2.9%
Other	3.0%	2.9%	2.8%	2.6%	2.3%

Degrees Awarded

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Baccalaureate	6,331	6,283	5,995	5,769	5,692
Graduate Certificate	266	225	239	226	225
Master's	1,684	1,619	1,571	1,580	1,515
Educational Specialist	56	51	82	65	63
Doctoral	500	416	435	390	411
First Professional Degree	313	308	346	339	332
Total	9,150	8,902	8,668	8,369	8,238

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Enrollment

Fall Semester	2016	2015	2014	2013	2012
Undergraduate Students (Head Count)	11,704	11,243	10,453	10,227	10,614
Graduate Students (Head Count)	3,468	3,676	3,911	3,738	3,651
Professional Students (Head Count)	1,764	1,766	1,782	1,753	1,725
Total Students (Head Count)	16,936	16,685	16,146	15,718	15,990
Undergraduate Students (FTE)	7,990	7,798	7,575	7,590	7,715
Graduate Students (FTE)	2,080	2,202	2,218	2,069	1,965
Professional Students (FTE)	1,744	1,743	1,759	1,733	1,707
Total Students (FTE)	11,814	11,743	11,552	11,392	11,387
Acceptance Rate - First-time Freshmen	62%	63%	64%	65%	68%
Acceptance Rate - Undergraduate Transfers	66%	69%	68%	66%	72%
Matriculation - First-time Freshmen	38%	37%	38%	37%	37%
Matriculation - Undergraduate Transfers	66%	65%	73%	68%	63%

Demographics

Fall Semester	2016	2015	2014	2013	2012
Male	44%	45%	45%	44%	42%
Female	56%	55%	55%	56%	58%
Undergraduate Residence - Missouri	78%	77%	74%	73%	75%
Undergraduate Residence - Out of State	22%	23%	26%	27%	25%
Undergraduate Full-Time	57%	59%	65%	67%	65%
Undergraduate Part-Time	43%	41%	35%	33%	35%
Graduate Full-Time	44%	45%	43%	37%	33%
Graduate Part-Time	56%	55%	57%	63%	67%
White	62.8%	62.6%	62.2%	64.6%	67.2%
Black or African American	11.0%	10.4%	11.2%	12.2%	12.4%
Non-Resident Alien	8.9%	10.1%	10.2%	7.5%	6.3%
Asian / Pacific Is.	6.7%	6.5%	6.7%	6.8%	6.4%
Hispanic	7.2%	6.7%	6.1%	5.7%	5.2%
Other	3.4%	3.7%	3.6%	3.2%	2.5%

Degrees Awarded

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Baccalaureate	1,824	1,741	1,812	1,803	1,759
Graduate Certificate	48	71	50	33	33
Master's	1,082	1,213	1,197	1,028	954
Educational Specialist	20	32	26	35	24
Doctoral	122	120	98	116	93
First Professional Degree	473	480	489	459	475
Total	3,569	3,657	3,672	3,474	3,338

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2016	2015	2014	2013	2012
Undergraduate Students (Head Count)	6,906	6,839	6,520	6,145	5,841
Graduate Students (Head Count)	1,929	2,047	2,120	1,984	1,804
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	8,835	8,886	8,640	8,129	7,645
Undergraduate Students (FTE)	6,234	6,216	5,947	5,559	5,352
Graduate Students (FTE)	1,224	1,273	1,332	1,234	1,101
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	7,458	7,489	7,279	6,793	6,453
Acceptance Rate - First-time Freshmen	77%	88%	86%	87%	88%
Acceptance Rate - Undergraduate Transfers	70%	70%	70%	67%	65%
Matriculation - First-time Freshmen	44%	47%	42%	48%	44%
Matriculation - Undergraduate Transfers	72%	74%	75%	77%	77%

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

Demographics

Fall Semester	2016	2015	2014	2013	2012
Male	77%	77%	77%	77%	77%
Female	23%	23%	23%	23%	23%
Undergraduate Residence - Missouri	83%	80%	79%	79%	79%
Undergraduate Residence - Out of State	17%	20%	21%	21%	21%
Undergraduate Full-Time	90%	90%	89%	89%	90%
Undergraduate Part-Time	10%	10%	11%	11%	10%
Graduate Full-Time	63%	60%	61%	60%	58%
Graduate Part-Time	37%	40%	39%	40%	42%
White	73.6%	71.5%	70.0%	72.4%	74.8%
Black or African American	3.4%	3.4%	3.5%	4.1%	4.3%
Non-Resident Alien	13.4%	16.1%	18.2%	16.3%	14.3%
Asian / Pacific Is.	3.6%	3.2%	2.9%	2.6%	2.4%
Hispanic	3.3%	3.2%	3.1%	2.5%	2.5%
Other	2.7%	2.6%	2.3%	2.1%	1.7%

Degrees Awarded

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Baccalaureate	1,320	1,378	1,307	1,141	1,118
Graduate Certificate	432	427	404	401	435
Master's	625	688	675	551	579
Educational Specialist	-	-	-	-	-
Doctoral	88	109	95	70	95
First Professional Degree	-	-	-	-	-
Total	2,465	2,602	2,481	2,163	2,227

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2016	2015	2014	2013	2012
Undergraduate Students (Head Count)	13,898	13,545	13,874	13,569	13,335
Graduate Students (Head Count)	2,923	3,021	3,022	3,068	3,202
Professional Students (Head Count)	168	172	176	172	168
Total Students (Head Count)	16,989	16,738	17,072	16,809	16,705
Undergraduate Students (FTE)	8,113	8,228	8,550	8,432	8,364
Graduate Students (FTE)	1,508	1,520	1,477	1,499	1,589
Professional Students (FTE)	168	172	176	172	168
Total Students (FTE)	9,789	9,920	10,203	10,103	10,121
Acceptance Rate - First-time Freshmen	54%	57%	56%	55%	54%
Acceptance Rate - Undergraduate Transfers	68%	71%	69%	69%	73%
Matriculation - First-time Freshmen	32%	38%	39%	37%	41%
Matriculation - Undergraduate Transfers	71%	70%	68%	69%	71%

Demographics

Fall Semester	2016	2015	2014	2013	2012
Male	41%	40%	40%	40%	40%
Female	59%	60%	60%	60%	60%
Undergraduate Residence - Missouri	94%	93%	93%	93%	93%
Undergraduate Residence - Out of State	6%	7%	7%	7%	7%
Undergraduate Full-Time	39%	42%	44%	44%	46%
Undergraduate Part-Time	61%	58%	56%	56%	54%
Graduate Full-Time	30%	27%	25%	25%	26%
Graduate Part-Time	70%	73%	75%	75%	74%
White	71.3%	73.1%	72.8%	73.1%	72.6%
Black or African American	15.0%	14.4%	15.2%	15.2%	15.8%
Non-Resident Alien	3.5%	3.3%	3.2%	3.5%	3.6%
Asian / Pacific Is.	5.1%	4.5%	4.5%	4.3%	4.3%
Hispanic	3.0%	2.6%	2.5%	2.4%	2.4%
Other	2.1%	2.1%	1.8%	1.5%	1.3%

Degrees Awarded

Fiscal Year Ended June 30,	2017	2016	2015	2014	2013
Baccalaureate	2,071	2,252	2,246	2,020	1,976
Graduate Certificate	123	116	87	80	88
Master's	826	810	761	854	871
Educational Specialist	17	17	14	13	28
Doctoral	106	75	84	64	61
First Professional Degree	43	45	41	39	40
Total	3,186	3,315	3,233	3,070	3,064

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