



2018 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 was formed in 1963 and consists of system administration and four universities: the University of Missouri-Columbia, the University of Missouri-Kansas City, the Missouri University of Science and Technology, the University of Missouri-St. Louis, and all of their component parts, including MU Health, MU Extension and UM Engagement. In July 2018, the University of Missouri Board of Curators reaffirmed the value and importance of the University's general organization as a university system and the basic concept that the University will be one university system.

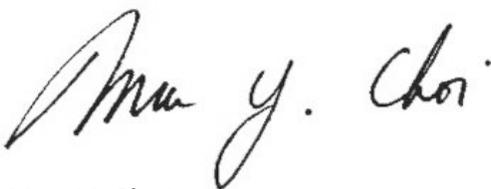
Our collective vision is to advance the opportunities for success and well-being for Missouri, our nation and the world through transformative teaching, research, innovation, engagement and inclusion.

In the last few years, university leaders have made difficult decisions that resulted in difficult but necessary cuts and reallocations. These bold actions have resulted in a more resilient and stronger university for the future. Now, the UM System has innovative plans to invest in areas of excellence including student success, research and creative works, engagement and outreach, inclusivity, and planning, operations and stewardship to support the universities' strategic plans. In all we do, we will remain good fiscal stewards and focus 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 our stakeholders and the citizens of Missouri 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 have 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.



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



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



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



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



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



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



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



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



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



Avery Welker
Student Representative
Missouri S&T
Term expires Jan. 1, 2020

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



Marsha B. Fischer, JD
Associate Vice President for
Human Resources



Steven W. Graham, PhD
Senior Associate Vice
President for Academic Affairs



Mark McIntosh, PhD
Vice President for Research
and Economic Development



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



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



C. Mauli Agrawal, PhD
Chancellor,
University of Missouri-Kansas
City



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



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

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:
30,844*

Alumni:
317,000+

The University of Missouri-Columbia (MU) was the first public university west of the Mississippi River. Today, with enrollment of more than 30,000 students, 12,000 full-time employees, and 317,000 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 275 degree programs and has more than 100 online education options.

Missouri's largest and most comprehensive university, MU has more than 275 degree programs through 19 colleges and schools, and is one of only six public institutions nationwide that can claim a medical school, college of veterinary medicine, college of engineering and a law school on the same campus. 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 2017-2018 enrollment.

University of Missouri-Kansas City



Founded:
1929

Enrollment:
16,372*

Alumni:
123,000+

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 2017-2018 enrollment.

Missouri University of Science & Technology



**MISSOURI
S&T**

Founded:
1870

Enrollment:
8,883*

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 2017-2018 enrollment.

University of Missouri-St. Louis



UMSL

Founded:
1963

Enrollment:
16,715*

Alumni:
99,000+

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 2017-2018 enrollment.

University of Missouri Health



Founded:
1956

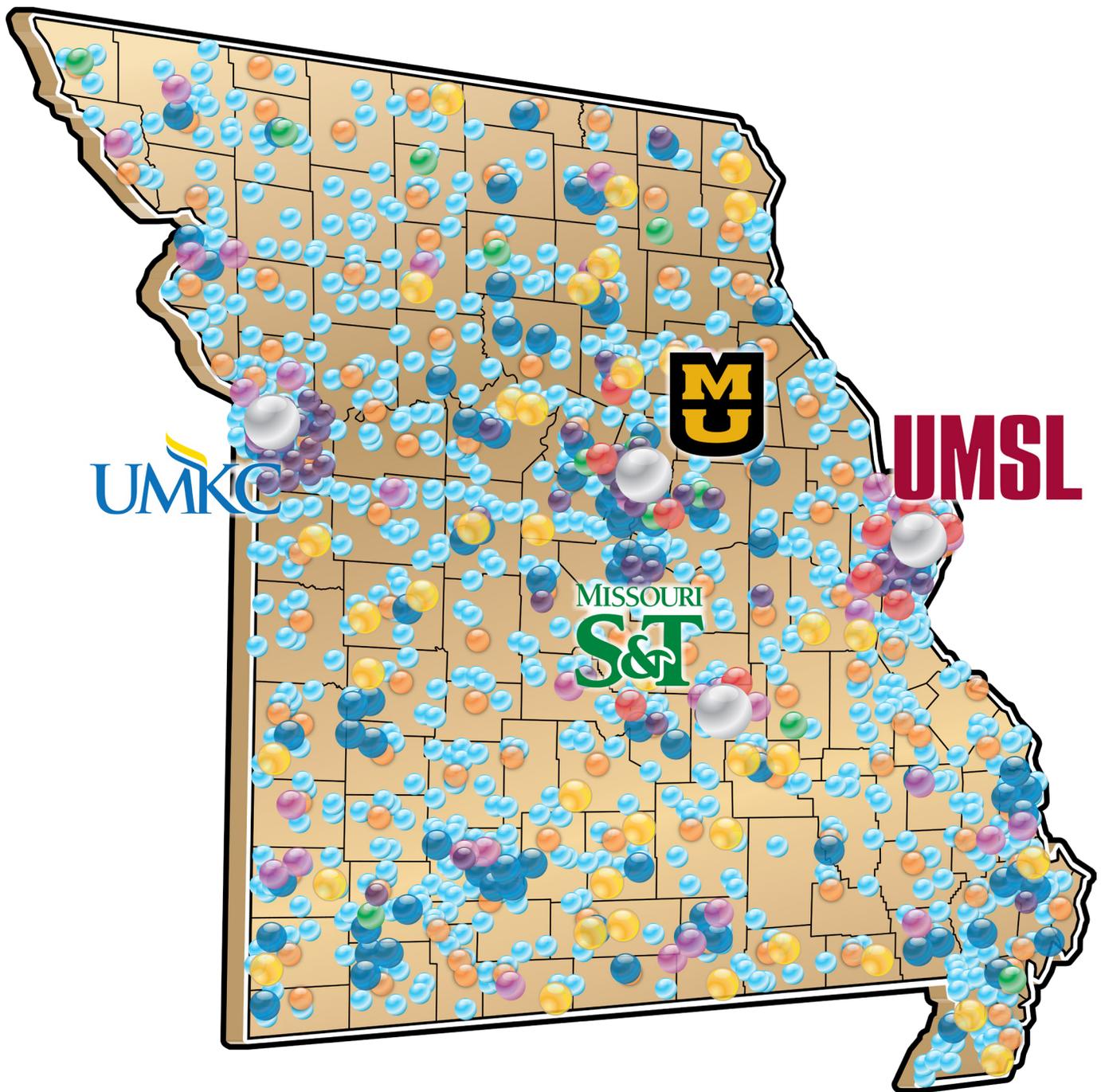
Based:
Columbia, MO

ER visits per year:
79,000+

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 26, 2018

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

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Financial Information



University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST. LOUIS

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018 and 2017 (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, 2018 and 2017, 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.

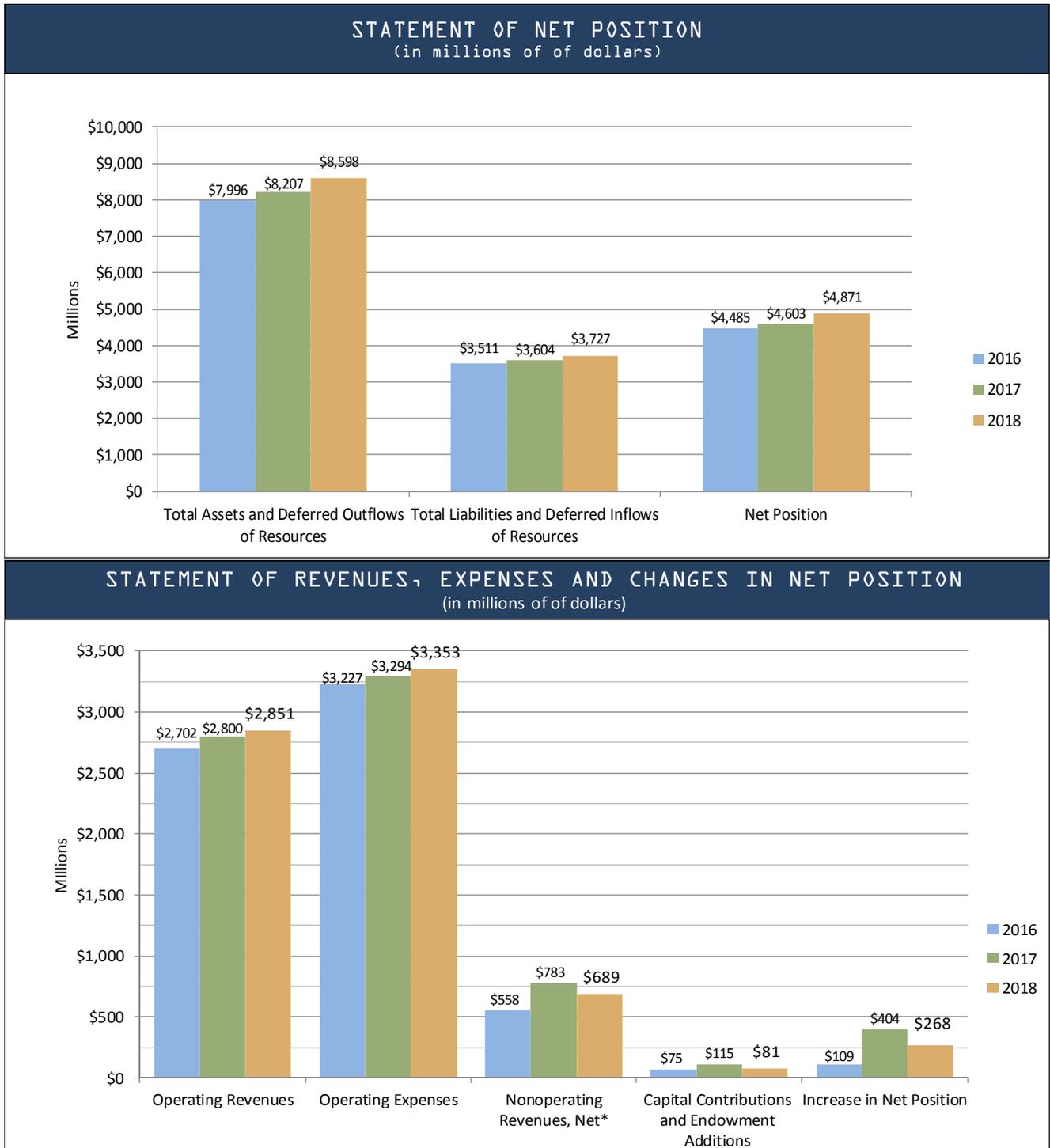
FINANCIAL HIGHLIGHTS

At June 30, 2018, the University's financial position remained solid, with Total Assets and Deferred Outflows of Resources of \$8.6 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 \$267.6 million as compared to fiscal year (FY) 2017, driven primarily by stable investment and endowment income and increased patient medical services revenues. Taking into account a \$285.7 million cumulative effect of a change in accounting principle, Net Position increased \$118.3 million between FY 2016 and FY 2017 and was primarily driven by increased investment and endowment income and increased patient medical services revenues. The increase related to the investment income and patient medical services was significantly offset by the implementation of GASB Statement No. 75 that increased the University's net postemployment benefits obligation by \$248.8 million in FY 2017.

As discussed in Note 1 to the financial statements, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as well as GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The net effect of the change in accounting principle for these two statements resulted in a decrease in the FY 2017 beginning net position of \$285.7 million. The FY 2016 information in this Management's Discussion and Analysis has not been restated for the adoption these GASB statements.

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The following charts compare Total Assets and Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources, and Net Position at June 30, 2018, 2017 and 2016, and the major components of changes in Net Position for the years ended June 30, 2018, 2017, and 2016:



* Includes State Appropriations

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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, 2018, 2017, and 2016:

CONDENSED STATEMENTS OF NET POSITION			
(in thousands of dollars)			
As of June 30,	2018	2017 (Restated - Note 1)	2016
Assets			
Current Assets	\$ 1,327,095	\$ 1,086,513	\$ 1,076,599
Noncurrent Assets			
Endowment and Other Long-Term Investments	3,478,003	3,436,352	3,135,882
Capital Assets, Net	3,383,075	3,412,410	3,364,972
Other	130,132	134,309	125,595
Deferred Outflows of Resources	279,210	137,888	292,836
Total Assets and Deferred Outflows of Resources	\$ 8,597,515	\$ 8,207,472	\$ 7,995,884
Liabilities			
Current Liabilities			
Commercial Paper and Current Portion of Long-Term Debt	\$ 228,078	\$ 232,821	\$ 224,254
Long-Term Debt Subject to Remarketing Agreements	86,185	89,695	93,070
Other	687,078	692,189	742,773
Noncurrent Liabilities			
Long-Term Debt	1,344,815	1,386,017	1,405,916
Other	1,297,179	1,123,907	1,012,759
Deferred Inflows of Resources	83,289	79,506	32,052
Total Liabilities & Deferred Inflows of Resources	3,726,624	3,604,135	3,510,824
Net Position			
Net Investment in Capital Assets	1,746,995	1,728,982	1,692,629
Restricted -			
Nonexpendable	1,200,514	1,109,498	993,760
Expendable	542,525	509,877	494,963
Unrestricted	1,380,857	1,254,980	1,303,708
Total Net Position	4,870,891	4,603,337	4,485,060
Total Liabilities and Net Position	\$ 8,597,515	\$ 8,207,472	\$ 7,995,884

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Total Assets and Deferred Outflows of Resources increased by \$390.0 million, or 4.8%, to \$8.6 billion as of June 30, 2018 compared to the prior year. The increase during FY 2018 was driven by an increase in cash and **Short-Term Investments** of \$260.1 million and an increase in the **Deferred Outflows of Resources** of \$141.3 million. The increase in 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**. **Capital Assets** declined in FY 2018 due to the retirement of equipment.

At June 30, 2018, the University's working capital, which is current assets less current liabilities, was \$325.8 million, an

increase of \$253.9 million from the previous year. The largest driver of the increase was a \$260.1 million increase in cash and **Short-Term Investments**. At June 30, 2017, the University's working capital was \$71.8 million, an increase of \$55.3 million over FY 2016 largely due to a decrease in **Investment Settlements Payable**.

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 \$411.9 million and \$161.5 million at June 30, 2018 and 2017, respectively, also expressed as Current Assets of 1.45 and 1.17 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,	2018	2017 (Restated - Note 1)	2016
Current Assets	\$ 1,327,095	\$ 1,086,513	\$ 1,076,599
Current Liabilities	1,001,341	1,014,705	1,060,097
Working Capital	\$ 325,754	\$ 71,808	\$ 16,502
Ratio of Current Assets to Current Liabilities	1.33	1.07	1.02
Current Assets	1,327,095	1,086,513	1,076,599
Current Liabilities	1,001,341	1,014,705	1,060,097
Less: Long-Term Debt Subject to Remarketing	(86,185)	(89,695)	(93,070)
Current Liabilities, As Adjusted	915,156	925,010	967,027
Working Capital, As Adjusted	\$ 411,939	\$ 161,503	\$ 109,572
Ratio of Current Assets to Current Liabilities (As Adjusted)	1.45	1.17	1.11

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At June 30, 2018, the University held \$554.6 million in **Cash and Cash Equivalents**, an increase of \$154.8 million from June 30, 2017. 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. The increase in cash at June 30, 2018 is largely due to timing differences as less working capital was invested at June 30, 2018 as compared to June 30, 2017. **Short-Term and Long-Term Investments** totaled \$3.7 billion and \$3.6 billion as of June 30, 2018 and 2017, respectively as compared to \$3.3 billion as of June 30, 2016.

Investment performance declined during FY 2018. Net realized and unrealized gains and losses decreased by \$84.2 million, going from a net gain of \$283.3 million in FY 2017 to a net gain of \$199.0 million in FY 2018. The Endowment Pool and General Pool experienced a net gain of 9.4% and 2.2% in FY 2018. For comparison, the Endowment Pool and General Pool experienced a net gain of 13.7% and 4.5% in FY 2017, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2018 and 2017 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS							
(in thousands of dollars)							
	June 30, 2018					June 30, 2017	
	Cash and Cash Equivalents	Short-Term and Long-Term Investments	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	\$ 298,681	\$ 1,870,383	\$ 2,169,064	2.2%	1.8%	\$ 2,014,816	4.5%
Endowment Funds							
Endowment Pool	192,034	1,506,269	1,698,303	9.4%	8.7%	1,543,307	13.7%
Other	63,923	359,557	423,480	N/A	N/A	415,227	N/A
Total	\$ 554,638	\$ 3,736,209	\$ 4,290,847			\$ 3,973,350	

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

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At June 30, 2018, the University's investment in **Capital Assets** totaled \$3.4 billion compared to \$3.4 billion at June 30, 2017. The University increased capital assets by \$119.1 million, net of retirements, during FY 2018, offset by a net increase in accumulated depreciation of \$148.5 million for

a net decrease in Capital Asset, Net of \$29.3 million. FY 2017 capital asset additions of \$219.7 million, net of retirements, were offset by a net increase of accumulated depreciation of \$172.2 million for a net increase in Capital Assets, Net of \$47.4 million.

Note 7 presents additional information by asset classification. Major capital projects either substantially completed in FY 2018 or ongoing are show in the following table.

SELECTED CAPITAL PROJECTS (Fiscal Year Ended June 30, 2018)				
Campus	Project Budget	Expenditures		Source of Funding
		Through June 30, 2018		
Columbia:				
Memorial Stadium South Expansion	\$ 99,304,000	\$ 12,863,000		Gifts, Revenue Bonds
East Campus Site Utility	26,404,000	10,291,000		Campus Reserves
Applied Learning Center	39,908,000	739,545		State Appropriations, Gifts
School of Music	24,214,000	4,473,584		Gifts
Hospital:				
WCH Exterior Replacement	16,000,000	131,771		Reserves
Kansas City:				
Spencer Chemistry Building	20,512,000	22,300,000		State Appropriations, Campus Reserves

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Total Liabilities and Deferred Inflows of Resources increased by \$122.5 million during FY 2018 as compared to June 30, 2017, which was primarily driven by a \$208.9 million increase in **Net Pension Liability**. This was partially offset by the reduction in liabilities for **Long-Term Debt** and **Net Other Postemployment Benefits Liability** of \$61.3 million. The increase in **Net Pension Liability** was largely driven by a change in assumptions which was the result of a decrease in the discount rate from 7.75% to 7.20%.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling \$86.2 million, \$89.7 million and \$93.1 million at June 30, 2018, 2017 and 2016, 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. There were no issues of commercial paper during FY 2018. 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.

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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 Revenue Bonds were refunded with the issuance of commercial paper.

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

LONG-TERM DEBT			
(in thousands of dollars)			
As of June 30,	2018	2017	2016
System Facilities Revenue Bonds	\$ 1,349,890	\$ 1,381,455	\$ 1,414,630
Health Facilities Revenue Bonds (Medical Alliance)	40,582	43,591	25,745
Unamortized Premium	43,191	49,101	55,698
Total Bonds Payable	1,433,663	1,474,147	1,496,073
Notes Payable	32,401	33,080	33,975
Capital Lease Obligations	1,439	2,488	3,454
Commercial Paper	191,575	196,203	187,183
Guaranteed Debt Outstanding	-	2,615	2,555
Total Long-Term Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240
Contractual Maturities Within One Year			
Bonds Payable - Fixed Rate	\$ 30,868	\$ 31,199	\$ 31,810
Bonds Payable - Variable Rate Demand	3,510	3,375	3,250
Notes Payable	986	964	956
Capital Lease Obligations	1,139	1,049	966
Commercial Paper	191,575	196,203	187,183
Guaranteed Debt Outstanding	-	31	89
Total Contractual Maturities Within One Year	\$ 228,078	\$ 232,821	\$ 224,254

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2018 and 2017 (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, 2018							
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Medical Alliance	Unallocated Bond Cost	Total
Athletics	\$ 96,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,701
Campus Utilities	136,064	6,905	-	28,386	-	-	-	171,355
Classroom & Research	79,410	49,244	42,615	14,203	-	-	-	185,472
Critical Repairs/Maintenance	15,896	6,781	4,185	4,700	-	-	-	31,562
Housing	312,474	97,229	17,775	79,336	-	-	-	506,814
Health Care	-	-	-	-	293,629	40,582	-	334,211
Parking	39,017	41,462	16,804	-	-	-	-	97,283
Recreational Facilities	34,731	6,625	34,003	714	-	-	-	76,073
Student Centers	25,164	37,142	13,878	8,695	-	-	-	84,879
Other	-	-	-	-	-	-	(2,303)	(2,303)
Unamortized Premium	-	-	-	-	-	-	43,191	43,191
Total	\$739,457	\$245,388	\$129,260	\$136,034	\$ 293,629	\$ 40,582	\$ 40,888	\$1,625,238

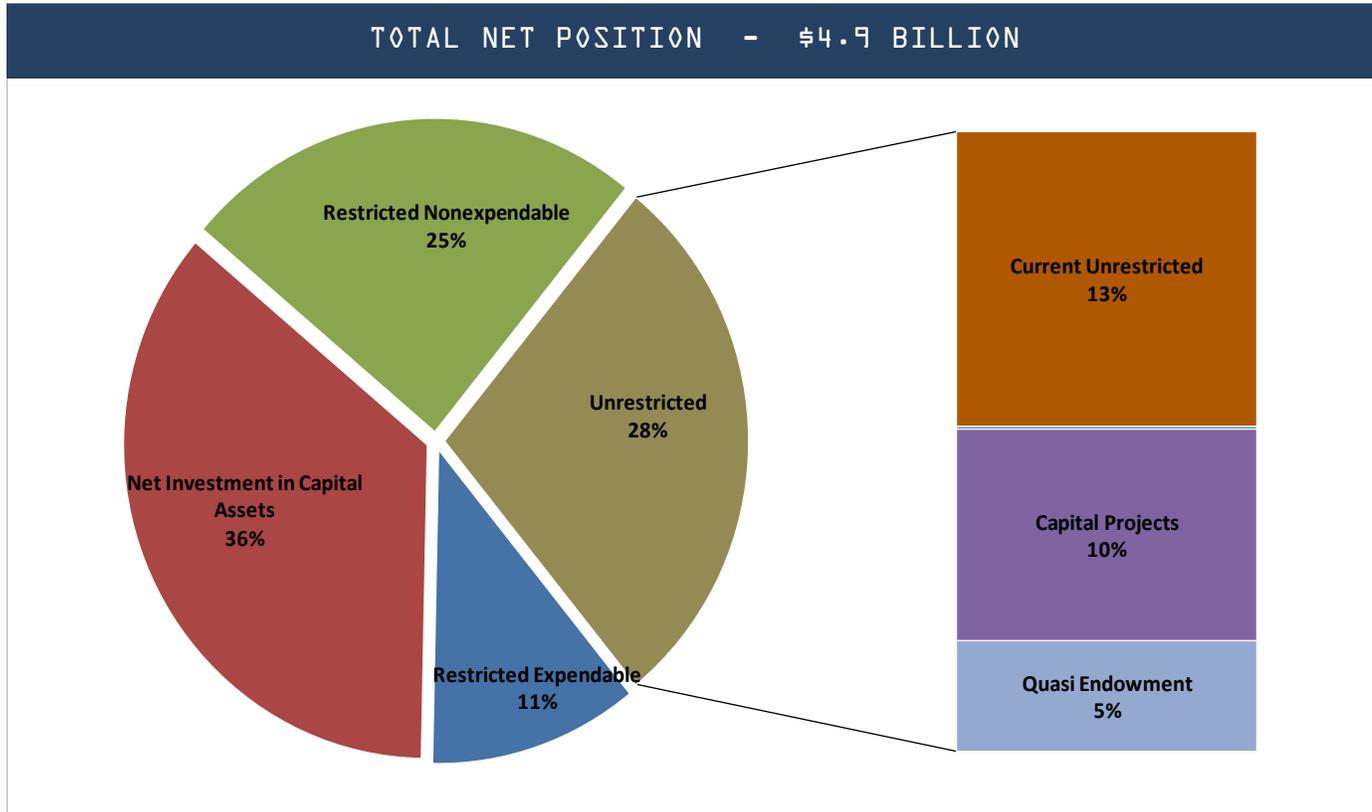
Deferred Inflows of Resources represent an acquisition of net position by the University that is applicable to a future period. During FY 2018, the University recognized \$83.2 million of deferred inflows of resources representing the University's remainder interest of charitable annuities and trusts, changes in assumptions for the other postemployment benefit plan, and differences between actual and expected experience for the pension and other postemployment benefit plans. Deferred inflows of resources recognized during FY 2017 was \$79.5 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 \$118.3 million during the year ended June 30, 2017 to \$4.6 billion and increased by \$267.6 million to \$4.9 billion for the year ended June 30, 2018.

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The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2018, 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 \$18.0 million in FY 2018 and increased by \$36.4 million in FY 2017. The increase in FY 2018 was largely driven by the repayment of debt. FY 2017 increased from additional capital funding from the State.

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, resulting in an increase of \$91.0 million or 8.2% during FY 2018 and an increase of \$115.7 million or 11.6% during FY 2017.

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 during FY 2017 by \$14.9 million, or 3.0%, and increased \$32.6 million, or 6.4%, during FY 2018. As of June 30, 2018, this category includes:

- \$394.6 million of net position restricted for operations and giving purposes compared to \$367.0 million at June 30, 2017;
- \$83.6 million for student loan programs compared to \$85.1 million at June 30, 2017; and
- \$64.4 million for facilities compared to \$57.7 million at June 30, 2017.

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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 \$125.9 million or 10.0% to \$1.4 billion in FY 2018. The gross increase in FY 2017 was offset by a decrease from the cumulative effect in the change of accounting principle of \$274.7 million resulting in a net decrease of \$48.7 million, or (3.7%), to \$1.3 billion as of June 30, 2017. 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, 2018 and 2017,

University Health Care designated funds totaled \$501.8 million and \$152.7 million, respectively; capital project-designated funds totaled \$470.2 million and \$614.7 million, respectively; student loan program-designated funds totaled \$6.7 million and \$8.6 million, respectively; and unrestricted funds functioning as endowments totaled \$245.7 million and \$238.0 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled \$156.4 million and \$241.0 million at June 30, 2018 and 2017, respectively.

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STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands of dollars)

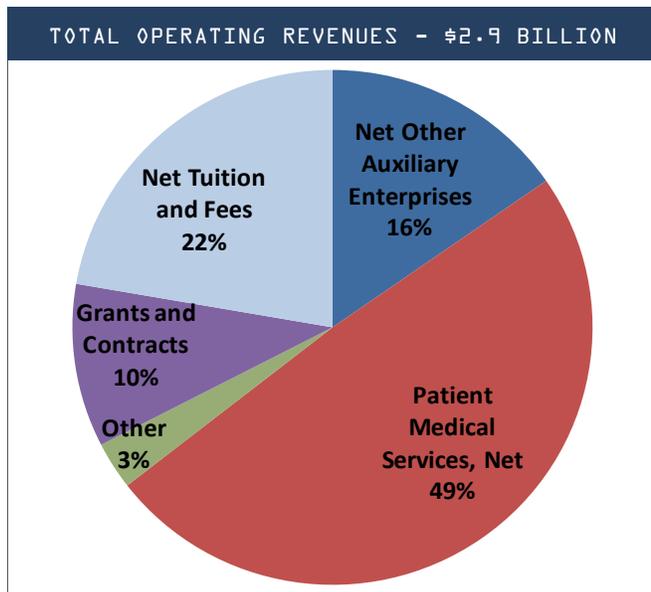
Fiscal Year Ended June 30,	2018	2017 (Restated - Note 1)	2016
Operating Revenues			
Net Tuition and Fees	\$ 635,479	\$ 649,217	\$ 672,274
Grants and Contracts	292,335	289,875	280,172
Patient Medical Services, Net	1,400,335	1,323,006	1,205,084
Other Auxiliary Enterprises	437,717	447,473	444,758
Other Operating Revenues	85,312	90,172	100,069
Total Operating Revenues	2,851,178	2,799,743	2,702,357
Operating Expenses			
Salaries, Wages and Benefits	2,067,145	2,039,591	1,983,689
Supplies, Services and Other Operating Expenses	1,006,586	975,232	970,963
Other Operating Expenses	279,027	279,515	272,044
Total Operating Expenses	3,352,758	3,294,338	3,226,696
Operating Loss Before State Appropriations	(501,580)	(494,595)	(524,339)
State Appropriations	401,705	417,912	438,813
Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(99,875)	(76,683)	(85,526)
Nonoperating Revenues (Expenses)			
Investment and Endowment Income, Net of Fees	199,040	283,263	22,696
Private Gifts	77,883	71,249	80,972
Interest Expense	(71,043)	(70,037)	(65,061)
Other Nonoperating Revenues, Net	81,758	80,962	80,840
Net Nonoperating Revenues (Expenses)	287,638	365,437	119,447
Income before Capital Contributions, Additions to Permanent Endowments, and Extraordinary Item	187,763	288,754	33,921
State Capital Appropriations	29,765	49,519	29,166
Capital Gifts and Grants	21,083	34,371	15,990
Private Gifts for Endowment Purposes	46,851	31,358	29,477
Extraordinary Item	(17,908)	-	-
Increase in Net Position	267,554	404,002	108,554
Net Position, Beginning of Year	4,603,337	4,485,060	4,244,397
Cumulative Effect of a Change in Accounting Principle	-	(285,725)	132,109
Net Position, Beginning of Year, Restated	4,603,337	4,199,335	4,376,506
Net Position, End of Year	\$ 4,870,891	\$ 4,603,337	\$ 4,485,060

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OPERATING REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased \$51.4 million, or 1.8% in FY 2018 and \$97.4 million, or 3.6%, in FY 2017 primarily due to increased **Patient Medical Services**.

Patient Medical Services had the greatest growth over FY 2018, continuing the trend from the previous years. **Net Tuition and Fees** decreased in FY 2018 and FY 2017 compared to the previous year. The following is a graphic illustration of operating revenues by source for FY 2018:



Tuition and Fees, net of **Scholarship Allowances**, decreased by \$13.7 million, or 2.1%, and \$23.1 million, or 3.4% in FY 2018 and FY 2017, over a total of \$672.3 million in FY 2016. The decreases in FY 2018 and FY 2017 were 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 \$2.5 million, or 0.8%, in FY 2018 compared to an increase of \$9.7 million, or 3.5%, in FY 2017 over a total of \$280.2 million in FY 2016.

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 \$67.6 million, or 3.8% in FY 2018 and \$120.6 million, or 7.3% in FY 2017 over a total of \$1.6 billion in FY 2016. **Patient Medical Services**, which includes fees for services provided by University Health Care and the Medical Alliance, had the largest increase among auxiliaries at \$77.3 million in FY 2018 and \$117.9 million in FY 2017. This was largely driven by growth in both inpatient and outpatient areas with increases in emergency room visits, discharges, surgeries, and clinic visits.

NONOPERATING REVENUES (EXPENSES)

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 \$16.2 million, or 3.9% in FY 2018 and \$20.9 million, or 4.8%, in FY 2017 over a total of \$438.8 million in FY 2016. Decreases in **State Appropriations** continue the downward trend of state support on a national level.

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 \$199.0 million in FY 2018 as compared to a net gain of \$283.3 million in FY 2017. As of June 30, 2016, Investment and Endowment Income was \$22.7 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 2018, the University received gifts totaling \$145.8 million, as compared to \$137.0 million and \$126.4 million for FY 2017 and FY 2016, respectively.

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Total interest incurred for the years ended June 30, 2018, 2017 and 2016 was \$71.8 million, \$72.5 million, and \$74.4 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,

2018, 2017, and 2016, capitalization of interest earned on unspent bond proceeds totaled \$779,000, \$2.5 million, and \$9.3 million, respectively, resulting in net interest expense of \$71.0 million, \$70.0 million, and \$65.1 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,	2018	2017	2016
System Facilities Revenue Bonds	\$ 61,959	\$ 62,778	\$ 65,128
Health Facilities Revenue Bonds	1,632	1,264	843
Net Payment on Interest Rate Swaps	5,154	6,112	6,958
Total Revenue Bonds	68,745	70,154	72,929
Capitalized Lease Obligations	673	756	832
Notes Payable	483	494	471
Commercial Paper	1,921	1,098	134
Total Interest Expense Before Capitalization of Interest	71,822	72,502	74,366
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(779)	(2,465)	(9,305)
Total Interest Expense	\$ 71,043	\$ 70,037	\$ 65,061

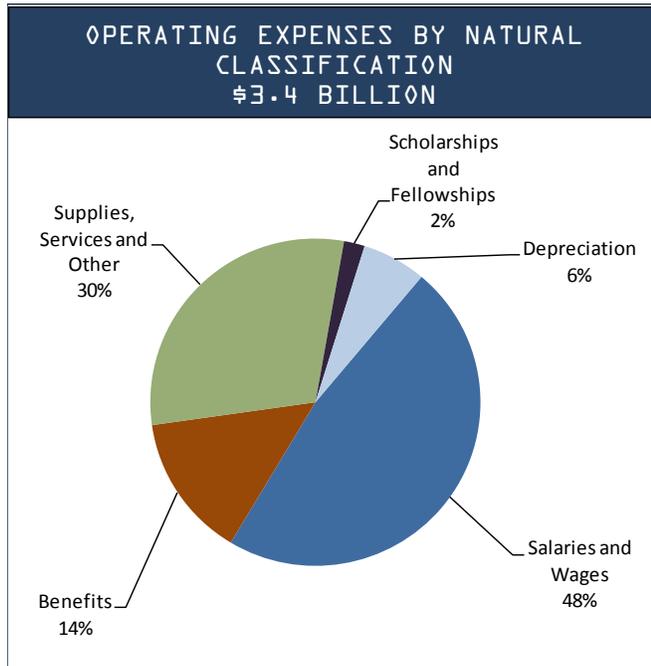
In FY 2018, **Other Nonoperating Revenues, Net** of \$81.8 million increased \$796,000 over FY 2017. During FY 2017, Other Nonoperating Revenues, Net increased by \$122,000.

In FY 2017 and FY 2018, Federal Appropriations include cash subsidy payments from the United States Treasury totaling \$9.7 million in FY 2017 and \$9.8 million in FY 2018 for designated Build America Bonds outstanding. Pell Grants increased by \$2.5 million in FY 2018 due to more students qualifying for the program.

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OPERATING EXPENSES

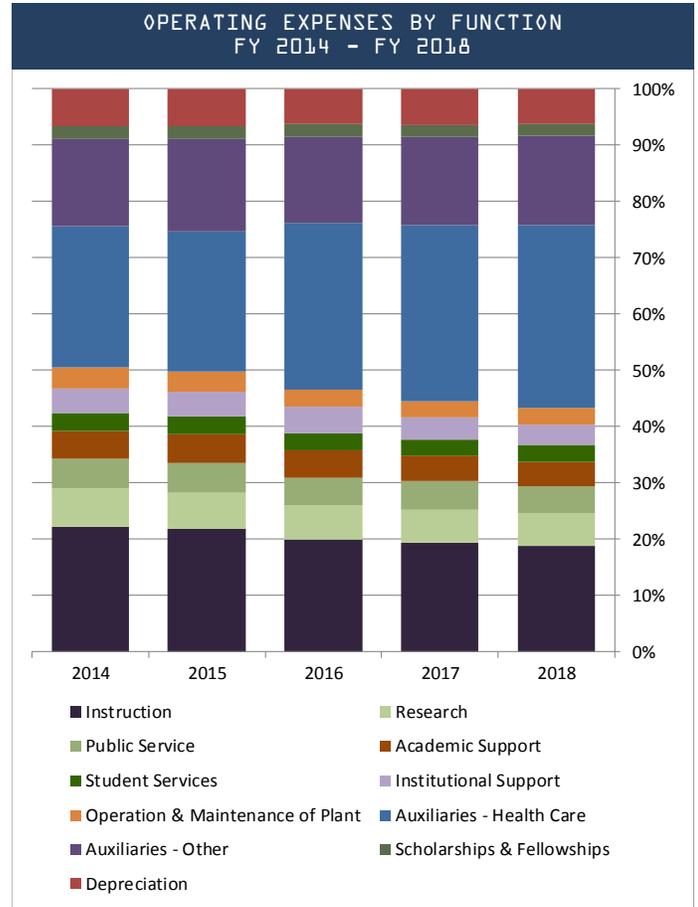
Total Operating Expenses increased by \$58.4 million, or 1.8%, in FY 2018 compared to an increase of \$67.6 million, or 2.1%, in FY 2017. The increase in total operating expenses in FY 2018 was primarily due increases in **Supplies, Services and Other Operating Expenses** as well as fluctuations in benefits relating to pension. The following graph illustrates the University's operating expenses by natural classification for FY 2018:



During FY 2018, **Salaries, Wages and Benefits** increased by approximately 1.4% as compared to a 2.8% increase in the prior fiscal year. Salaries and Wages increased by \$8.2 million, or 0.5%. Staff Benefits increased by \$19.4 million in FY 2018 primarily due changes in actuarial assumptions for the pension plan.

In FY 2018 and FY 2017, the University's **Supplies, Services, and Other Operating** expenses of \$1.0 billion and \$975.2 million increased by \$31.4 million, or 3.2%, and \$4.3 million, or 0.4%, respectively, over the prior fiscal year.

The following illustrates the University's operating expenses by function for FY 2014 through FY 2018:



University Health Care, included in auxiliary, constitutes the highest proportion of Operating Expenses at 32.5% for FY 2018 and FY 2017. The core missions of instruction, research, and public service account for the next largest proportion of Operating Expenses at 36.8% and 37.8% for FY 2018 and FY 2017, respectively. Excluding University Health Care, instruction, research, scholarships, and public service account for 43.7% of Operating Expenses for FY 2018. Institutional support, which represents the core administrative operations of the University, was less than 5 cents of each dollar spent during this 5-year period.

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STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides information about the University's sources and uses of cash and cash equivalents during the fiscal year. The following summarizes sources and uses of cash and cash equivalents for the three years ended June 30, 2018, 2017 and 2016:

CONDENSED STATEMENTS OF CASH FLOWS (in thousands of dollars)			
Fiscal Year Ended June 30,	2018	2017	2016
Net Cash Used in Operating Activities	\$ (256,148)	\$ (256,753)	\$ (312,794)
Net Cash Provided from Noncapital Financing Activities	614,896	587,729	638,318
Net Cash Used in Capital and Related Financing Activities	(274,308)	(254,801)	(312,755)
Net Cash Provided by (Used) in Investing Activities	70,407	(24,236)	(100,114)
Net Increase (Decrease) in Cash and Cash Equivalents	154,847	51,939	(87,345)
Cash and Cash Equivalents, Beginning of Year	399,791	347,852	435,197
Cash and Cash Equivalents, End of Year	\$ 554,638	\$ 399,791	\$ 347,852

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 2018, cash used in operating activities remained relatively flat compared to FY 2017. Increases in patient care revenues were offset by decreases in tuition and fees as well as increases in payments to suppliers and employees. In FY 2017, cash used in operating activities decreased by \$56.0 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 \$614.9 million, \$587.7 million, and \$638.3 million in FY 2018, FY 2017, and FY 2016, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital and Related Financing Activities increased by \$19.5 million in FY 2018 due to a decrease in the receipt of proceeds from the issuance of capital debt. In FY 2017, 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 inflow of \$70.4 million in FY 2018 as compared to a net outflow of \$24.2 million in FY 2017. The difference is largely driven by a net proceeds from investments. The net outflow of \$100.1 million in FY 2016 is largely driven by a net purchase of investments.

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 groundbreaking research, educating more than 72,000 students, delivering quality healthcare to the citizens of Missouri, and providing extension services throughout the state.

The University remains a long-standing and stable enterprise. Enrollment has declined by 4% in FY 2018 and 2% FY 2017 across the four campuses; comprised mostly of first-time entering freshman, which will create challenges over multiple years. However, for FY 2019, the University's freshman enrollment rebounded significantly with 13.1% growth over FY 2018. University leaders have made cuts and reallocations of resources in response to the enrollment challenges. Leadership has made plans to develop strategic plans that will invest in student success,

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research and creative works, engagement and outreach, inclusivity, and stewardship of the Universities financial resources.

State appropriations for operations decreased by 3.9% in FY 2018. Capital appropriations decreased in FY 2018 by 39.9% as reimbursement for previously approved building projects wind down. Funding from the State operating budget will remain uncertain with both federal and state tax reform.

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 uncertain state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources and system-wide cost containment measures. 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.

University of Missouri Health Care (MU Health Care) remains dedicated to its mission of saving and improving lives. MU Health Care's focus for the future is to achieve the scale needed, clinically and financially, to support the

academic and research missions and become Missouri's premier academic health system.

Health care reimbursement is a continually changing landscape. Considering such, MU Health Care regularly monitors state and federal health care programs and analyzes the impact of ongoing legislation on reimbursement and the delivery of health care.

MU Health Care is committed to improving its financial performance and market position in support of the academic and research missions.

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 uncertain state support will continue to pose budgetary challenges for the University in the future. The University is actively managing these budgetary challenges by prioritizing strategic goals that will advance the University in its operations and build a strong foundation in the face of uncertainties in the future of the higher education industry.

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 fiduciary funds of the University of Missouri System, collectively a component unit of the State of Missouri, as of and for the years ended June 30, 2018 and 2017, 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 fiduciary funds of the University of Missouri System as of June 30, 2018 and 2017, 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 2018 the University of Missouri System adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. 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 a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our 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 audits were 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 26, 2018

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STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017 (in thousands)

	2018	2017 (Restated - Note 1)
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 360,053	\$ 241,516
Restricted Cash and Cash Equivalents	189,988	155,693
Short-Term Investments	226,215	118,958
Restricted Short-Term Investments	31,991	18,249
Investment of Cash Collateral	5,012	7,437
Accounts Receivable, Net	335,551	333,862
Pledges Receivable, Net	17,039	16,450
Investment Settlements Receivable	68,024	108,385
Notes Receivable, Net	9,060	9,016
Inventories	40,433	39,037
Prepaid Expenses and Other Current Assets	43,729	37,910
Total Current Assets	1,327,095	1,086,513
Noncurrent Assets		
Restricted Cash and Cash Equivalents	4,597	2,582
Pledges Receivable, Net	38,106	44,550
Notes Receivable, Net	69,842	69,494
Other Assets	13,565	13,687
Restricted Other Assets	4,022	3,996
Long-Term Investments	2,021,932	2,058,102
Restricted Long-Term Investments	1,456,071	1,378,250
Capital Assets, Net	3,383,075	3,412,410
Total Noncurrent Assets	6,991,210	6,983,071
Deferred Outflows of Resources		
Deferred Outflows Related to Debt	29,837	37,524
Deferred Outflows Related to Pensions	249,373	100,364
Total Deferred Outflows of Resources	279,210	137,888
Total Assets and Deferred Outflows of Resources	\$ 8,597,515	\$ 8,207,472
Liabilities		
Current Liabilities		
Accounts Payable	\$ 130,776	\$ 141,313
Accrued Liabilities	177,169	175,466
Unearned Revenue	95,144	90,495
Funds Held for Others	91,539	89,440
Investment Settlements Payable	187,438	188,038
Collateral Held for Securities Lending	5,012	7,437
Commercial Paper and Current Portion of Long-Term Debt	228,078	232,821
Long-Term Debt Subject to Remarketing Agreements	86,185	89,695
Total Current Liabilities	1,001,341	1,014,705

(continued)

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STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017 (in thousands)

	2018	2017 (Restated - Note 1)
Liabilities, Continued		
Noncurrent Liabilities		
Unearned Revenue	15,792	16,465
Long-Term Debt	1,344,815	1,386,017
Derivative Instrument Liability	27,570	38,116
Net Other Postemployment Benefits Liability	442,205	462,263
Net Pension Liability	731,193	522,264
Other Noncurrent Liabilities	80,419	84,799
Total Noncurrent Liabilities	2,641,994	2,509,924
Deferred Inflows of Resources		
Deferred Inflows for Charitable Annuities	13,393	12,983
Deferred Inflows Related to Other Postemployment Benefits	34,975	21,666
Deferred Inflows Related to Pensions	34,921	44,857
Total Deferred Inflows of Resources	83,289	79,506
Total Liabilities and Deferred Inflows of Resources	3,726,624	3,604,135
Net Position		
Net Investment in Capital Assets	1,746,995	1,728,982
Restricted		
Nonexpendable -		
Endowment	1,200,514	1,109,498
Expendable -		
Scholarship, Research, Instruction and Other	394,577	367,009
Loans	83,567	85,145
Capital Projects	64,381	57,723
Unrestricted	1,380,857	1,254,980
Total Net Position	4,870,891	4,603,337
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 8,597,515	\$ 8,207,472

See notes to the financial statements

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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017 (in thousands)

	2018	2017 (Restated - Note 1)
Operating Revenues		
Tuition and Fees (Net of Provision for Doubtful Accounts of \$16,041 in 2018 and \$17,343 in 2017)	\$ 861,913	\$ 868,784
Less Scholarship Allowances	226,434	219,567
Net Tuition and Fees	635,479	649,217
Federal Grants and Contracts	157,587	158,414
State and Local Grants and Contracts	59,966	60,934
Private Grants and Contracts	74,782	70,527
Sales and Services of Educational Activities	26,193	26,492
Auxiliary Enterprises -		
Patient Medical Services, Net	1,400,335	1,323,006
Housing and Dining Services (Net of Scholarship Allowance of \$1,458 in 2018 and \$1,288 in 2017)	100,837	106,468
Bookstores	41,429	47,598
Other Auxiliary Enterprises (Net of Scholarship Allowance of \$11,403 in 2018 and \$10,651 in 2017)	295,451	293,407
Other Operating Revenues	59,119	63,680
Total Operating Revenues	2,851,178	2,799,743
Operating Expenses		
Salaries and Wages	1,591,397	1,583,221
Benefits	475,748	456,370
Supplies, Services and Other Operating Expenses	1,006,586	975,232
Scholarships and Fellowships	68,047	69,289
Depreciation	210,980	210,226
Total Operating Expenses	3,352,758	3,294,338
Operating Income (Loss) before State Appropriations	(501,580)	(494,595)
State Appropriations	401,705	417,912
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	(99,875)	(76,683)
Nonoperating Revenues (Expenses)		
Federal Appropriations	26,665	27,128
Federal Pell Grants	55,400	52,875
Investment and Endowment Income, Net of Fees	199,040	283,263
Private Gifts	77,883	71,249
Interest Expense	(71,043)	(70,037)
Other Nonoperating Revenues (Expenses)	(307)	959
Net Nonoperating Revenues (Expenses)	287,638	365,437

(continued)

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 For the Years Ended June 30, 2018 and 2017 (in thousands)

	2018	2017 (Restated - Note 1)
Income before Capital Contributions, Additions to Permanent Endowments, and Extraordinary Items		
State Capital Appropriations	29,765	49,519
Capital Gifts and Grants	21,083	34,371
Private Gifts for Endowment Purposes	46,851	31,358
Extraordinary Item - loss on asset impairment	(17,908)	-
Increase in Net Position	267,554	404,002
Net Position, Beginning of Year, as Previously Reported	4,603,337	4,485,060
Cumulative Effect of Change in Accounting Principle:		
Other Postemployment Benefits - GASB 75	-	(274,663)
Charitable Annuities - GASB 81	-	(11,062)
Net Position, Beginning of Year, as Restated	4,603,337	4,199,335
Net Position, End of Year	\$ 4,870,891	\$ 4,603,337

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017 (in thousands)

	2018	2017 (Restated - Note 1)
Cash Flows from Operating Activities		
Tuition and Fees	\$ 634,626	\$ 656,800
Federal, State and Private Grants and Contracts	295,272	301,154
Sales and Services of Educational Activities and Other Auxiliaries	313,151	313,997
Patient Care Revenues	1,398,121	1,294,477
Student Housing Fees	100,843	106,560
Bookstore Collections	42,646	47,174
Payments to Suppliers	(1,011,614)	(955,956)
Payments to Employees	(1,589,140)	(1,574,513)
Payments for Benefits	(432,513)	(438,367)
Payments for Scholarships and Fellowships	(68,047)	(69,289)
Student Loans Issued	(10,032)	(10,333)
Student Loans Collected	8,795	9,472
Student Loan Interest and Fees	845	2,238
Other Receipts, Net	60,899	59,833
Net Cash Used in Operating Activities	(256,148)	(256,753)
Cash Flows from Noncapital Financing Activities		
State Educational Appropriations	401,705	417,912
Federal Appropriations and Pell Grants	82,740	80,111
Private Gifts	83,738	57,053
Endowment and Similar Funds Gifts	46,851	31,358
Direct Lending Receipts	277,173	293,050
Direct Lending Disbursements	(277,173)	(293,050)
PLUS Loan Receipts	92,714	96,056
PLUS Loan Disbursements	(92,714)	(96,056)
Other Receipts, Net	378	(942)
Deposits (Receipts) of Affiliates	(516)	2,237
Net Cash Provided by Noncapital Financing Activities	614,896	587,729
Cash Flows from Capital and Related Financing Activities		
Capital Gifts and Grants	21,083	33,622
Proceeds from Sales of Capital Assets	1,390	3,199
Purchase of Capital Assets	(223,780)	(252,599)
Proceeds from Issuance of Capital Debt, Net	285	39,061
Principal Payments on Capital Debt	(40,166)	(46,265)
Payments on Capital Lease	(1,049)	(966)
Payments of Bond Issuance Costs	-	(503)
Interest Payments on Capital Debt	(75,494)	(76,248)
State Capital Appropriations	43,423	45,898
Net Cash Used in Capital and Related Financing Activities	(274,308)	(254,801)

(continued)

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017 (in thousands)

	2018	2017 (Restated - Note 1)
Cash Flows from Investing Activities		
Interest and Dividends on Investments, Net	73,272	63,326
Proceeds from Investments	10,343,298	12,813,399
Purchases of Investments	(10,346,163)	(12,900,961)
Net Cash Provided by (Used in) Investing Activities	70,407	(24,236)
Net Increase (Decrease) in Cash and Cash Equivalents	154,847	51,939
Cash and Cash Equivalents, Beginning of Year	399,791	347,852
Cash and Cash Equivalents, End of Year	\$ 554,638	\$ 399,791
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	\$ (501,580)	\$ (494,595)
Adjustments to Net Cash Used in Operating Activities		
Depreciation Expense	210,980	210,226
Changes in Assets and Liabilities:		
Accounts Receivable, Net	(223)	(15,441)
Inventory, Prepaid Expenses and Other Assets	(7,119)	(254)
Notes Receivable	(392)	(168)
Deferred Outflows of Resources	(149,009)	144,426
Accounts Payable	(3,406)	10,414
Accrued Liabilities	(1,620)	12,199
Unearned Revenue	3,977	3,733
Pension Liability	208,929	(135,922)
OPEB Liability	(20,058)	(25,842)
Deferred Inflows of Resources	3,373	34,471
Net Cash Used in Operating Activities	\$ (256,148)	\$ (256,753)
Supplemental Disclosure of Noncash Activities		
Net Increase (Decrease) in Fair Value of Investments	\$ 32,429	\$ 156,489
Noncash Gifts	30,488	14,130

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
STATEMENTS OF FIDUCIARY NET POSITION
As of June 30, 2018 and 2017 (in thousands)

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 431,503	\$ 339,503
Investment of Cash Collateral	158,979	161,264
Investment Settlements Receivable	83,956	56,048
Other Assets	609	30
Investments:		
Debt Securities	423,984	526,083
Equity Securities	213,239	219,663
Commingled Funds	1,997,441	1,868,339
Nonmarketable Alternative Investments	702,082	583,666
Total Assets	4,011,793	3,754,596
Liabilities		
Accounts Payable and Accrued Liabilities	1,900	1,114
Collateral Held for Securities Lending	158,979	161,264
Investment Settlements Payable	131,475	70,149
Total Liabilities	292,354	232,527
Net Position Restricted for Retirement and OPEB	\$ 3,719,439	\$ 3,522,069

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Years Ended June 30, 2018 and 2017 (in thousands)

	2018	2017
Additions		
Investment Income:		
Interest & Dividend Income	\$ 65,706	\$ 65,994
Net Appreciation (Depreciation) in Fair Value of Investments	278,180	319,283
Less investment expense	(18,608)	(16,858)
Net Investment Income (Loss)	325,278	368,419
Contributions:		
University	110,790	118,025
Members	31,779	29,968
Total Contributions	142,569	147,993
Total Additions	467,847	516,412
Deductions		
Administrative Expenses	2,363	3,207
Payments to Retirees and Beneficiaries	268,114	246,907
Total Deductions	270,477	250,114
Increase (Decrease) in Net Position Restricted for Retirement and OPEB	197,370	266,298
Net Position Restricted for Retirement and OPEB, Beginning of Year	3,522,069	3,255,771
Net Position Restricted for Retirement and OPEB, End of Year	\$ 3,719,439	\$ 3,522,069

See notes to the financial statements.

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Separately audited financial statements for the Medical Alliance are not available. 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.

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A COMPONENT UNIT OF THE STATE OF MISSOURI
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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 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, 2018, 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.

UNIVERSITY OF MISSOURI SYSTEM
A COMPONENT UNIT OF THE STATE OF MISSOURI
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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

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

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

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. The rate used to discount the present value is based on the seven year treasury bill rate as of June 30 of each fiscal year. For the fiscal years ended June 30, 2018 and 2017, the University used a discount rate of 2.81% and 2.14%, respectively. An allowance of \$12,037,000 and \$10,536,000 as of June 30, 2018 and 2017, 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 the consumption of net position that relates to future reporting 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.

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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 the acquisition of net position that relates to future reporting periods as deferred inflows of resources in a separate section of the Statements of Net Position.

Pension and Other Postemployment Benefits – Pension and Other Postemployment Benefits (OPEB) related items, including: net pension liability and net OPEB liability, deferred outflows of resources, deferred inflows of resources, net pension expense and net OPEB 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 respective pension and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

Unrestricted net position is not subject to externally imposed stipulations, but may be designated for specific

purposes by the University’s management or the Board of Curators. Unrestricted net position is derived from tuition and fees, sales and services, unrestricted gifts, investment income, and other such sources, and are used for academics and the general operation of the University. When both restricted and unrestricted resources are available for expenditure, the University’s policy is to first apply restricted resources, and then the unrestricted resources. 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 University’s 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 decreased net patient services revenues by \$3,038,000 for the year ended June 30, 2018 and

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For the Years Ended June 30, 2018 and 2017

increased net patient services by \$5,148,000 for the year ended June 30, 2017.

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, 2018 and 2017, 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)

	2018	2017
Medicare	30%	29%
Commercial Insurance	15%	13%
Medicaid	19%	19%
Self Pay & Other	14%	14%
Managed Care Agreements	22%	25%
	100%	100%

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

The 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)

	2018	2017
Patient Medical Services		
Revenue, Gross	\$ 3,249,787	\$ 2,989,918
Deductions for Contractuals	(1,796,865)	(1,600,099)
Deductions for Bad Debt	(52,587)	(66,813)
Patient Medical Services		
Revenue, Net	\$ 1,400,335	\$ 1,323,006

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)	2018	2017
Cost of Charity Care	\$ 38,615	\$ 33,480
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes	(14,246)	(6,241)
Cost of uncollectible accounts	27,666	29,365
Total Uncompensated Care	\$ 52,035	\$ 56,604

New Accounting Pronouncements – Effective for fiscal year 2018, the University adopted 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 the University's OPEB plans. The adoption of Statement No. 75 required the University to record a Net Postemployment Benefits Liability as well as Deferred Outflows/Inflows of Resources on its Statements of Net Position. The adoption of this statement reduced beginning unrestricted net position by \$274,663,000 for fiscal year 2017, which included an adjustment to other postemployment benefits liability. This statement increased the change in net position by \$4,176,000 for fiscal year 2017.

Effective for fiscal year 2018, the University adopted 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 adoption of this statement required the University to record a Deferred Inflows of Resources for changes in the University's remainder interest. As a result, this statement reduced beginning restricted net position by \$11,062,000 and the change in net position by \$1,921,000 for fiscal year 2017.

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For the Years Ended June 30, 2018 and 2017

Effective for fiscal year 2018, the University adopted GASB Statement No. 85, *Omnibus 2017*, which intends to enhance consistency in the application of certain accounting and financial reporting requirements. Adoption of this statement had no effect on the University's financial statements.

Effective for fiscal year 2018, the University adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which intends to improve the consistency in accounting and reporting for in-substance defeasance of debt. Adoption of this statement had no effect on the University's 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 will adopt this statement in fiscal year 2020 and has not fully determined the effect of implementing GASB Statement No. 84 will have on its financial statements.

In June 2017, GASB issued GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities that were previously classified as operating leases. The University will adopt this statement in fiscal year 2022 and has not fully determined the effect of implementing GASB Statement No. 87 will have on its financial statements.

In April 2018, GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which requires additional disclosures regarding certain types of debt. The University will adopt this statement in fiscal year 2019 and has not fully determined the effect of implementing GASB Statement No. 88 will have on its financial statements.

In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which requires interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred and thereby not capitalized as part of the historical cost of a capital asset. The University will adopt this statement in fiscal year 2021 and has not fully determined the effect of implementing GASB Statement No. 89 will have on its financial statements.

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 represented a change in reporting entity.

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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.

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

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

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, 2018 and 2017, 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 2.2% and 4.5% for the years ended June 30, 2018 and 2017, 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, including unrealized gains and losses, was 9.4% and 13.7% for the years ended June 30, 2018 and 2017, respectively.

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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 of approximately \$96,277,000 and \$161,596,000 in fiscal years 2018 and 2017, 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 2018 to distribute 4.0% of a trailing 28-quarter average of the endowment's total market value as of December 31st of the prior fiscal year, with the understanding that this spending rate over the long term should not exceed the total real return (net of inflation).

The transition from 4.5% to 4.0% is being phased in over a period of no longer than seven years ending June 30, 2024 to avoid a year over year decrease in distributions. In

addition, the University distributes 1.25% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

PENSION AND OTHER EMPLOYEE BENEFIT 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 10.2% and 11.0% for the years ended June 30, 2018 and 2017, respectively. The Retirement Trust held \$3,682,638,000 and \$3,485,925,000 of net position at June 30, 2018 and 2017, respectively.

The OPEB Trust held \$36,801,000 and \$36,144,000 of net position at June 30, 2018 and 2017, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed OPEB Trust is allowed to invest in the following asset sectors: global fixed income, global equity, and absolute return strategies.

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Table 3.1 - Investments by Type (in thousands)

As of June 30,	University of Missouri		University of Missouri Pension and OPEB Trust Funds	
	2018	2017	2018	2017
Debt Securities:				
U.S. Treasury Obligations	\$ 809,309	\$ 565,799	\$ 320,005	\$ 160,195
U.S. Agency Obligations	2,339	174,157	-	-
Asset-Backed Securities	534,743	539,732	65,954	144,646
Government - Foreign	30,786	16,087	5,234	2,570
Corporate - Domestic	134,492	187,383	13,735	178,357
Corporate - Foreign	90,887	92,833	19,056	40,315
Equity Securities:				
Domestic	53,737	36,814	99,670	72,317
Foreign	55,717	50,361	113,569	147,346
Commingled Funds:				
Absolute Return	329,396	223,447	774,952	519,558
Risk Parity	684,752	643,202	398,073	324,089
Debt Securities - Global	1,848	1,834	86,623	86,700
Debt Securities - Domestic	192,978	179,047	123,589	37,191
Debt Securities - Foreign	18,943	67,148	105,458	200,702
Equity Securities - Domestic	51,887	87,257	1,222	1,067
Equity Securities - Foreign	32,607	47,806	56,436	80,600
Equity Securities - Global	248,040	281,680	409,166	564,930
Real Estate	26,644	28,574	41,922	53,502
Nonmarketable Alternative Investments:				
Real Estate	114,069	107,614	214,295	192,881
Private Equity	290,659	204,094	487,787	390,785
Other	32,376	38,690	-	-
Total Investments	3,736,209	3,573,559	3,336,746	3,197,751
Money Market Funds	451,988	207,236	395,841	168,129
Other	102,650	192,555	35,662	171,374
Total Cash and Cash Equivalents	554,638	399,791	431,503	339,503
Total Investments and Cash and Cash Equivalents	\$ 4,290,847	\$ 3,973,350	\$ 3,768,249	\$ 3,537,254

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.

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As of June 30, 2018 and 2017, of the University's total investments and cash and cash equivalents, 19.0% and 14.0%, respectively, are issues of U.S. Treasury Notes. At June 30, 2018, of the Pension Trust Fund's total investments and cash and cash equivalents, 8.6% are issues U.S. Treasury Notes. As of June 30, 2017 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 with minimum rating of A-1/P-1 for commercial paper and other short-term securities. For Endowment Funds and Retirement Trust investments, guidelines for respective investment managers 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, 2018 and 2017.

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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, 2018 and 2017, 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 and OPEB Trust Funds	
	2018	2017	2018	2017
U.S. Treasury Obligations	\$ 809,309	\$ 565,799	\$ 320,005	\$ 160,195
U.S. Agency Obligations	2,339	174,157	-	-
Asset-Backed Securities				
Mortgage Backed Securities				
Guaranteed by U.S. Agencies	190,275	127,544	30,694	52,180
Aaa/AAA	36,606	58,370	3,302	5,486
Aa/AA	27,213	17,647	1,045	1,744
A/A	33,255	25,709	1,530	3,692
Baa/BBB	25,428	22,968	1,227	765
Ba/BB and lower	170,009	237,331	26,511	67,270
Unrated	51,957	50,163	1,645	13,509
Government - Foreign				
Aaa/AAA	518	-	-	-
Aa/AA	4,934	1,629	993	1,240
A/A	10,200	1,824	2,176	-
Baa/BBB	131	1,312	-	-
Ba/BB and lower	12,485	11,322	1,273	1,330
Unrated	2,518	-	792	-
Corporate - Domestic				
Aaa/AAA	667	1,070	-	-
Aa/AA	5,676	2,524	89	98
A/A	14,673	12,458	3,765	2,003
Baa/BBB	42,237	37,384	7,437	9,387
Ba/BB and lower	41,531	94,371	1,711	161,395
Unrated	29,708	39,576	733	5,474
Corporate - Foreign				
Aa/AA	4,035	1,242	797	255
A/A	9,254	12,953	4,147	4,836
Baa/BBB	29,146	16,558	6,715	2,001
Ba/BB and lower	40,245	57,399	5,408	32,799
Unrated	8,207	4,681	1,989	424
Total	\$ 1,602,556	\$ 1,575,991	\$ 423,984	\$ 526,083

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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.

Table 3.3 presents the modified durations of the University’s and Pension Trust Funds’ debt securities as of June 30, 2018 and 2017, respectively:

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

As of June 30,	University of Missouri			
	2018		2017	
		Duration (in years)		Duration (in years)
U.S. Treasury Obligations	\$ 809,309	5.7	\$ 565,799	4.4
U.S. Agency Obligations	2,339	4.4	174,157	3.1
Asset-Backed Securities	534,743	2.8	539,732	2.1
Government - Foreign	30,786	6.3	16,087	6.0
Corporate - Domestic	134,492	3.3	187,383	3.3
Corporate - Foreign	90,887	3.8	92,833	4.7
Total Debt Securities	\$ 1,602,556	4.4	\$ 1,575,991	3.4

As of June 30,	University of Missouri Pension and OPEB Trust			
	2018		2017	
		Duration (in years)		Duration (in years)
U.S. Treasury Obligations	\$ 320,005	9.2	\$ 160,195	7.9
Asset-Backed Securities	65,954	3.2	144,646	4.1
Government - Foreign	5,234	6.5	2,570	6.9
Corporate - Domestic	13,735	3.6	178,357	2.9
Corporate - Foreign	19,056	3.2	40,315	2.9
Total Debt Securities	\$ 423,984	7.8	\$ 526,083	4.8

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, 2018 and 2017, 10.2% and 13.0%, 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 \$138,246,000 and \$400,336,000 were in place at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, 20.5% and 30.1%, respectively, of the Pension Trust Funds’ total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling \$279,350,000 and \$63,408,000 were in place at June 30, 2018 and 2017, respectively.

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The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2018 and 2017:
Table 3.4 - Foreign Exchange Risk *(in thousands)*

As of June 30,	University of Missouri		University of Missouri Pension and OPEB Trust Funds	
	2018	2017	2018	2017
Debt Securities				
Argentine Peso	\$ 2,300	\$ -	\$ 792	\$ -
Australian Dollar	-	596	148	732
Brazil Real	3,795	7,374	496	578
British Pound Sterling	40,237	42,589	2,626	2,472
Canadian Dollar	-	-	191	236
Euro	23,876	25,791	3,515	3,284
Japanese Yen	-	181	-	-
Mexican Peso	925	947	-	-
Other	1,400	24	-	-
	72,533	77,502	7,768	7,302
Equity Securities				
Australian Dollar	886	779	1,795	4,654
Brazil Real	1,110	637	2,223	1,239
British Pound Sterling	7,268	5,861	14,778	19,470
Canadian Dollar	1,985	1,577	4,025	3,203
Danish Krone	1,189	1,877	2,425	4,245
Euro	10,256	7,645	20,932	30,278
Hong Kong Dollar	4,056	2,538	8,262	6,612
Japanese Yen	9,583	7,056	19,581	25,721
Norwegian Krone	994	622	1,963	1,410
South African Rand	3,258	2,962	6,656	6,035
South Korean Won	502	509	1,008	2,085
Swedish Krona	1,697	1,981	3,521	4,754
Swiss Franc	2,520	2,614	5,147	8,522
Other	151	319	304	1,801
	45,455	36,977	92,620	120,029
Commingled Funds				
Various currency denominations:				
Debt Securities - Global	1,848	1,834	86,623	86,700
Debt Securities - Foreign	18,943	67,148	105,458	200,702
Equity Securities - Global	248,040	281,680	409,166	564,930
Equity Securities - Foreign	32,607	47,806	56,436	80,600
	301,438	398,468	657,683	932,932
Cash and Cash Equivalents				
Australian Dollar	984	(167)	506	(10)
Argentine Peso	2,879	-	347	-
Brazil Real	1,028	299	2	155
British Pound Sterling	1,926	(414)	1,256	259
Canadian Dollar	5,884	722	343	1,806
Euro	1,634	439	2,132	151
Japanese Yen	1,603	4,866	2,253	1,084
Mexican Peso	509	673	57	117
Other	2,646	(959)	1,639	28
	19,093	5,459	8,535	3,590
Total Exposure to Foreign Exchange Risk	\$ 438,519	\$ 518,406	\$ 766,606	\$ 1,063,853

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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.

Portable Alpha Program - Included in the University's investment policy is a Portable Alpha Program in which synthetic market exposures across asset classes including equities, sovereign bonds, inflation-linked bonds and commodities may be obtained through derivative instruments commonly accepted by other institutional investors, such as futures, swaps, options, forward contracts and reverse repurchase agreements. These derivative instruments shall be managed by external investment firms with appropriate expertise, experience and depth of resources.

When synthetic market exposures are obtained through derivative instruments, a portion of the resulting cash and cash equivalent balances may be invested by active alpha managers seeking to add returns over the benchmark. These alpha managers will possess broadly diverse strategies/styles and, in the aggregate, are expected to produce returns that show little or no relationship to the economic environment being experienced at any given time. Furthermore, this portfolio of managers will be constructed with a goal of low/no correlation to the synthetic market exposures obtained through the derivative instruments.

The allowable range of the portable alpha portfolio for both the Endowment Pool and Pension Trust Funds shall be 0-25% of the total investment of the respective pools. As of June 30, 2018 the portable alpha portfolio was 16.3% and 17.1% for the Endowment Pool and Pension Trust Funds, respectively.

Management of liquidity risk is a critical component of the portable alpha program. If not managed appropriately, there is a risk that synthetic market exposures may need to be unwound at undesirable points in time in order to meet margin calls during volatile markets. To help mitigate this risk, prudent balances of cash and cash equivalents shall be maintained as part of the program and monitored daily. The cash margin target set by the Endowment Pool and Pension Trust Funds are 30%. In the case the margin drops below 30%, management has implemented guidelines to replenish the cash margin back to the target. As of June 30, 2018 the cash margin for the Endowment Pool and Pension Trust Funds were above the targeted margin of 30%.

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 102% of the fair value of loaned domestic securities and 105% for loaned international securities.

For the University, at June 30, 2018 and 2017, there were a total of \$27,889,000 and \$28,312,000, respectively, of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$5,012,000 and \$7,437,000 in cash and \$24,076,000 and \$21,662,000 noncash collateral at June 30, 2018 and 2017, respectively.

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For the Pension Trust Funds, at June 30, 2018 and 2017, there was a total of \$193,761,000 and \$157,810,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of \$158,979,000 and \$161,264,000 in cash and \$39,780,000 and \$20,773,000 noncash collateral at June 30, 2018 and 2017, 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, 2018 and 2017, 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, 2018, the University had the following recurring fair value measurements.

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

As of June 30,	University of Missouri								
	Fair Value Measurements Using					Fair Value Measurements Using			
	Quoted Prices in Active Markets for					Quoted Prices in Active Significant			
	Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)	Markets for Identical Assets (Level 1)		Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2018					2017				
Investments by fair value level									
Debt Securities:									
U.S. Treasury Obligations	\$ 809,309	\$ 809,309	\$ -	\$ -	\$ 565,799	\$ 565,799	\$ -	\$ -	
U.S. Agency Obligations	2,339	-	2,339	-	174,157	-	174,157	-	-
Asset-Backed Securities	534,743	-	534,743	-	539,732	-	539,732	-	-
Government	30,786	-	30,786	-	16,087	-	16,087	-	-
Corporate	225,379	-	225,379	-	280,216	-	280,216	-	-
Equity Securities:									
Domestic	53,737	53,737	-	-	36,814	36,814	-	-	-
Foreign	55,717	55,717	-	-	50,361	50,361	-	-	-
Commingled Funds:									
Debt Securities	19,601	19,601	-	-	22,811	22,811	-	-	-
Equity Securities	32,428	32,428	-	-	21,878	21,878	-	-	-
Real Estate	3,519	3,519	-	-	3,398	3,398	-	-	-
Other	24,882	-	9,521	15,361	29,410	-	7,311	22,099	
Investments measured at the net asset value (NAV)									
Commingled Funds:									
Absolute Return	329,396	-	-	-	223,447	-	-	-	-
Risk Parity	684,752	-	-	-	643,202	-	-	-	-
Debt Securities	194,168	-	-	-	225,218	-	-	-	-
Equity Securities	300,106	-	-	-	394,865	-	-	-	-
Real Estate	23,125	-	-	-	25,176	-	-	-	-
Nonmarketable Alternative Investments:									
Real Estate	114,069	-	-	-	107,614	-	-	-	-
Private Equity	290,659	-	-	-	204,094	-	-	-	-
Other	7,494	-	-	-	9,280	-	-	-	-
Total investments by fair value level	3,736,209	974,311	802,768	15,361	3,573,559	701,061	1,017,503	22,099	
Interest Rate Swaps	(27,570)	-	(27,570)	-	(38,116)	-	(38,116)	-	
Total Investments and Financing									
Derivative Instruments	\$ 3,708,639	\$ 974,311	\$ 775,198	\$ 15,361	\$ 3,535,443	\$ 701,061	\$ 979,387	\$ 22,099	

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University of Missouri Pension Trust Funds

As of June 30,	Fair Value Measurements Using				Fair Value Measurements Using					
	2018	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2017	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	\$ 320,005	\$ 320,005	\$ -	\$ -	\$ 160,195	\$ 160,195	\$ -	\$ -	\$ -	\$ -
Asset-Backed Securities	65,954	-	65,954	-	144,646	-	144,646	-	-	-
Government	5,234	-	5,234	-	2,570	-	2,570	-	-	-
Corporate	32,791	-	32,791	-	218,672	-	218,672	-	-	-
Equity Securities:										
Domestic	99,670	99,670	-	-	72,317	72,317	-	-	-	-
Foreign	113,569	113,569	-	-	147,346	147,346	-	-	-	-
Investments measured at the net asset value (NAV)										
Commingled Funds:										
Absolute Return	774,952	-	-	-	519,558	-	-	-	-	-
Risk Parity	398,073	-	-	-	324,089	-	-	-	-	-
Debt Securities	315,670	-	-	-	324,593	-	-	-	-	-
Equity Securities	466,824	-	-	-	646,597	-	-	-	-	-
Real Estate	41,922	-	-	-	53,502	-	-	-	-	-
Nonmarketable Alternative Investments:										
Real Estate	214,295	-	-	-	192,881	-	-	-	-	-
Private Equity	487,787	-	-	-	390,785	-	-	-	-	-
Total investments by fair value level	\$ 3,336,746	\$ 533,244	\$ 103,979	\$ -	\$ 3,197,751	\$ 379,858	\$ 365,888	\$ -	\$ -	\$ -

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The following table presents investments as of June 30, 2018 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	\$ 329,396	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	684,752	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	194,168	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	300,106	Global equity exposures achieved through a combination of traditional active, passive, systematic and factor-based strategies.	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1 -15 days notice
Real Estate	23,125	Core real estate holdings in open-ended fund.	-	Open Ended	Quarterly redemption with 1 -30 days notice
Nonmarketable Alternative Funds (3):					
Real Estate	114,069	Diversified portfolio of longer-term private market funds focused on value-added and opportunistic real estate and/or real estate debt.	61,115	10 -12 years	Not applicable - no redemption ability
Private Equity	290,659	Investments in hedge funds, global equity, credit, real assets, natural resources, and other investments through private partnerships and holding companies	212,055	10 -12 years	Not applicable - no redemption ability
Other	7,494	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	\$ 774,952	\$ -	Open Ended	Semi-Monthly, Monthly, and Quarterly redemption with 1 -45 days notice
Risk Parity	398,073	-	Open Ended	Weekly, Monthly, and Quarterly redemption with 1 - 90 days notice
Debt Securities	315,670	-	Open Ended	Daily, Weekly, and Monthly redemption
Equity Securities	466,824	-	Open Ended	Daily, Semi-Monthly, and Monthly redemption with 1 -15 days notice
Real Estate	41,922	-	Open Ended	Quarterly redemption with 45 days notice
Nonmarketable Alternative Funds (3):				
Real Estate	214,295	122,468	10 -12 years	Not applicable - no redemption ability
Private Equity	487,787	306,484	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, 2018 totaled \$273,170,000 and \$428,952,000 for the University and the Pension Trust Funds, respectively. 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. There were no significant changes in the investment strategy, structure, and liquidity terms for the investments that were measured at NAV from June 30, 2017 to June 30, 2018.

5. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 and 2017, are summarized as follows:

Table 5.1 - Accounts Receivable (in thousands)

	2018	2017
Grants and Contracts	\$ 53,732	\$ 52,939
Federal Appropriations	8,961	9,636
State Appropriations and State Bond Funds	-	13,658
Student Fees and Other Academic Charges	132,312	121,699
Patient Services, Net of Contractual Allowances	179,055	184,629
Subtotal	374,060	382,561
Less Provisions for Loss:		
Grants & Contracts	401	1,082
Student Fees and Other Academic Charges	16,041	17,343
University Health Care Patient Services	22,067	30,274
Subtotal	38,509	48,699
Total Accounts Receivable, Net	\$ 335,551	\$ 333,862

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, 2018 and 2017, are summarized as follows:

Table 6.1 - Notes Receivable (in thousands)

	2018	2017
Federal Health Profession Loans	\$ 17,635	\$ 17,381
Carl D. Perkins National Loans	31,198	30,616
University Loan Programs	14,278	14,488
Other	20,982	20,982
Subtotal	84,093	83,467
Less Provisions for Loss	5,191	4,957
Total Notes Receivable, Net	\$ 78,902	\$ 78,510

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7. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2018 and 2017, is summarized as follows:

Table 7.1 - Capital Assets (in thousands)

Fiscal Year 2018	Beginning Balance	Additions/ Transfers	Retirements	Ending Balance
Capital Assets, Nondepreciable:				
Land	\$ 94,363	\$ 1,386	\$ (4)	\$ 95,745
Artwork and Historical Artifacts	15,436	53	-	15,489
Construction in Progress	181,076	(75,579)	-	105,497
Total Capital Assets, Nondepreciable	290,875	(74,140)	(4)	216,731
Capital Assets, Depreciable:				
Buildings and Improvements	4,123,386	223,971	(40,078)	4,307,279
Infrastructure	581,818	8,668	(159)	590,327
Equipment	943,670	55,070	(58,558)	940,182
Library Materials	272,829	4,351	-	277,180
Total Capital Assets, Depreciable	5,921,703	292,060	(98,795)	6,114,968
Less Accumulated Depreciation:				
Buildings and Improvements	1,660,380	120,553	(6,075)	1,774,858
Infrastructure	236,316	21,753	(159)	257,910
Equipment	709,113	61,237	(56,290)	714,060
Library Materials	194,359	7,437	-	201,796
Total Accumulated Depreciation	2,800,168	210,980	(62,524)	2,948,624
Total Capital Assets, Depreciable, Net	3,121,535	81,080	(36,271)	3,166,344
Total Capital Assets, Net	\$ 3,412,410	\$ 6,940	\$ (36,275)	\$ 3,383,075

Fiscal Year 2017	Beginning Balance	Additions/ Transfers	Retirements	Ending 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

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The estimated cost to complete construction in progress at June 30, 2018, is \$441,753,000 of which \$156,507,000 is available from unrestricted net position. The remaining costs are expected to be funded from \$188,886,000 of gifts and \$96,360,000 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 \$9,519,000 and \$8,843,000 at June 30, 2018 and 2017, respectively.

During fiscal year 2018, the University recognized an asset impairment loss on the Oak Place Apartment buildings located in Kansas City, Missouri. The buildings suffered significant damage as the result of the poor structural design and construction of the buildings. As a result, the capital assets were considered impaired and the value was written down to reflect that there is no value in the buildings in their current condition.

Due to the age of the buildings and that the buildings were at the beginning of their expected useful life, the University considered the impairment to be unexpected and unusual to its operations. Therefore, the University has recognized an impairment loss, net of realizable insurance proceeds, of

\$17,908,000 as an extraordinary item on its Statements of Revenues, Expenses, and Changes in Net Position.

The University has begun the litigation process with the parties involved in the design and construction of the buildings. Additional proceeds through insurance or recoveries through litigation could be recognized in future periods as they are received or realizable.

8. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2018 and 2017 are summarized as follows:

Table 8.1 - Accrued Liabilities (*in thousands*)

	2018	2017
Accrued Salaries, Wages & Benefits	\$ 68,466	\$ 65,351
Accrued Vacation	52,576	53,482
Accrued Self Insurance Claims	43,621	43,881
Accrued Interest Payable	12,506	12,752
Total Accrued Liabilities	\$ 177,169	\$ 175,466

9. OTHER NONCURRENT LIABILITIES

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

Fiscal Year 2018	Beginning of			Total End of	Less Current	Noncurrent
	Year	Additions	Payments			
Accrued Vacation	\$ 76,582	\$ 46,059	\$ (47,029)	\$ 75,612	\$ (52,576)	\$ 23,036
Accrued Self-Insurance Claims	89,082	220,389	(223,625)	85,846	(43,621)	42,225
Accrued Other Insurance Claims	4,999	409	(938)	4,470	-	4,470
Charitable Annuity Obligations	11,499	364	(1,175)	10,688	-	10,688
	\$ 182,162	\$ 267,221	\$ (272,767)	\$ 176,616	\$ (96,197)	\$ 80,419

Fiscal Year 2017	Beginning of			Total End of	Less Current	Noncurrent
	Year	Additions	Payments			
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
Charitable Annuity Obligations	10,896	1,581	(978)	11,499	-	11,499
	\$ 177,894	\$ 266,047	\$ (261,779)	\$ 182,162	\$ (97,363)	\$ 84,799

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Charitable Gift Annuities and Trusts - 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 is a remainder

interest beneficiary and records a liability for the lead interest that is assigned to other beneficiaries. The University' liability related to the lead interest were \$10,688,000 and \$11,499,000 at June 30, 2018 and 2017, respectively. The University's remainder interest is represented as Deferred Inflows of Resources on the Statement of Net Position and were \$13,393,000 and \$12,983,000 at June 30, 2018 and 2017, respectively.

10. LONG-TERM DEBT

The University's outstanding debt at June 30, 2018 and 2017, with corresponding activity, is as follows:

Table 10.1 - Long-Term Debt (in thousands)

As of June 30, 2018	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	\$ 1,288,385	\$ -	\$ (28,190)	\$ 1,260,195	\$ 27,770
System Facilities Revenue Bonds - Variable	93,070	-	(3,375)	89,695	89,695
Unamortized Premium	49,101	-	(5,910)	43,191	-
Net System Facilities Revenue Bonds	1,430,556	-	(37,475)	1,393,081	117,465
Notes Payable	33,080	285	(964)	32,401	986
Capital Lease Obligations	2,488	-	(1,049)	1,439	1,139
Commercial Paper	196,203	-	(4,628)	191,575	191,575
Subtotal	1,662,327	285	(44,116)	1,618,496	311,165
Health Facilities Revenue Bonds	43,591	-	(3,009)	40,582	3,098
Guaranteed Debt Outstanding	2,615	-	(2,615)	-	-
Total Long-Term Debt	\$ 1,708,533	\$ 285	\$ (49,740)	\$ 1,659,078	\$ 314,263

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

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, 2018 and

2017 was \$71,822,000 and \$72,502,000, respectively. Interest expense associated with financing projects during construction, net of any investment income earned on bond proceeds during construction, is capitalized. For the

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years ended June 30, 2018 and 2017, capitalization of interest earned on unspent bond proceeds totaled \$779,000 and \$2,465,000, respectively, resulting in net interest expense of \$71,043,000 and \$70,037,000, respectively. For the year ended June 30, 2018 and 2017, the University earned cash subsidy payments from the United States Treasury totaling \$9,755,000 and \$9,739,000, 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.

Table 10.2 - Revenue Bonds *(in thousands)*

Series	Type	Weighted Avg. Cost of Capital at		Original Issue	Balance June 30,	
		June 30, 2018	Final Maturity		2018	2017
2007A	Fixed	N/A	11/1/2037	262,970	\$ -	\$ 6,945
2009A (1)	Fixed	4.02%	11/1/2039	256,300	256,300	256,300
2009B	Fixed	3.57%	11/1/2021	75,760	29,195	35,760
2010A (1)	Fixed	3.90%	11/1/2041	252,285	252,285	252,285
2011	Fixed	3.65%	11/1/2027	54,125	34,455	39,120
2012A	Fixed	1.58%	11/1/2019	105,155	105,155	105,155
2013A	Fixed	2.42%	11/1/2023	11,325	8,475	9,660
2013B	Fixed	4.87%	11/1/2043	150,000	150,000	150,000
2014A	Fixed	3.37%	11/1/2037	294,510	274,330	283,160
2014B	Fixed	4.24%	11/1/2054	150,000	150,000	150,000
Total Fixed Rate Bonds				1,612,430	1,260,195	1,288,385
2007B	Variable	3.40%	11/1/2031	102,250	89,695	93,070
Total Variable Rate Demand Bonds				102,250	89,695	93,070
Total System Facilities Revenue Bonds				\$ 1,714,680	\$ 1,349,890	\$ 1,381,455
2011 (3)	Fixed	3.80%	11/1/2027	32,835	21,930	23,860
2017 (3)	Fixed	3.10%	3/1/2032	20,000	18,652	19,731
Total Revenue Bonds				\$ 1,767,515	\$ 1,390,472	\$ 1,425,046

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

(2) As of June 30, 2018; 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

\$86,185,000 and \$89,695,000 at June 30, 2018 and 2017, respectively. The amount of current liabilities that represents the current principal maturities are \$3,510,000 and \$3,375,000 at June 30, 2018 and 2017, respectively.

In-substance defeased bonds aggregating \$275,645,000 and \$278,765,000 are outstanding at June 30, 2018 and 2017, respectively.

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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.

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, 2018.

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	\$ (8,736)	Aa3 / A+
Pay fixed; receive variable	47,580	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(5,881)	Aa3 / A+
Pay fixed; receive variable	89,695	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(12,953)	Aa3 / A+
Total	\$ 177,275				\$ (27,570)	

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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
	2018	2017			
2002 Swap - Investment Derivative	\$ (8,736)	\$ (11,624)	N/A	\$ 2,888	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(5,881)	(8,336)	N/A	2,455	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(12,953)	(18,156)	N/A	5,203	Deferred Outflows of Resources
Total	\$ (27,570)	\$ (38,116)		\$ 10,546	

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, 2018.

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 (<i>in thousands</i>)
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

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

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. The negative aggregate fair value of the 2002

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and 2007 swaps did not exceed \$30,000,000 on June 30, 2018, which is the current fair value threshold for the University given its Moody's rating of Aa1. As a result, the University was not required to post collateral with the counterparty at June 30, 2018.

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 1.51% at June 30, 2018.

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*)

	2018	2017
Swaps - Cash Flow Hedge	\$ 12,953	\$18,156
Loss on Bond Defeasance	16,884	19,368
Deferred Outflows of Resources	\$ 29,837	\$ 37,524

For the years ended June 30, 2018 and 2017 the amortization of the Loss on Bond Defeasance totaled \$2,484,000 and \$2,483,000, respectively, which increases interest expense.

Pledged Revenues and Debt Service Requirements - For fiscal years 2018 and 2017, annual debt service, including net payments on associated interest rate swaps, totaled \$104,303,000 and \$106,776,000, respectively. For fiscal years 2018 and 2017, System Facilities Pledged Revenue was thirteen and twelve times greater than the annual debt service, respectively. Net System Facilities Revenue was 212% and 208% of annual debt service for fiscal years 2018 and 2017, respectively. Table 10.7 provides the System Facilities pledged net revenues.

Table 10.7 - System Facilities Pledged Net Revenues (*in thousands*)

	2018	2017
Pledged Revenues:		
Net Patient Revenue	\$ 1,194,432	\$1,126,221
Housing and Food Service	102,287	107,753
Bookstores	41,470	47,662
Net Tuition and Fees	28,551	29,484
Other Operating Revenue	39,425	38,098
Pledged Revenues	1,406,165	1,349,218
Operating Expenses	1,185,283	1,127,186
Net Revenues	\$ 220,882	\$ 222,032

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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, 2018. 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 Derivatives, Net	Total Before Investment Derivatives	Investment Derivatives, Net	Total Future Debt Service
2019	34,378	66,191	2,140	102,709	2,102	104,811
2020	140,927	62,404	2,052	205,383	2,075	207,458
2021	28,944	58,729	1,960	89,633	2,046	91,679
2022	30,272	57,493	1,865	89,630	2,014	91,644
2023	33,665	56,064	1,766	91,495	1,978	93,473
2024-2028	211,202	253,525	6,586	471,313	9,345	480,658
2029-2033	167,389	211,340	1,678	380,407	8,496	388,903
2034-2038	153,430	174,110	-	327,540	4,267	331,807
2039-2043	290,265	107,149	-	397,414	1,991	399,405
2044-2048	150,000	35,433	-	185,433	-	185,433
2049-2053	-	31,778	-	31,778	-	31,778
2054-2055	150,000	9,533	-	159,533	-	159,533
	\$ 1,390,472	\$ 1,123,749	\$ 18,047	\$ 2,532,268	\$ 34,314	\$ 2,566,582

Commercial Paper – During fiscal year 2017, the University issued \$19,000,000 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 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.

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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, 2018, are as follows:

Table 10.9 - Future Notes Payable Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2019	1,460
2020	1,717
2021	2,479
2022	1,747
2023	1,740
2024-2028	7,678
2029-2033	7,202
2034-2038	7,202
2039-2043	6,780
2043-2044	245
Total Future Notes Payable Payments	38,250
Less: Amount Representing Interest	(5,849)
Future Notes Payable	
Principal Payments	\$ 32,401

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, 2018, are as follows:

Table 10.10 - Future Capital Lease Payments

Year Ending June 30	Amount <i>(in thousands)</i>
2019	1,563
2020	390
Total Future Minimum Payments	1,953
Less: Amount Representing Interest	(514)
Present Value of Future Minimum Lease Payments	\$ 1,439

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 as of June 30, 2017. This amount is reflected as a liability on the Medical Alliance's Statement of Net Position. During fiscal year 2018, the University exercised its put option to sell its membership interest in Fulton Medical Center, LLC to Nueterra Holdings, LLC. The sale resulted in a gain on the investment. At the same time, Nueterra Holdings, LLC entered into an indemnity agreement with the University on the debt guarantee for Fulton Medical Center, LLC. The indemnity agreement effectively cancels the University's obligation to pay on the guaranty as Nueterra Holdings, LLC will cover all payments on the debt in the event of a default by Fulton Medical Center, LLC and will hold the University harmless.

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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, 2018 and 2017 of \$85,846,000 and \$89,082,000, respectively, represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 0.75% to 3.25%, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal years 2018 and 2017 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	
2018	\$ 89,082	\$ 220,389	\$(223,625)	\$85,846
2017	\$ 85,887	\$ 218,074	\$(214,879)	\$89,082

12. COMMITMENTS AND CONTINGENCIES

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, 2018 and 2017 were \$8,136,000 and \$6,935,000, respectively. Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2018, are as follows:

Table 12.1 - Future Operating Lease Payments

Fiscal Year	Amount <i>(in thousands)</i>
2019	8,717
2020	5,884
2021	4,171
2022	2,982
2023	2,148
2024-2028	2,654
2029-2033	200
2034	40
Total Future Lease Payments	\$ 26,796

Commitments - 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.

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As of June 30, 2018, this contracted commitment totaled \$190,170,000 and will be paid in the following amounts: \$24,554,000 in 2019, \$25,378,000 in 2020, \$26,229,000 in 2021, \$27,109,000 in 2022, \$28,017,000 in 2023, and \$58,883,000 in 2024 through 2025.

In addition to the above commitment with Cerner Corporation, the Capital Region Medical Center (CRMC), as reported in the Medical Alliance, has entered into a strategic information technology agreement with Cerner Corporation. Cerner has assumed operational and administrative responsibilities for CRMC's technology environment and services. The agreement is effective through June 30, 2025 and will renew in five year increments at the end of the initial term.

As of June 30, 2018, this contracted commitment totaled \$45,638,000 and will be paid in the following amounts: \$5,603,000 in 2019, \$6,617,000 in 2020, \$7,063,000 in 2021, \$7,280,000 in 2022, \$6,970,000 in 2023, and \$12,105,000 in 2024 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 due to an overestimated quantity of isotopes managed at the site. The University made a formal request to remove the site from the NRC license. NRC responded with a request for more information including a dose assessment, which is estimated to cost \$15,000. If the NRC finds the dose assessment to be unacceptable, then the University will be required to fully decommission the site, including a sampling plan. The cost of a sampling plan

to characterize the chemical contamination is estimated at \$1,000,000. The University has not commenced any actions requiring the recognition of a liability for this property.

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

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.

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Table 13.1 - Retirement Plan Membership

	2018	2017
Active Members	18,135	18,233
Inactive Vested Members	4,659	4,215
Pensioners and Beneficiaries	9,763	9,242
Total Members	32,557	31,690

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.

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 9.4% and 9.5% of covered payroll for the years ending June 30, 2018 and 2017, respectively. The ADC for those employees hired after September 30, 2012 averaged 5.5% and 5.6% of covered payroll for the years ended June 30, 2018 and 2017, 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 \$92,200,000 and \$96,631,000 during the fiscal years ended June 30, 2018 and 2017, respectively.

Net Pension Liability – The University’s net pension liability was measured as of June 30, 2018 and 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2017 and 2016, respectively. Roll-forward procedures were used to measure the Retirement Plan’s total pension liability as of June 30, 2018 and 2017.

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

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at July 1, 2017	\$4,008,189	\$3,485,925	\$522,264
Changes for the year:			
Service cost	63,624	-	63,624
Interest	305,781	-	305,781
Differences between expected and actual experience	11,704	-	11,704
Changes in assumptions	257,616	-	257,616
Contributions – employer	-	92,200	(92,200)
Contributions – employee	-	15,299	(15,299)
Net investment income	-	322,297	(322,297)
Benefit payments, including refunds of employee contributions	(233,083)	(233,083)	-
Net changes	405,642	196,713	208,929
Balances at June 30, 2018	\$4,413,831	\$3,682,638	\$731,193

	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

Actuarial Methods and Assumptions – The October 1, 2017 and 2016 actuarial valuations utilized the entry age actuarial cost method.

During fiscal year 2018, the Board of Curators approved a change in the discount rate from 7.75% to 7.20%. The change resulted in an increase in the Net Pension Liability of \$257,616,000 and will be recognized in pension expense over the average expected remaining service lives of employees.

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Actuarial assumptions for October 1, 2017 and 2016 included:

	<u>2017</u>	<u>2016</u>
Inflation	2.20%	2.75%
Rate of Investment Return net of administrative expenses (including inflation)	7.20%	7.75%
Projected salary increases (Including inflation)	3.6 - 4.5%	4.1 - 4.9%
Cost-of-living adjustments	0%	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 26 and 27 years from the October 1, 2017 and 2016 valuation dates, respectively. Mortality rates were based on the RP-2014 Combined Health Mortality Table projected using Scale MP-2017 and RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB for October 1, 2017 and 2016 valuation dates, respectively.

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of the most recent quinquennial study of the University's own experience covering 2012 to 2016. The actuarial assumptions used in the October 1, 2016 valuation were based on the results of the quinquennial study of the University's own experience covering 2018 to 2012.

Discount Rate - The discount rate used to measure the total pension liability was 7.20%. 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, 2017 actuarial

valuation, 7.20% was used as the net long-term expected rate of return.

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

	2018 Net		2017 Net	
	2018	Pension	2017	Pension
	Rate	Liability	Rate	Liability
1% Decrease	6.20%	\$1,287,184	6.75%	\$999,575
Current Rate	7.20%	731,193	7.75%	522,264
1% Increase	8.20%	262,755	8.75%	115,926

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, 2018 and 2017 was 10.2% and 11.0%, respectively.

Table 13.4 - Asset Class Allocation

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic large cap equity	14.5%	4.7%
International developed equity	14.5%	9.7%
Emerging markets equity	3.0%	8.6%
Private equity	10.0%	7.8%
Sovereign bonds	15.0%	3.1%
Domestic inflation linked bonds	10.0%	2.9%
Global inflation linked bonds	7.0%	2.6%
Private debt	3.0%	6.5%
Risk balanced	10.0%	9.7%
Commodities	5.0%	4.3%
Core private real estate	1.6%	4.6%
Value add private real estate	4.8%	6.6%
Opportunistic private real estate	1.6%	8.6%
	<u>100%</u>	

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Pension Expense- For the years ended June 30, 2018 and 2017, the Retirement Plan recognized pension expense of \$142,185,000 and \$117,940,000, 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, 2018 and 2017 is summarized as follows:

Table 13.5 Pension Expense (*in thousands*)

	2018	2017
Service cost	\$63,624	\$66,269
Interest	305,781	296,885
Recognized portion of current-period difference between expected and actual experience	2,133	(3,761)
Recognized portion of current-period difference for changes to assumptions	46,959	-
Contributions – employee	(15,299)	(15,218)
Projected earnings on pension plan investments	(264,540)	(245,073)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(11,551)	(23,883)
Recognition of deferred outflows of resources	25,014	48,896
Recognition of deferred inflows of resources	(9,936)	(6,175)
Pension expense for fiscal year ended June 30,	\$142,185	\$117,940

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, 2018 and 2017, 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
	2018	2018	2017	2017
As of June 30,				
Differences between expected and actual experience	14,290	34,921	6,846	44,857
Changes in assumptions	210,657	-	-	-
Net difference between projected and actual earnings on pension plan investments	24,426	-	93,518	-
Total	249,373	34,921	100,364	44,857

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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
2019	99,084
2020	54,894
2021	4,188
2022	32,600
2023	23,686
Total	214,452

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 \$17,579,000 and \$13,891,000 of pension expense net of forfeitures of \$3,211,000 and \$3,472,000 for the years ended June 30, 2018 and 2017, 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 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 retirees prior to January 1, 2018. 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 of June 30, 2018 and 2017, 8,603 and 7,517 retirees, respectively, were receiving benefits, and an estimated 10,649 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, 2018 and 2017, 210 and 166 long-term disability claimants, respectively, met those eligibility requirements.

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

Basis of Accounting – The OPEB Plan's financial statements are prepared using the accrual basis of accounting, in accordance with GASB Statement No. 74. Additionally, the requirements of GASB Statement No. 75 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.

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.

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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, 2018 and 2017, participants contributed \$16,480,000 and \$14,750,000, or approximately 49.9% and 47.5% respectively, of total premiums through their required contributions, which vary depending on the plan and coverage selection. In fiscal years 2018 and 2017, the University contributed \$18,590,000 and \$21,394,000 respectively.

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.

Net OPEB Liability – The University of Missouri began reporting a net OPEB liability in restated fiscal year 2017 financial statements 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 total and net OPEB liabilities as of June 30, 2018 and 2017 were measured as of June 30, 2018 and 2017, respectively, using actuarial valuations as of those dates.

Table 14.1 Net OPEB Liability (*in thousands*)

	Fiscal Year 2018	Fiscal Year 2017
Net OPEB Liability Components:		
Total OPEB Liability	\$ 479,006	\$ 498,407
Plan Fiduciary Net Position	36,801	36,144
Net OPEB Liability	442,205	462,263
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	7.68%	7.25%

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Table 14.2 Changes in the Net OPEB Liability *(in thousands)*

	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a) - (b)
Balances at July 1, 2017	\$498,407	\$36,144	\$462,263
Changes for the year:			
Service cost	4,991	-	4,991
Interest	17,434	-	17,434
Changes in assumptions	(18,998)	-	(18,998)
Contributions – employer	-	18,590	(18,590)
Contributions – employee	-	16,480	(16,480)
Net investment income	-	790	(790)
Expected/Actual benefit payments, including refunds of employee contributions	(22,828)	(35,031)	12,203
Administrative expenses	-	(172)	172
Net changes	(19,401)	657	(20,058)
Balances at June 30, 2018	\$479,006	\$36,801	\$442,205
	Total OPEB Liability (TOL) (a)	Fiduciary Net Position (FNP) (b)	Net OPEB Liability (NOL) (a) - (b)
Balances at July 1, 2016	\$523,250	\$35,145	\$488,105
Changes for the year:			
Service cost	9,414	-	9,414
Interest	14,557	-	14,557
Changes in assumptions	(23,880)	-	(23,880)
Contributions – employer	-	21,394	(21,394)
Contributions – employee	-	14,750	(14,750)
Net investment income	-	914	(914)
Expected/Actual benefit payments, including refunds of employee contributions	(24,934)	(35,871)	10,937
Administrative expenses	-	(188)	188
Net changes	(24,843)	999	(25,842)
Balances at June 30, 2017	498,407	36,144	462,263

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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 entry age normal, as a level percent of pay, actuarial cost method was used in the June 30, 2018 and June 30, 2017 actuarial valuations.

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.

Total OPEB liability was determined using the following actuarial assumptions for all periods presented, unless otherwise specified:

14.3 Total OPEB Liability Assumptions	
Inflation	2.20%
Total payroll growth	Varies based on age: 0.5% to 4.6% (including inflation) for academic and administrative; 0.2% to 3.0% (including inflation) for clerical and service
Discount Rate	3.87% (3.58% in prior year)
Retiree Health PPO Plan, Healthy Savings, and Rx trend rate	8.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Pre-65 Rx trend rate	9.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Medicare Advantage Plans medical trend rate	4.6% and 37.5% for Base Plan; 5.6% and 24.2% for Buy-Up Plan; then 6.5% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
EGWP Rx trend rate	8.75% decreasing by 0.25% per year until an ultimate trend of 4.5% is reached
Dental trend rates	3.0% all years
Administration expenses rate	3.0% all years
Healthy retiree mortality rates	RP-2014 Healthy Employee/Annuitant Mortality Table projected generationally using Scale MP-2017
Disabled retiree mortality rates	RP-2014 Disabled Annuitant Mortality Table projected generationally using Scale MP-2017

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Development of Discount Rate – The discount rates used to measure the total OPEB liability were 3.87% and 3.58% as of fiscal year June 30, 2018 and June 30, 2017, 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.

Sensitivity to Changes in Discount Rate and Healthcare Cost Trend Rates – The following presents the net OPEB liability of the University as well as what the University’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate as well as the impact to the net OPEB liability if the healthcare cost trend rates were 1-percentage-point lower or 1-percentage-point higher.

Table 14.4 Sensitivity of the Net OPEB Liability to Changes in Discount Rate and Healthcare Cost Trend Rates *(in thousands)*

	1% Decrease in Discount Rate (2.87%)	Current Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
Net OPEB Liability	\$513,279	\$442,205	\$387,166

	1% Decrease in Trend Rates	Current Healthcare Cost Trend Rates	1% Increase in Trend Rates
Net OPEB Liability	\$395,187	\$442,205	\$502,943

OPEB Expense- For the years ended June 30, 2018 and 2017, the OPEB Plan recognized an OPEB expense of \$15,947,000 and \$20,844,000, respectively. Annual OPEB

expense consists of service cost, interest on the total OPEB liability and the recognition of deferred outflows/inflows.

The OPEB expense for the years ended June 30, 2018 and 2017 is summarized as follows:

Table 14.5 OPEB Expense *(in thousands)*

	2018	2017
Service cost	\$4,991	\$9,414
Interest	17,434	14,557
Recognized portion of current-period difference for changes to assumptions	(3,193)	(2,944)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(158)	(183)
Recognition of deferred inflows of resources	(3,127)	-
OPEB expense for fiscal year ended June 30,	\$15,947	\$20,844

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Deferred Outflows/Inflows of Resources- In accordance with GASB Statement No. 75, 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, 2018 and 2017, the OPEB Plan reported deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

Table 14.6 Deferred inflows of resources related to OPEB *(in thousands)*

	Deferred Inflows of Resources	Deferred Inflows of Resources
	2018	2017
As of June 30,		
Changes in assumptions	33,795	20,935
Net difference between projected and actual earnings on plan investments	1,180	731
Total	34,975	21,666

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 14.7 Future recognition of deferred (inflows) *(in thousands)*

Fiscal Year	Recognition
2019	(6,478)
2020	(6,478)
2021	(6,478)
2022	(6,295)
2023	(5,978)
2024	(2,944)
2025	(324)
Total	(34,975)

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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, 2018 and 2017 are presented as follows:

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

Condensed Statement of Net Position	2018						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Assets:							
Current Assets	\$ 1,228,277	\$ 3,834	\$ 72,342	\$ 1,149	\$ 1,062	\$ 20,431	\$ 1,327,095
Non Current Other Assets	3,540,663	7,186	60,286	-	-	-	3,608,135
Capital Assets, Net	3,203,190	110,343	80,544	75	28	(11,105)	3,383,075
Deferred Outflows of Resources	279,210	-	-	-	-	-	279,210
Total Assets and Deferred Outflows of Resources	\$ 8,251,340	\$ 121,363	\$ 213,172	\$ 1,224	\$ 1,090	\$ 9,326	\$ 8,597,515
Liabilities:							
Current Liabilities	\$ 972,741	\$ 1,793	\$ 26,035	\$ 1,175	\$ 703	\$ (1,106)	\$ 1,001,341
Noncurrent Liabilities	2,549,848	109,641	42,608	23	19	(60,145)	2,641,994
Deferred Inflows of Resources	83,289	-	-	-	-	-	83,289
Total Liabilities and Deferred Inflows of Resources	3,605,878	111,434	68,643	1,198	722	(61,251)	3,726,624
Net Position:							
Net Investment in Capital Assets	1,636,168	20,464	40,233	75	28	50,027	1,746,995
Restricted -							
Nonexpendable	1,200,514	-	-	-	-	-	1,200,514
Expendable	528,488	(10,535)	4,022	-	-	20,550	542,525
Unrestricted	1,280,292	-	100,274	(49)	340	-	1,380,857
Total Net Position	4,645,462	9,929	144,529	26	368	70,577	4,870,891
Total Liabilities and Net Position	\$ 8,251,340	\$ 121,363	\$ 213,172	\$ 1,224	\$ 1,090	\$ 9,326	\$ 8,597,515

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2018						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Operating Revenues:							
Other Operating Revenue	\$ 2,638,980	\$ 7,445	\$ 202,663	\$ 4,707	\$ 4,155	\$ (6,772)	\$ 2,851,178
Total Operating Revenues	2,638,980	7,445	202,663	4,707	4,155	(6,772)	2,851,178
Operating Expenses:							
Depreciation	194,271	4,766	11,884	36	23	-	210,980
All Other Operating Expenses	2,946,656	1,509	186,099	7,831	5,147	(5,464)	3,141,778
Total Operating Expenses	3,140,927	6,275	197,983	7,867	5,170	(5,464)	3,352,758
Operating Income (Loss)	(501,947)	1,170	4,680	(3,160)	(1,015)	(1,308)	(501,580)
Non-Operating Revenue (Expense)	769,985	(2,845)	951	-	-	1,043	769,134
Capital Contribution (Distribution)	-	730	-	3,533	500	(4,763)	-
Increase (Decrease) in Net Position	268,038	(945)	5,631	373	(515)	(5,028)	267,554
Net Position, Beginning of Year	4,377,424	10,874	138,898	(347)	883	75,605	4,603,337
Net Position, End of Year	\$ 4,645,462	\$ 9,929	\$ 144,529	\$ 26	\$ 368	\$ 70,577	\$ 4,870,891

Condensed Statement of Cash Flows

	2018						
	University	MREC	Medical Alliance	CSS	CFMS	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	\$ (269,397)	\$ 2,560	\$ 19,203	\$ (3,555)	\$ (351)	\$ (4,608)	\$ (256,148)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	614,864	-	32	-	-	-	614,896
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(260,631)	(4,585)	(17,733)	3,533	500	4,608	(274,308)
Net Cash Flows Provided by (Used in) Investing Activities	82,079	-	(11,672)	-	-	-	70,407
Net Increase (Decrease) in Cash and Cash Equivalents	166,915	(2,025)	(10,170)	(22)	149	-	154,847
Cash and Cash Equivalents, Beginning of Year	351,281	5,088	42,854	245	323	-	399,791
Cash and Cash Equivalents, End of Year	\$ 518,196	\$ 3,063	\$ 32,684	\$ 223	\$ 472	\$ -	\$ 554,638

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Table 15.2 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	\$ 981,993	\$ 6,851	\$ 25,067	\$ 1,574	\$ 440	\$ (1,220)	\$ 1,014,705
Noncurrent Liabilities	2,417,172	110,555	47,602	-	-	(65,405)	2,509,924
Deferred Inflows of Resources	79,506	-	-	-	-	-	79,506
Total Liabilities and Deferred Inflows of Resources	3,478,671	117,406	72,669	1,574	440	(66,625)	3,604,135
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	473,738	(9,040)	3,996	-	-	41,183	509,877
Unrestricted	1,154,991	-	99,616	(458)	831	-	1,254,980
Total Net Position	4,377,424	10,874	138,898	(347)	883	75,605	4,603,337
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	2,905,849	1,443	171,114	8,200	3,471	(5,965)	3,084,112
Total Operating Expenses	3,099,659	6,209	182,714	8,234	3,487	(5,965)	3,294,338
Operating Income (Loss)	(497,410)	1,236	6,686	(2,883)	(1,417)	(807)	(494,595)
Non-Operating Revenue (Expense)	897,019	(2,811)	62	-	-	4,327	898,597
Capital Contribution (Distribution)	-	91	-	2,250	2,300	(4,641)	-
Increase (Decrease) in Net Position	399,609	(1,484)	6,748	(633)	883	(1,121)	404,002
Net Position, Beginning of Year, Adjusted	3,977,815	12,358	132,150	286	-	76,726	4,199,335
Net Position, End of Year	\$ 4,377,424	\$ 10,874	\$ 138,898	\$ (347)	\$ 883	\$ 75,605	\$ 4,603,337

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	\$ (275,955)	\$ 2,359	\$ 17,686	\$ (2,245)	\$ (1,977)	\$ 3,379	\$ (256,753)
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	(1,447)	-	(22,789)	-	-	-	(24,236)
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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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, 2018	Salaries and		Supplies,	Scholarships	Depreciation	Total
	Wages	Benefits	Services and	and		
			Other	Fellowships		
Instruction	\$ 413,703	\$ 128,696	\$ 88,363	\$ -	\$ -	\$ 630,762
Research	99,764	27,193	66,611	-	-	193,568
Public Service	80,436	26,991	56,544	-	-	163,971
Academic Support	79,122	27,033	38,585	-	-	144,740
Student Services	50,700	16,717	33,734	-	-	101,151
Institutional Support	115,410	39,413	(39,079)	-	-	115,744
Operation and Maintenance of Plant	34,984	12,502	57,676	-	-	105,162
Auxiliary Enterprises	717,278	197,203	704,152	-	-	1,618,633
Scholarships and Fellowships	-	-	-	68,047	-	68,047
Depreciation	-	-	-	-	210,980	210,980
Total Operating Expenses	\$ 1,591,397	\$ 475,748	\$ 1,006,586	\$ 68,047	\$ 210,980	\$ 3,352,758

Fiscal Year Ended June 30, 2017	Salaries and		Supplies,	Scholarships	Depreciation	Total
	Wages	Benefits	Services and	and		
			Other	Fellowships		
Instruction	\$ 421,423	\$ 121,687	\$ 95,272	\$ -	\$ -	\$ 638,382
Research	100,746	24,891	67,397	-	-	193,034
Public Service	83,555	25,514	57,864	-	-	166,933
Academic Support	82,312	26,317	40,999	-	-	149,628
Student Services	51,222	15,604	29,661	-	-	96,487
Institutional Support	124,551	45,606	(44,835)	-	-	125,322
Operation and Maintenance of Plant	35,248	11,947	49,076	-	-	96,271
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	\$ 456,370	\$ 975,232	\$ 69,289	\$ 210,226	\$ 3,294,338

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17. FIDUCIARY FUNDS – PENSION AND OPEB TRUST FUNDS COMBINING STATEMENTS

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

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

	2018			2017		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Assets						
Cash and Cash Equivalents	\$ 393,404	\$ 38,099	\$ 431,503	\$ 303,404	\$ 36,099	\$ 339,503
Investment of Cash Collateral	158,979	-	158,979	161,264	-	161,264
Investment Settlements Receivable	83,956	-	83,956	56,048	-	56,048
Other Assets	7	602	609	-	30	30
Investments:						
Debt Securities	423,984	-	423,984	526,083	-	526,083
Equity Securities	213,239	-	213,239	219,663	-	219,663
Commingled Funds	1,997,441	-	1,997,441	1,867,994	345	1,868,339
Nonmarketable Alternative Investments	702,082	-	702,082	583,666	-	583,666
Total Assets	3,973,092	38,701	4,011,793	3,718,122	36,474	3,754,596
Liabilities						
Accounts Payable and Accrued Liabilities	-	1,900	1,900	784	330	1,114
Collateral Held for Securities Lending	158,979	-	158,979	161,264	-	161,264
Investment Settlements Payable	131,475	-	131,475	70,149	-	70,149
Total Liabilities	290,454	1,900	292,354	232,197	330	232,527
Net Position Restricted for Retirement and OPEB						
	\$ 3,682,638	\$ 36,801	\$ 3,719,439	\$ 3,485,925	\$ 36,144	\$ 3,522,069

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

	2018			2017		
	Retirement	OPEB	Total	Retirement	OPEB	Total
Additions						
Investment Income:						
Interest and Dividend Income	\$ 64,914	\$ 792	\$ 65,706	\$ 65,662	\$ 332	\$ 65,994
Net Appreciation (Depreciation) in						
Fair Value of Investments	278,179	1	278,180	318,701	582	319,283
Less Investment Expense	(18,605)	(3)	(18,608)	(16,858)	-	(16,858)
Net Investment Income	324,488	790	325,278	367,505	914	368,419
Contributions:						
University	92,200	18,590	110,790	96,631	21,394	118,025
Members	15,299	16,480	31,779	15,218	14,750	29,968
Total Contributions	107,499	35,070	142,569	111,849	36,144	147,993
Total Additions	431,987	35,860	467,847	479,354	37,058	516,412
Deductions						
Administrative Expenses	2,191	172	2,363	3,019	188	3,207
Payments to Retirees and Beneficiaries	233,083	35,031	268,114	211,036	35,871	246,907
Total Deductions	235,274	35,203	270,477	214,055	36,059	250,114
Increase in Net Position Restricted						
for Retirement and OPEB	196,713	657	197,370	265,299	999	266,298
Net Position Restricted for						
Retirement & OPEB, Beginning of Year	3,485,925	36,144	3,522,069	3,220,626	35,145	3,255,771
Net Position Restricted for						
Retirement and OPEB, End of Year	\$ 3,682,638	\$ 36,801	\$ 3,719,439	\$ 3,485,925	\$ 36,144	\$ 3,522,069

18. SUBSEQUENT EVENTS

On July 27, 2018, MU Health Care signed a non-binding letter of intent to purchase two hospitals, SSM Health St. Mary's – Audrain and SSM Health St. Mary's – Jefferson City, from SSM Health. The proposed closing date would be the later of December 31, 2018 or ten days after all governmental approvals and third

party consents for material contract assignments have been received, not to exceed June 30, 2019. The closing of the proposed transaction is conditioned upon the negotiation and execution of a mutually satisfactory definitive agreement and subject to reasonable and customary due diligence.

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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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total pension liability										
Service cost	\$63,624	\$66,269	\$68,328	\$70,574	\$71,995					
Interest	305,781	296,885	288,438	275,762	263,566					
Differences between expected and actual experience	11,704	(22,741)	(38,227)	13,226	--	(Historical information prior to implementation of GASB 67/68 is not required)				
Changes of assumptions	257,616	--	--	--	--					
Benefit payments, including refunds of employee contributions	(233,083)	(211,036)	(203,300)	(182,488)	(169,992)					
Net change in total pension liability	405,642	129,377	115,239	177,074	165,569					
Total pension liability - beginning	4,008,189	3,878,812	3,763,573	3,586,499	3,420,930					
Total pension liability - ending (a)	\$4,413,831	\$4,008,189	\$3,878,812	\$3,763,573	\$3,586,499					
Plan fiduciary net position										
Contributions - employer	\$92,200	\$96,631	\$99,454	\$103,895	\$113,688					
Contributions - employee	15,299	15,218	14,976	14,486	14,113					
Net investment income	322,297	364,486	6,646	36,412	458,884					
Benefit payments, including refunds of employee contributions	(233,083)	(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	196,713	265,299	(82,224)	(29,845)	414,139					
Plan fiduciary net position - beginning	3,485,925	3,220,626	3,302,850	3,332,695	2,918,556					
Plan fiduciary net position - ending (b)	\$3,682,638	\$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,									
	2018**	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net pension liability – ending: (a)-(b)	\$731,193	\$522,264	\$658,186	\$460,723	\$253,804					
Plan's fiduciary net position as a percentage of the total pension liability	83.43%	86.97%	83.03%	87.76%	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)				
Covered-employee payroll*	\$1,146,836	\$1,144,412	\$1,129,784	\$1,109,431	\$1,078,347					
Net pension liability as a percentage of covered-employee payroll	63.76%	45.64%	58.26%	41.53%	23.54%					

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

**Discount rate changed from 7.75% to 7.20%

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

Fiscal Year Ended	Covered Employee Payroll		Actuarially determined contribution**		Contributions made	Contributions as % of covered-employee payroll**		Actuarially determined contribution as a Percentage of Payroll**		Contributions in relation to the actuarially determined contribution**		Contribution deficiency (excess)
						Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	
June 30,	Level 1	Level 2	Level 1	Level 2	Level 1 and Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1 and Level 2
2018	\$ 733,289	\$413,547	\$ 68,856	\$ 22,662	\$ 92,200	9.39%	5.48%	9.39%	5.48%	9.39%	5.48%	-
2017	794,108	350,304	75,678	19,652	96,631	9.53%	5.61%	9.53%	5.61%	9.53%	5.61%	-
2016	857,918	271,866	82,446	15,442	99,454	9.61%	5.68%	9.61%	5.68%	9.61%	5.68%	-
2015	928,088	181,343	92,716	10,971	103,895	9.99%	6.05%	9.99%	6.05%	9.99%	6.05%	-
2014	984,787	93,560	106,160	6,334	113,688	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-
2013	1,046,075	-	92,891	-	94,176	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-
2012	1,031,891	-	72,955	-	74,618	7.07%	-	7.07%	-	7.07%	-	-
2011	979,888	-	56,246	-	57,541	5.74%	-	5.74%	-	5.74%	-	-
2010	970,060	-	47,339	-	48,040	4.88%	-	4.88%	-	4.88%	-	-
2009	954,430	-	56,025	-	56,663	5.87%	-	5.87%	-	5.87%	-	-

* 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,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Money-Weighted Rate of Return	10.2%	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	26 years for 2018, 27 years for 2017
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, 2017 valuation were based on the results of an experience study for the period September 20, 2012 to September 30, 2016. The actuarial assumptions used in the October 1, 2016 valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012.
Investment Rate of Return	7.20%, net of expenses for 2018; 7.75%, net of expenses for 2017
Inflation	2.2% for 2018, 2.75% for 2017
Projected Salary Increases	4.5% average (including inflation) for academic and administrative; 3.6% 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 80.
Mortality:	
Healthy Non-annuitant lives	RP-2014 Employee Mortality Table projected on a generational basis using Scale MP-2017
Healthy Annuitant lives	RP-2014 Healthy Annuitant Mortality Table projected on a generational basis using Scale MP-2017
Disabled lives	RP-2014 Disabled Annuitant Mortality Table projected on a generational basis using Scale MP-2017

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

	Fiscal Year End June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability										
Service cost	\$4,991	\$9,414	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Interest	17,434	14,557	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Changes of assumptions	(18,998)	(23,880)	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Benefit payments	(22,828)	(24,934)	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Net change in total OPEB liability	(19,401)	(24,843)	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Total OPEB liability - beginning	498,407	523,250	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Total OPEB liability - ending (a)	\$479,006	\$498,407	\$523,250							
Plan fiduciary net position										
Contributions - employer	18,590	21,394	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Contributions - employee	16,480	14,750	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Net investment income	790	914	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Benefit payments, including refunds of employee contributions	(35,031)	(35,871)	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Other	(172)	(188)	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Net change in fiduciary net position	657	999	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Plan fiduciary net position - beginning	36,144	35,145	--	(Historical information prior to implementation of GASB 74/75 is not required)						
Plan fiduciary net position - ending (b)	\$36,801	\$36,144	35,145							
Net OPEB Liability - ending (a) - (b)	\$442,205	\$462,263	\$488,105							
Plan's fiduciary net position as a percentage of the total OPEB liability	7.68%	7.25%	6.72%	(Historical information prior to implementation of GASB 74/75 is not required)						
Covered-employee payroll	721,517	787,104	1,157,156							
Net OPEB liability as a percentage of covered-employee payroll	61.29%	58.73%	42.18%							

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Notes to Required Supplementary Information for Net OPEB Liability

Changes of assumptions: Based on past experience and future expectations, the following actuarial assumptions were changed as of the June 30, 2017 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 3.87% and 3.58% as of June 30, 2018 and June 30, 2017 respectively.
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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,	2018	2017	2016	2015	2014
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 360,053	\$ 241,516	\$ 216,149	\$ 268,211	\$ 90,750
Restricted Cash and Cash Equivalents	189,988	155,693	130,246	116,703	56,185
Short-Term Investments	226,215	118,958	128,932	105,587	217,758
Restricted Short-Term Investments	31,991	18,249	26,222	26,762	36,176
Investment of Cash Collateral	5,012	7,437	28,225	43,902	113,477
Accounts Receivable, Net	335,551	333,862	314,908	277,373	292,854
Pledges Receivable, Net	17,039	16,450	15,035	16,958	15,930
Investment Settlements Receivable	68,024	108,385	130,513	185,576	224,423
Notes Receivable, Net	9,060	9,016	8,659	8,781	8,490
Due To Component Units	-	-	-	(9,469)	(8,107)
Inventories	40,433	39,037	39,892	37,872	35,354
Prepaid Expenses and Other Current Assets	43,729	37,910	37,818	30,695	26,884
Total Current Assets	1,327,095	1,086,513	1,076,599	1,108,951	1,110,174
Noncurrent Assets					
Restricted Cash and Cash Equivalents	4,597	2,582	1,457	-	-
Pledges Receivable, Net	38,106	44,550	31,092	34,845	40,004
Notes Receivable, Net	69,842	69,494	76,380	79,418	79,961
Deferred Charges and Other Assets	17,587	17,683	16,666	2,379	2,243
Long-Term Investments	2,021,932	2,058,102	1,873,378	1,614,799	1,526,603
Restricted Long-Term Investments	1,456,071	1,378,250	1,262,504	1,321,810	1,300,481
Capital Assets, Net	3,383,075	3,412,410	3,364,972	3,198,011	3,123,172
Total Noncurrent Assets	6,991,210	6,983,071	6,626,449	6,251,262	6,072,464
Deferred Outflows of Resources	279,210	137,888	292,836	97,615	52,417
Total Assets and Deferred Outflows of Resources	\$ 8,597,515	\$ 8,207,472	\$ 7,995,884	\$ 7,457,828	\$ 7,235,055
Liabilities					
Current Liabilities					
Accounts Payable	\$ 130,776	\$ 141,313	\$ 144,640	\$ 110,231	\$ 137,956
Accrued Liabilities	177,169	175,466	168,100	187,149	159,209
Deferred Revenue	95,144	90,495	86,090	90,554	89,318
Funds Held for Others	91,539	89,440	78,895	77,021	78,787
Investment Settlements Payable	187,438	188,038	236,823	216,510	191,449
Collateral Held for Securities Lending	5,012	7,437	28,225	43,902	113,477
Commercial Paper and Current Portion of Long-Term Debt	228,078	232,821	224,254	71,022	92,433
Long-Term Debt Subject to Remarketing	86,185	89,695	93,070	96,320	99,445
Total Current Liabilities	1,001,341	1,014,705	1,060,097	892,709	962,074
Noncurrent Liabilities					
Unearned Revenue	15,792	16,465	17,137	13,119	9,859
Long-Term Debt	1,344,815	1,386,017	1,405,916	1,527,661	1,411,225
Derivative Instrument Liability	27,570	38,116	55,332	42,353	39,571
Net Other Postemployment Benefits Liability	442,205	462,263	212,572	209,793	177,040
Net Pension Liability	731,193	522,264	658,186	460,723	253,804
Other Noncurrent Liabilities	80,419	84,799	69,532	67,073	60,652
Total Noncurrent Liabilities	2,641,994	2,509,924	2,418,675	2,320,722	1,952,151
Deferred Inflows Resources	83,289	79,506	32,052	-	185,860
Total Liabilities and Deferred Inflows of Resources	\$ 3,726,624	\$ 3,604,135	\$ 3,510,824	\$ 3,213,431	\$ 3,100,085
Net Position					
Net Investment in Capital Assets	1,746,995	1,728,982	1,692,629	1,613,846	1,626,371
Restricted					
Nonexpendable -					
Endowment	1,200,514	1,109,498	993,760	1,010,357	998,947
Expendable -					
Scholarship, Research, Instruction & Other	394,577	367,009	356,156	367,832	349,560
Loans	83,567	85,145	84,509	83,546	81,805
Capital Projects	64,381	57,723	54,298	39,461	46,363
Unrestricted	1,380,857	1,254,980	1,303,708	1,129,355	1,031,924
Total Net Position	4,870,891	4,603,337	4,485,060	4,244,397	4,134,970
Total Liabilities & Net Position	\$ 8,597,515	\$ 8,207,472	\$ 7,995,884	\$ 7,457,828	\$ 7,235,055

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Operating Revenues					
Tuition and Fees, Net	\$ 861,913	\$ 868,784	\$ 898,906	\$ 870,637	\$ 829,920
Less: Scholarship Allowances	226,434	219,567	226,632	217,648	202,647
Net Tuition and Fees	635,479	649,217	672,274	652,989	627,273
Federal Grants and Contracts	157,587	158,414	155,134	155,797	160,582
State and Local Grants and Contracts	59,966	60,934	57,690	53,926	49,538
Private Grants and Contracts	74,782	70,527	67,348	70,296	76,867
Sales and Services of Educational Activities	26,193	26,492	25,406	25,074	24,137
Auxiliary Enterprises -					
Patient Medical Services, Net	1,400,335	1,323,006	1,205,084	944,161	873,638
Housing and Dining Services, Net	100,837	106,468	115,351	114,361	106,818
Bookstores	41,429	47,598	54,590	55,941	54,444
Other Auxiliary Enterprises, Net	295,451	293,407	274,817	263,135	247,922
Other Operating Revenues	59,119	63,680	74,663	66,849	64,037
Total Operating Revenues	2,851,178	2,799,743	2,702,357	2,402,529	2,285,256
Operating Expenses					
Salaries and Wages	1,591,397	1,583,221	1,522,480	1,407,428	1,363,449
Benefits	475,748	456,370	461,209	396,886	346,257
Supplies, Services and Other Operating Expenses	1,006,586	975,232	970,963	858,939	833,799
Scholarships and Fellowships	68,047	69,289	70,353	66,860	66,919
Depreciation	210,980	210,226	201,691	194,075	183,250
Total Operating Expenses	3,352,758	3,294,338	3,226,696	2,924,188	2,793,674
Operating Loss before State Appropriations	(501,580)	(494,595)	(524,339)	(521,659)	(508,418)
State Appropriations	401,705	417,912	438,813	435,511	412,650
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)	(99,875)	(76,683)	(85,526)	(86,148)	(95,768)
Nonoperating Revenues (Expenses)					
Federal Appropriations	26,665	27,128	27,041	28,399	27,675
Federal Pell Grants	55,400	52,875	57,313	59,072	59,776
Investment and Endowment Income (Losses), Net	199,040	283,263	22,696	38,187	281,837
Private Gifts	77,883	71,249	80,972	68,615	66,780
Interest Expense	(71,043)	(70,037)	(65,061)	(67,651)	(59,916)
Other Nonoperating Revenues (Expenses)	(307)	959	(3,514)	13,972	1,477
Net Nonoperating Revenues (Expenses)	287,638	365,437	119,447	140,594	377,629
Income (Loss) before Capital Contributions, Additions to Permanent Endowments, Extraordinary and Special Items	187,763	288,754	33,921	54,446	281,861
State Capital Appropriations	29,765	49,519	29,166	3,610	-
Capital Gifts and Grants	21,083	34,371	15,990	21,083	14,727
Private Gifts for Endowment Purposes	46,851	31,358	29,477	30,288	47,390
Extraordinary Item:					
Loss on asset impairment	(17,908)	-	-	-	-
Increase (Decrease) in Net Position	267,554	404,002	108,554	109,427	343,978
Net Position, Beginning of Year	4,603,337	4,485,060	4,244,397	4,134,970	4,300,939
Cumulative Effect of Change in Accounting Principles	-	(285,725)	132,109	-	(509,947)
Net Position, Beginning of Year, as Adjusted	4,603,337	4,199,335	4,376,506	4,134,970	3,790,992
Net Position, End of Year	4,870,891	4,603,337	4,485,060	\$ 4,244,397	\$ 4,134,970

CHANGES IN NET POSITION
(% increase / decrease from prior year)

Statistical Section

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Operating Revenues					
Tuition and Fees, Net	-0.8%	-3.4%	3.2%	4.9%	4.9%
Less: Scholarship Allowances	3.1%	-3.1%	4.1%	7.4%	2.1%
Net Tuition and Fees	-2.1%	-3.4%	3.0%	4.1%	5.8%
Federal Grants and Contracts	-0.5%	2.1%	-0.4%	-3.0%	-12.6%
State and Local Grants and Contracts	-1.6%	5.6%	7.0%	8.9%	-8.8%
Private Grants and Contracts	6.0%	4.7%	-4.2%	-8.5%	7.2%
Sales and Services of Educational Activities	-1.1%	4.3%	1.3%	3.9%	0.0%
Auxiliary Enterprises -					
Patient Medical Services, Net	5.8%	9.8%	27.6%	8.1%	3.1%
Housing and Dining Services, Net	-5.3%	-7.7%	0.9%	7.1%	1.0%
Bookstores	-13.0%	-12.8%	-2.4%	2.7%	-2.0%
Other Auxiliary Enterprises, Net	0.7%	6.8%	4.4%	6.1%	-1.2%
Other Operating Revenues	-7.2%	-14.7%	11.7%	4.4%	10.1%
Total Operating Revenues	1.8%	3.6%	12.5%	5.1%	1.8%
Operating Expenses					
Salaries and Wages	0.5%	4.0%	8.2%	3.2%	1.5%
Benefits	4.2%	-1.0%	16.2%	14.6%	-10.2%
Supplies, Services and Other Operating Expenses	3.2%	0.4%	13.0%	3.0%	8.8%
Scholarships and Fellowships	-1.8%	-1.5%	5.2%	-0.1%	7.1%
Depreciation	0.4%	4.2%	3.9%	5.9%	9.2%
Total Operating Expenses	1.8%	2.1%	10.3%	4.7%	2.5%
Operating Loss before State Appropriations	-1.4%	5.7%	-0.5%	-2.6%	-5.5%
State Appropriations	3.9%	4.8%	0.8%	5.5%	2.8%
Operating Income (Loss) after State Appropriations, Before Nonoperating Revenues (Expenses)					
	-30.2%	10.3%	0.7%	10.0%	-19.2%
Nonoperating Revenues (Expenses)					
Federal Appropriations	-1.7%	0.3%	-4.8%	2.6%	-5.1%
Federal Pell Grants	4.8%	-7.7%	-3.0%	-1.2%	-0.2%
Investment and Endowment Income (Losses), Net	-29.7%	1148.1%	-40.6%	-86.5%	91.2%
Private Gifts	9.3%	-12.0%	18.0%	2.7%	4.2%
Interest Expense	1.4%	7.6%	3.8%	-12.9%	-8.4%
Other Nonoperating Revenues (Expenses)	-132.0%	-127.3%	-125.2%	846.0%	130.6%
Net Nonoperating Revenues (Expenses)	-21.3%	205.9%	-15.0%	-62.8%	57.0%
Income (Loss) before Capital Contributions, Additions to Permanent Endowments and Extraordinary Item					
	-35.0%	751.3%	-37.7%	-80.7%	75.9%
State Capital Appropriations	-39.9%	69.8%	707.9%	100.0%	-100.0%
Capital Gifts and Grants	-38.7%	115.0%	-24.2%	43.2%	-27.3%
Private Gifts for Endowment Purposes	49.4%	6.4%	-2.7%	-36.1%	35.0%
Extraordinary Item:					
Loss on asset impairment	-100.0%	-	-	-	-
Increase (Decrease) in Net Position	-33.8%	272.2%	-0.8%	-68.2%	59.0%
Net Position, Beginning of Year					
Cumulative Effect of Change in Accounting Principles	100.0%	316.3%	100.0%	100.0%	-100.0%
Net Position, Beginning of Year, as Adjusted	9.6%	-4.0%	5.8%	9.1%	-7.2%
Net Position, End of Year	5.8%	2.6%	5.7%	2.6%	-3.9%

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Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
+ Primary Reserve Ratio	0.55	0.52	0.54	0.54	0.53
/ Conversion Factor	0.133	0.133	0.133	0.133	0.133
= Strength Factor	4.17	3.90	4.07	4.06	3.95
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	1.46	1.36	1.42	1.42	1.38

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	5.6%	9.2%	2.4%	2.6%	8.7%
/ Conversion Factor	0.020	0.020	0.020	0.020	0.020
= Strength Factor	2.82	4.59	1.22	1.31	4.34
x Weighting Factor	20%	20%	20%	20%	20%
= Ratio Subtotal	0.56	0.92	0.24	0.26	0.87

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	4.9%	5.2%	5.3%	5.1%	5.1%
/ Conversion Factor	0.013	0.013	0.013	0.013	0.013
= Strength Factor	3.81	3.98	4.06	3.95	3.92
x Weighting Factor	10%	10%	10%	10%	10%
= Ratio Subtotal	0.38	0.40	0.41	0.40	0.39

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	1.12	1.00	1.01	0.93	0.91
/ Conversion Factor	0.417	0.417	0.417	0.417	0.417
= Strength Factor	2.69	2.40	2.43	2.24	2.19
x Weighting Factor	35%	35%	35%	35%	35%
= Ratio Subtotal	0.94	0.84	0.85	0.78	0.77

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	3.34	3.52	2.93	2.86	3.41
Composite Financial Index - Three Year Average	3.16	3.18	3.22	3.32	3.43

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

Primary Reserve Ratio (Expendable Financial Resources to Operations)

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	394,577	367,009	356,156	367,832	349,560
Net Position - Restricted Expendable - Loans	83,567	85,145	84,509	83,546	81,805
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Operating Expenses	\$ 3,352,758	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674
Less: Scholarships & Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Interest Expense	71,043	70,037	65,061	67,651	59,916
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Primary Reserve Ratio	0.55	0.52	0.54	0.54	0.53

Return on Net Position Ratio

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Change in Net Position	\$ 267,554	\$ 404,002	\$ 108,554	\$ 109,427	\$ 343,978
Average Net Position	\$ 4,737,114	\$ 4,401,336	\$ 4,430,783	\$ 4,189,684	\$ 3,962,981
Return on Net Position Ratio	5.6%	9.2%	2.4%	2.6%	8.7%

Net Operating Revenues Ratio (Annual Operating Margin)

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Operating Inc (Loss) After State Appropriations	\$ (99,875)	\$ (76,683)	\$ (85,526)	\$ (86,148)	\$ (95,768)
Federal Appropriations	26,665	27,128	27,041	28,399	27,675
Federal Pell Grants	55,400	52,875	57,313	59,072	59,776
Normalized Investment Income	185,694	175,081	164,675	156,107	151,113
Private Gifts	77,883	71,249	80,972	68,615	66,780
Interest Expense	(71,043)	(70,037)	(65,061)	(67,651)	(59,916)
Net Operating Surplus (Deficit)	\$ 174,724	\$ 179,613	\$ 179,414	\$ 158,394	\$ 149,660
Total Operating Revenues	\$ 2,851,178	\$ 2,799,743	\$ 2,702,357	\$ 2,402,529	\$ 2,285,256
Less: Scholarship & Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
State Appropriations	401,705	417,912	438,813	435,511	412,650
Federal Appropriations	26,665	27,128	27,041	28,399	27,675
Federal Pell Grants	55,400	52,875	57,313	59,072	59,776
Normalized Investment Income (a)	185,694	175,081	164,675	156,107	151,113
Private Gifts	77,883	71,249	80,972	68,615	66,780
Total Operating Revenues	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373	\$ 2,936,331
Net Operating Revenues Ratio	4.9%	5.2%	5.3%	5.1%	5.1%

(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)	\$ 174,724	\$ 179,613	\$ 179,414	\$ 158,394	\$ 149,660
Total Operating Revenues	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373	\$ 2,936,331

Viability Ratio (Expendable Financial Resources to Direct Debt)

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	394,577	367,009	356,156	367,832	349,560
Net Position - Restricted Expendable - Loans	83,567	85,145	84,509	83,546	81,805
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Total Direct Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103
Viability Ratio	1.12	1.00	1.01	0.93	0.91

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Net Tuition per Student

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Gross Tuition and Fees	\$ 861,913	\$ 868,784	\$ 898,906	\$ 870,637	\$ 829,920
Less: Scholarship Discounts / Allowances	(226,434)	(219,567)	(226,632)	(217,648)	(202,647)
Less: Scholarship / Fellowship Expenses	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Net Tuition	\$ 567,432	\$ 579,928	\$ 601,921	\$ 586,129	\$ 560,354
Net Tuition	\$ 567,432	\$ 579,928	\$ 601,921	\$ 586,129	\$ 560,354
Number of Students - Fall Semester (FTEs)	55,351	57,785	59,816	59,565	58,163
Net Tuition per Student	\$ 10,252	\$ 10,036	\$ 10,063	\$ 9,840	\$ 9,634

State Appropriations per Student

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
State Appropriations	\$ 401,705	\$ 417,912	\$ 438,813	\$ 435,511	\$ 412,650
Number of Students - Fall Semester (FTEs)	55,351	57,785	59,816	59,565	58,163
State Appropriations per Student	\$ 7,257	\$ 7,232	\$ 7,336	\$ 7,312	\$ 7,095

Educational Expenses per Student

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Total Operating Expenses	\$ 3,352,758	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674
Less: Scholarships / Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Less: Auxiliary Operating Expenses	(1,418,469)	(1,360,986)	(1,270,059)	(1,205,871)	(1,130,729)
Less: Grants and Contracts Expenses	(292,335)	(289,875)	(280,172)	(280,019)	(286,987)
Interest Expense	71,043	70,037	65,061	67,651	59,916
Less: Auxiliary Interest Expense	(12,807)	(12,893)	(12,985)	(12,981)	(12,538)
Net Educational Expenses	\$ 1,632,143	\$ 1,631,332	\$ 1,658,188	\$ 1,426,108	\$ 1,356,417
Net Educational Expenses	\$ 1,632,143	\$ 1,631,332	\$ 1,658,188	\$ 1,426,108	\$ 1,356,417
Number of Students - Fall Semester (FTEs)	55,351	57,785	59,816	59,565	58,163
Educational Expenses per Student	\$ 29,487	\$ 28,231	\$ 27,721	\$ 23,942	\$ 23,321

Total Tuition Discount

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Scholarship Allowances	\$ 226,434	\$ 219,567	\$ 226,632	\$ 217,648	\$ 202,647
Scholarships / Fellowships Expense	68,047	69,289	70,353	66,860	66,919
Total Tuition Discounts (\$)	\$ 294,481	\$ 288,856	\$ 296,985	\$ 284,508	\$ 269,566
Total Tuition Discounts (\$)	\$ 294,481	\$ 288,856	\$ 296,985	\$ 284,508	\$ 269,566
Gross Tuition and Fees	\$ 861,913	\$ 868,784	\$ 898,906	\$ 870,637	\$ 829,920
Total Tuition Discount (%)	34.2%	33.2%	33.0%	32.7%	32.5%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Unrestricted Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Current Portion of Long-Term Debt	\$ 228,078	\$ 232,821	\$ 224,254	\$ 71,022	\$ 92,433
Long-Term Debt Subject to Remarketing	86,185	89,695	93,070	96,320	99,445
Long-Term Debt	1,344,815	1,386,017	1,405,916	1,527,661	1,411,225
Total Direct Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Total Direct Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103

Unrestricted Financial Resources
to Direct Debt

0.83 0.73 0.76 0.67 0.64

Viability Ratio (Expendable Financial Resources to Direct Debt)

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	394,577	367,009	356,156	367,832	349,560
Net Position - Restricted Expendable - Loans	83,567	85,145	84,509	83,546	81,805
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Total Direct Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103

Viability Ratio

1.12 1.00 1.01 0.93 0.91

Total Financial Resources to Direct Debt

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	394,577	367,009	356,156	367,832	349,560
Net Position - Restricted Expendable - Loans	83,567	85,145	84,509	83,546	81,805
Net Position - Restricted Nonexpendable	1,200,514	1,109,498	993,760	1,010,357	998,947
Total Financial Resources	\$ 3,059,515	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236
Total Financial Resources	\$ 3,059,515	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236
Total Direct Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103

Total Financial Resources
to Direct Debt

1.84 1.65 1.59 1.53 1.54

Direct Debt per Student

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Total Direct Debt	\$ 1,659,078	\$ 1,708,533	\$ 1,723,240	\$ 1,695,003	\$ 1,603,103
Number of Students - End of Fiscal Year (FTEs)	54,106	55,398	57,785	59,816	59,565

Direct Debt per Student

\$ 30,663 \$ 30,841 \$ 29,822 \$ 28,337 \$ 26,914

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Actual Debt Service to Operations

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Debt Service - Principal	\$ 36,587	\$ 37,251	\$ 29,855	\$ 19,090	\$ 24,325
Debt Service - Interest	71,043	70,037	65,061	67,651	59,916
Total Debt Service	\$ 107,630	\$ 107,288	\$ 94,916	\$ 86,741	\$ 84,241
Operating Expenses	\$ 3,352,758	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674
Less: Scholarships & Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Interest Expense	71,043	70,037	65,061	67,651	59,916
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Total Debt Service	\$ 107,630	\$ 107,288	\$ 94,916	\$ 86,741	\$ 84,241
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Actual Debt Service to Operations	3.2%	3.3%	2.9%	3.0%	3.0%

Capital Expense to Operations

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Depreciation Expense	\$ 210,980	\$ 210,226	\$ 201,691	\$ 194,075	\$ 183,250
Interest Expense	71,043	70,037	65,061	67,651	59,916
Total Capital Expense	\$ 282,023	\$ 280,263	\$ 266,752	\$ 261,726	\$ 243,166
Operating Expenses	\$ 3,352,758	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674
Less: Scholarships & Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Interest Expense	71,043	70,037	65,061	67,651	59,916
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Total Capital Expense	\$ 282,023	\$ 280,263	\$ 266,752	\$ 261,726	\$ 243,166
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Capital Expense to Operations	8.4%	8.5%	8.3%	8.9%	8.7%

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Unrestricted Financial Resources to Operations

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Operating Expenses	\$ 3,352,758	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674
Less: Scholarships & Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Interest Expense	71,043	70,037	65,061	67,651	59,916
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671

Unrestricted Financial Resources
to Operations

0.41 0.38 0.40 0.39 0.37

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

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	394,577	367,009	356,156	367,832	349,560
Net Position - Restricted Expendable - Loans	83,567	85,145	84,509	83,546	81,805
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Operating Expenses	\$ 3,352,758	\$ 3,294,338	\$ 3,226,696	\$ 2,924,188	\$ 2,793,674
Less: Scholarships & Fellowships Expense	(68,047)	(69,289)	(70,353)	(66,860)	(66,919)
Interest Expense	71,043	70,037	65,061	67,651	59,916
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671
Expendable Net Position	\$ 1,859,001	\$ 1,707,134	\$ 1,744,373	\$ 1,580,733	\$ 1,463,289
Adjusted Total Operating Expense	\$ 3,355,754	\$ 3,295,086	\$ 3,221,404	\$ 2,924,979	\$ 2,786,671

Primary Reserve Ratio

0.55 0.52 0.54 0.54 0.53

Total Financial Resources per Student

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Net Position - Unrestricted	\$ 1,380,857	\$ 1,254,980	\$ 1,303,708	\$ 1,129,355	\$ 1,031,924
Net Position - Restricted Expendable - Scholarships, Research, Instruction and Other	394,577	367,009	356,156	367,832	349,560
Net Position - Restricted Expendable - Loans	83,567	85,145	84,509	83,546	81,805
Net Position - Restricted Nonexpendable	1,200,514	1,109,498	993,760	1,010,357	998,947
Total Financial Resources	\$ 3,059,515	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236
Total Financial Resources	\$ 3,059,515	\$ 2,816,632	\$ 2,738,133	\$ 2,591,090	\$ 2,462,236
Number of Students - End of Fiscal Year (FTE)	54,106	55,398	57,785	59,816	59,565

Total Financial Resources per Student \$ 56,547 \$ 50,844 \$ 47,385 \$ 43,318 \$ 41,337

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Contribution Ratios

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
State Appropriations	\$ 401,705	\$ 417,912	\$ 438,813	\$ 435,511	\$ 412,650
Tuition and Fees, Net of Scholarship Allow/Exp	567,432	579,928	601,921	586,129	560,354
Auxiliary Enterprises	437,717	447,473	444,758	433,437	409,184
Grants and Contracts	292,335	289,875	280,172	280,019	286,987
Federal Pell Grants	55,400	52,875	57,313	59,072	59,776
Gifts	77,883	71,249	80,972	68,615	66,780
Normalized Investment Income (a)	185,694	175,081	164,675	156,107	151,113
Patient Care	1,400,335	1,323,006	1,205,084	944,161	873,638
Other	111,977	117,300	127,110	120,322	115,849
Total	\$ 3,530,478	\$ 3,474,699	\$ 3,400,818	\$ 3,083,373	\$ 2,936,331
State Appropriations	11.2%	12.0%	12.9%	14.1%	14.1%
Tuition and Fees, Net of Scholarship Allow/Exp	16.1%	16.7%	17.7%	19.0%	19.1%
Auxiliary Enterprises	12.4%	12.9%	13.1%	14.1%	13.9%
Grants and Contracts	8.3%	8.3%	8.2%	9.1%	9.8%
Federal Pell Grants	1.6%	1.5%	1.7%	1.9%	2.0%
Gifts	2.2%	2.1%	2.4%	2.2%	2.3%
Normalized Investment Income (a)	5.3%	5.0%	4.8%	5.1%	5.1%
Patient Care	39.7%	38.1%	35.4%	30.6%	29.8%
Other	3.2%	3.4%	3.8%	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,	2018	2017	2016	2015	2014
Instruction	\$ 634,059	\$ 590,759	\$ 643,872	\$ 638,917	\$ 622,684
Research	194,366	181,649	194,245	189,339	190,406
Public Service	164,615	157,491	158,935	153,492	145,629
Academic Support	145,373	140,326	156,667	147,403	139,118
Student Services	101,556	90,698	99,132	92,629	84,787
Institutional Support	116,664	111,416	149,468	128,773	123,651
Operation and Maintenance of Plant	105,441	92,300	99,375	104,205	104,683
Auxiliary Enterprises	1,618,633	1,548,766	1,271,256	1,208,495	1,132,557
Scholarships and Fellowships	68,047	69,289	70,353	66,860	69,919
Depreciation	210,980	210,226	190,296	194,075	183,250
Total Operating Expenses	\$ 3,359,734	\$ 3,192,920	\$ 3,033,599	\$ 2,924,188	\$ 2,796,684
Instruction	18.9%	18.5%	21.2%	21.8%	22.3%
Research	5.8%	5.7%	6.4%	6.5%	6.8%
Public Service	4.9%	4.9%	5.2%	5.2%	5.2%
Academic Support	4.3%	4.4%	5.2%	5.0%	5.0%
Student Services	3.0%	2.8%	3.3%	3.2%	3.0%
Institutional Support	3.5%	3.5%	4.9%	4.4%	4.4%
Operation and Maintenance of Plant	3.1%	2.9%	3.3%	3.6%	3.7%
Auxiliary Enterprises	48.2%	48.5%	41.9%	41.3%	40.5%
Scholarships and Fellowships	2.0%	2.2%	2.3%	2.3%	2.5%
Depreciation	6.3%	6.6%	6.3%	6.7%	6.6%
Total Operating Expenses	100.0%	100.0%	100.0%	100.0%	100.0%

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2017	2016	2015	2014	2013
Undergraduate Students (Head Count)	55,877	58,385	59,418	58,489	56,869
Graduate Students (Head Count)	13,815	14,498	15,184	15,614	15,224
Professional Students (Head Count)	3,122	3,116	3,131	3,180	3,179
Total Students (Head Count)	72,814	75,999	77,733	77,283	75,272
Undergraduate Students (FTE)	44,248	46,202	47,840	47,443	46,334
Graduate Students (FTE)	8,029	8,505	8,889	8,986	8,696
Professional Students (FTE)	3,074	3,077	3,087	3,137	3,133
Total Students (FTE)	55,351	57,784	59,816	59,566	58,163
Acceptance Rate - First-time Freshmen	74%	71%	76%	75%	76%
Acceptance Rate - Undergraduate Transfers	66%	66%	69%	68%	67%
Matriculation - First-time Freshmen	35%	33%	38%	40%	39%
Matriculation - Undergraduate Transfers	66%	66%	64%	68%	67%

Demographics

Fall Semester	2017	2016	2015	2014	2013
Male	48%	48%	49%	48%	48%
Female	52%	52%	51%	52%	52%
Undergraduate Residence - Missouri	82%	81%	79%	78%	79%
Undergraduate Residence - Out of State	18%	19%	21%	22%	21%
Undergraduate Full-Time	73%	73%	75%	76%	77%
Undergraduate Part-Time	27%	27%	25%	24%	23%
Graduate Full-Time	48%	50%	49%	49%	47%
Graduate Part-Time	52%	50%	51%	51%	53%
White	72.3%	72.2%	72.5%	72.5%	73.7%
Black or African American	8.9%	9.2%	9.0%	9.4%	9.7%
Non-Resident Alien	6.8%	7.5%	8.0%	8.0%	7.1%
Asian / Pacific Is.	4.3%	4.0%	3.8%	3.8%	3.7%
Hispanic	4.6%	4.2%	3.9%	3.7%	3.4%
Other	3.1%	2.9%	2.8%	2.6%	2.4%

Degrees Awarded

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Baccalaureate	11,669	11,546	11,654	11,360	10,733
Graduate Certificate	1,047	869	839	780	740
Master's	3,956	4,217	4,330	4,204	4,013
Educational Specialist	67	93	100	122	113
Doctoral	818	816	720	712	640
First Professional Degree	832	829	833	876	837
Total	18,389	18,370	18,476	18,054	17,076

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2017	2016	2015	2014	2013
Undergraduate Students (Head Count)	23,799	25,877	27,791	27,642	26,928
Graduate Students (Head Count)	5,864	6,178	6,440	6,561	6,434
Professional Students (Head Count)	1,181	1,184	1,193	1,222	1,254
Total Students (Head Count)	30,844	33,239	35,424	35,425	34,616
Undergraduate Students (FTE)	21,974	23,864	25,600	25,371	24,753
Graduate Students (FTE)	3,498	3,694	3,894	3,959	3,894
Professional Students (FTE)	1,165	1,166	1,172	1,202	1,228
Total Students (FTE)	26,637	28,724	30,666	30,532	29,875
Acceptance Rate - First-time Freshmen	78%	75%	78%	78%	79%
Acceptance Rate - Undergraduate Transfers	63%	62%	67%	65%	66%
Matriculation - First-time Freshmen	32%	30%	36%	40%	38%
Matriculation - Undergraduate Transfers	60%	57%	54%	60%	59%

Demographics

Fall Semester	2017	2016	2015	2014	2013
Male	47%	47%	47%	47%	47%
Female	53%	53%	53%	53%	53%
Undergraduate Residence - Missouri	76%	74%	72%	73%	75%
Undergraduate Residence - Out of State	24%	26%	28%	27%	25%
Undergraduate Full-Time	93%	93%	94%	94%	94%
Undergraduate Part-Time	7%	7%	6%	6%	6%
Graduate Full-Time	57%	58%	59%	59%	60%
Graduate Part-Time	43%	42%	41%	41%	40%
White	76.9%	76.9%	76.9%	77.4%	78.2%
Black or African American	6.8%	7.0%	7.3%	7.3%	7.2%
Non-Resident Alien	6.8%	7.2%	7.2%	6.9%	6.6%
Asian / Pacific Is.	2.4%	2.3%	2.2%	2.3%	2.3%
Hispanic	3.9%	3.6%	3.5%	3.3%	3.1%
Other	3.2%	3.0%	2.9%	2.8%	2.6%

Degrees Awarded

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Baccalaureate	6,512	6,331	6,283	5,995	5,769
Graduate Certificate	362	266	225	239	226
Master's	1,562	1,684	1,619	1,571	1,580
Educational Specialist	40	56	51	82	65
Doctoral	501	500	416	435	390
First Professional Degree	302	313	308	346	339
Total	9,279	9,150	8,902	8,668	8,369

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2017	2016	2015	2014	2013
Undergraduate Students (Head Count)	11,372	11,704	11,243	10,453	10,227
Graduate Students (Head Count)	3,231	3,468	3,676	3,911	3,738
Professional Students (Head Count)	1,769	1,764	1,766	1,782	1,753
Total Students (Head Count)	16,372	16,936	16,685	16,146	15,718
Undergraduate Students (FTE)	7,989	7,990	7,798	7,575	7,590
Graduate Students (FTE)	1,854	2,080	2,202	2,218	2,069
Professional Students (FTE)	1,737	1,744	1,743	1,759	1,733
Total Students (FTE)	11,580	11,814	11,743	11,552	11,392
Acceptance Rate - First-time Freshmen	64%	62%	63%	64%	65%
Acceptance Rate - Undergraduate Transfers	65%	66%	69%	68%	66%
Matriculation - First-time Freshmen	37%	38%	37%	38%	37%
Matriculation - Undergraduate Transfers	64%	66%	65%	73%	68%

Demographics

Fall Semester	2017	2016	2015	2014	2013
Male	43%	44%	45%	45%	44%
Female	57%	56%	55%	55%	56%
Undergraduate Residence - Missouri	77%	78%	77%	74%	73%
Undergraduate Residence - Out of State	23%	22%	23%	26%	27%
Undergraduate Full-Time	59%	57%	59%	65%	67%
Undergraduate Part-Time	41%	43%	41%	35%	33%
Graduate Full-Time	38%	44%	45%	43%	37%
Graduate Part-Time	62%	56%	55%	57%	63%
White	62.8%	62.8%	62.6%	62.2%	64.6%
Black or African American	10.4%	11.0%	10.4%	11.2%	12.2%
Non-Resident Alien	7.8%	8.9%	10.1%	10.2%	7.5%
Asian / Pacific Is.	7.3%	6.7%	6.5%	6.7%	6.8%
Hispanic	8.0%	7.2%	6.7%	6.1%	5.7%
Other	3.7%	3.4%	3.7%	3.6%	3.2%

Degrees Awarded

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Baccalaureate	1,753	1,824	1,741	1,812	1,803
Graduate Certificate	54	48	71	50	33
Master's	962	1,082	1,213	1,197	1,028
Educational Specialist	18	20	32	26	35
Doctoral	114	122	120	98	116
First Professional Degree	491	473	480	489	459
Total	3,392	3,569	3,657	3,672	3,474

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2017	2016	2015	2014	2013
Undergraduate Students (Head Count)	6,919	6,906	6,839	6,520	6,145
Graduate Students (Head Count)	1,964	1,929	2,047	2,120	1,984
Professional Students (Head Count)	-	-	-	-	-
Total Students (Head Count)	8,883	8,835	8,886	8,640	8,129
Undergraduate Students (FTE)	6,193	6,234	6,216	5,947	5,559
Graduate Students (FTE)	1,257	1,224	1,273	1,332	1,234
Professional Students (FTE)	-	-	-	-	-
Total Students (FTE)	7,450	7,458	7,489	7,279	6,793
Acceptance Rate - First-time Freshmen	83%	77%	88%	86%	87%
Acceptance Rate - Undergraduate Transfers	75%	70%	70%	70%	67%
Matriculation - First-time Freshmen	44%	44%	47%	42%	48%
Matriculation - Undergraduate Transfers	69%	72%	74%	75%	77%

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

Demographics

Fall Semester	2017	2016	2015	2014	2013
Male	77%	77%	77%	77%	77%
Female	23%	23%	23%	23%	23%
Undergraduate Residence - Missouri	85%	83%	80%	79%	79%
Undergraduate Residence - Out of State	15%	17%	20%	21%	21%
Undergraduate Full-Time	89%	90%	90%	89%	89%
Undergraduate Part-Time	11%	10%	10%	11%	11%
Graduate Full-Time	62%	63%	60%	61%	60%
Graduate Part-Time	38%	37%	40%	39%	40%
White	74.4%	73.6%	71.5%	70.0%	72.4%
Black or African American	3.2%	3.4%	3.4%	3.5%	4.1%
Non-Resident Alien	12.1%	13.4%	16.1%	18.2%	16.3%
Asian / Pacific Is.	3.6%	3.6%	3.2%	2.9%	2.6%
Hispanic	3.7%	3.3%	3.2%	3.1%	2.5%
Other	3.0%	2.7%	2.6%	2.3%	2.1%

Degrees Awarded

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Baccalaureate	1,416	1,320	1,378	1,307	1,141
Graduate Certificate	510	432	427	404	401
Master's	613	625	688	675	551
Educational Specialist	-	-	-	-	-
Doctoral	116	88	109	95	70
First Professional Degree	-	-	-	-	-
Total	2,655	2,465	2,602	2,481	2,163

Supplementary Information - Unaudited - See Accompanying Independent Auditors' Report

Enrollment

Fall Semester	2017	2016	2015	2014	2013
Undergraduate Students (Head Count)	13,787	13,898	13,545	13,874	13,569
Graduate Students (Head Count)	2,756	2,923	3,021	3,022	3,068
Professional Students (Head Count)	172	168	172	176	172
Total Students (Head Count)	16,715	16,989	16,738	17,072	16,809
Undergraduate Students (FTE)	8,092	8,113	8,228	8,550	8,432
Graduate Students (FTE)	1,420	1,508	1,520	1,477	1,499
Professional Students (FTE)	172	168	172	176	172
Total Students (FTE)	9,684	9,789	9,920	10,203	10,103
Acceptance Rate - First-time Freshmen	58%	54%	57%	56%	55%
Acceptance Rate - Undergraduate Transfers	68%	68%	71%	69%	69%
Matriculation - First-time Freshmen	32%	32%	38%	39%	37%
Matriculation - Undergraduate Transfers	70%	71%	70%	68%	69%

Demographics

Fall Semester	2017	2016	2015	2014	2013
Male	41%	41%	40%	40%	40%
Female	59%	59%	60%	60%	60%
Undergraduate Residence - Missouri	94%	94%	93%	93%	93%
Undergraduate Residence - Out of State	6%	6%	7%	7%	7%
Undergraduate Full-Time	40%	39%	42%	44%	44%
Undergraduate Part-Time	60%	61%	58%	56%	56%
Graduate Full-Time	31%	30%	27%	25%	25%
Graduate Part-Time	69%	70%	73%	75%	75%
White	72.0%	71.3%	73.1%	72.8%	73.1%
Black or African American	14.5%	15.0%	14.4%	15.2%	15.2%
Non-Resident Alien	3.1%	3.5%	3.3%	3.2%	3.5%
Asian / Pacific Is.	5.1%	5.1%	4.5%	4.5%	4.3%
Hispanic	3.2%	3.0%	2.6%	2.5%	2.4%
Other	2.2%	2.1%	2.1%	1.8%	1.5%

Degrees Awarded

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Baccalaureate	1,988	2,071	2,252	2,246	2,020
Graduate Certificate	121	123	116	87	80
Master's	819	826	810	761	854
Educational Specialist	9	17	17	14	13
Doctoral	87	106	75	84	64
First Professional Degree	39	43	45	41	39
Total	3,063	3,186	3,315	3,233	3,070

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