UNIVERSITY *of* MISSOURI

RESEARCH REACTOR CENTER

April 8, 2016

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Mail Station P1-37
Washington, DC 20555-0001

REFERENCE: Docket 50-186
University of Missouri-Columbia Research Reactor
Amended Facility Operating License R-103

SUBJECT: Written communication as specified by 10 CFR 50.4(b)(1) regarding responses to the "University of Missouri at Columbia - Request for Additional Information RE: Updated Financial Information for Renewal of Facility Operating License No. R-103 for the University of Missouri at Columbia Research Reactor (TAC No. ME1580)," dated February 8, 2016

By letter dated August 31, 2006, the University of Missouri-Columbia Research Reactor (MURR) submitted a request to the U.S. Nuclear Regulatory Commission (NRC) to renew Amended Facility Operating License No. R-103.

By letter dated May 6, 2010, the NRC requested additional information and clarification regarding the renewal request in the form of nineteen (19) Complex Questions. By letter dated September 3, 2010, MURR responded to seven (7) of those Complex Questions.

By letter dated June 1, 2010, the NRC requested additional information and clarification regarding the renewal request in the form of one hundred and sixty-seven (167) 45-Day Response Questions. By letter dated July 16, 2010, MURR responded to forty-seven (47) of those 45-Day Response Questions.

On July 14, 2010, via electronic mail (email), MURR requested additional time to respond to the remaining one hundred and twenty (120) 45-Day Response Questions. By letter dated August 4, 2010, the NRC granted the request. By letter dated August 31, 2010, MURR responded to fifty-three (53) of the 45-Day Response Questions.

On September 1, 2010, via email, MURR requested additional time to respond to the remaining twelve (12) Complex Questions. By letter dated September 27, 2010, the NRC granted the request.

1513 Research Park Drive Columbia, MO 65211 Phone: 573-882-4211 Fax: 573-882-6360 Web: www.murr.missouri.edu
Fighting Cancer with Tomorrow's Technology

On September 29, 2010, via email, MURR requested additional time to respond to the remaining sixty-seven (67) 45-Day Response Questions. By letter dated September 30, 2010, MURR responded to sixteen (16) of the remaining 45-Day Questions. By letter dated October 13, 2010, the NRC granted the extension request.

By letter dated October 29, 2010, MURR responded to sixteen (16) of the remaining 45-Day Response Questions and two (2) of the remaining Complex Questions.

By letter dated November 30, 2010, MURR responded to twelve (12) of the remaining 45-Day Response Questions.

On December 1, 2010, via email, MURR requested additional time to respond to the remaining 45-Day Response and Complex Questions. By letter dated December 13, 2010, the NRC granted the extension request.

On January 14, 2011, via email, MURR requested additional time to respond to the remaining 45-Day Response and Complex Questions. By letter dated February 1, 2011, the NRC granted the extension request.

By letter dated March 11, 2011, MURR responded to twenty-one (21) of the remaining 45-Day Response Questions.

On May 27, 2011, via email, MURR requested additional time to respond to the remaining 45-Day Response and Complex Questions. By letter dated July 5, 2011, the NRC granted the request.

By letter dated September 8, 2011, MURR responded to six (6) of the remaining 45-Day Response and Complex Questions.

On September 30, 2011, via email, MURR requested additional time to respond to the remaining the remaining 45-Day Response and Complex Questions. By letter dated November 10, 2011, the NRC granted the request.

By letter dated January 6, 2012, MURR responded to four (4) of the remaining 45-Day Response and Complex Questions. Also submitted was an updated version of the MURR Technical Specifications.

On January 23, 2012, via email, MURR requested additional time to respond to the remaining the remaining 45-Day Response and Complex Questions. By letter dated January 26, 2012, the NRC granted the request.

On April 12, 2012, via email, MURR requested additional time to respond to the remaining the remaining 45-Day Response and Complex Questions.

By letter dated June 28, 2012, MURR responded to the remaining six (6) 45-Day Response and Complex Questions. With that set of responses, all 45-Day Response and Complex Questions had been addressed.

By letter dated December 20, 2012, the NRC requested a copy of the current Physical Security Plan (PSP) and Operator Requalification Program.

By letter dated January 4, 2013, MURR provided the NRC a copy of the current PSP and Operator Requalification Program.

By letter dated February 11, 2013, the NRC requested updated financial information in the form of four (4) questions because the information provided by the September 14, 2009 response had become outdated.

By letter dated March 12, 2013, MURR responded to the four (4) questions.

By letter dated December 3, 2014, the NRC requested additional information in the form of two (2) questions regarding significant changes to the MURR facility since submittal of the licensing renewal application in August 2006.

By letter dated January 28, 2015, MURR responded to the two (2) questions.

By letter dated April 17, 2015, the NRC requested additional information in the form of ten (10) questions.

On May 29, 2015, via email, MURR requested additional time to respond to the ten (10) questions.

By letter dated June 18, 2015, the NRC requested additional information in the form of two (2) questions.

By letter dated July 31, 2015, MURR responded to the two (2) questions from the June 18, 2015 request.

On September 14, 2015, via telephone, the NRC requested a copy of the Emergency Plan (EP).

By letter dated September 14, 2015, the NRC requested additional information in the form of fifteen (15) questions regarding the PSP.

By letter dated September 15, 2015, MURR provided the NRC a copy of the current EP.

By letter dated October 1, 2015, MURR responded to the ten (10) questions from the April 17, 2015 request.

By letter dated December 2, 2015, MURR responded to the fifteen (15) questions from the September 14, 2015 request regarding the PSP.

By letter dated December 17, 2015, the NRC requested additional information in the form of thirteen (13) questions regarding follow-up information from MURR's October 1, 2015 responses to the NRC's April 17, 2015 request for additional information.

By letter dated February 8, 2016, MURR responded to the thirteen (13) questions.

By letter dated February 8, 2016, the NRC requested updated financial information in the form of four (4) questions because the information provided by the March 12, 2013 response had become outdated.

By letter dated March 23, 2016, the NRC requested additional information in the form of twenty-one (21) questions regarding follow-up information from MURR's February 8, 2016 responses to the NRC's April 17, 2015 request for additional information.

Those questions, and MURR's responses to those questions, are attached.

Attached are the updated financial information questions, and MURR's responses to those questions, from the February 8, 2016 request.

If there are any questions regarding this response, please contact me at (573) 882-5319 or FruitsJ@missouri.edu. I declare under penalty of perjury that the foregoing is true and correct.

Sincerely,

John L. Fruits
Reactor Manager

ENDORSEMENT:
Reviewed and Approved,

Ralph A. Butler, P.E.
Director

JACQUELINE L. BOHM
Notary Public-Notary Seal
STATE OF MISSOURI
Commissioned for Howard County
My Commission Expires: March 26, 2019
Commission # 15634308

State of Missouri
County of Boone
Subscribed and sworn to before me this 8 day of April, 2016
Jacqueline L. Bohm, Notary Public
My Commission Expires: March 26, 2019

xc: Reactor Advisory Committee
Reactor Safety Subcommittee
Dr. Garnett S. Stokes, Provost
Dr. Mark McIntosh, Vice Chancellor for Research, Graduate Studies and Economic Development
Mr. Alexander Adams Jr., U.S. Nuclear Regulatory Commission
Mr. Geoffrey Wertz, U.S. Nuclear Regulatory Commission
Mr. Johnny Eads, U.S. Nuclear Regulatory Commission

Attachments:

1. University of Missouri System – 2014 Financial Report
2. University of Missouri System – 2015 Financial Report
3. Statement of Intent, from the Office of the Vice Chancellor for Finance, University of Missouri-Columbia, dated March 29, 2016

1. *NRC staff will analyze the financial statements for the current year, which are required by 10 CFR 50.71(b), to determine if the applicant is financially qualified to operate the MURR. Since MU's financial statements included with the application are out of date, please provide a copy of the latest financial statements for the NRC staff's review.*

Attached you will find the 2014 and 2015 Financial Reports for the University of Missouri System. Each report provides an overview of the financial position and activities of the University for the fiscal years that ended June 30, 2014 and 2013, and June 30, 2015 and 2014 (Attachments 1 and 2). The University is a component of the state of Missouri and an integral part of the state's Comprehensive Annual Financial Report.

The University of Missouri System 2014 and 2015 Financial Reports include the following five (5) financial statements:

- The three (3) financial statements for the University of Missouri, its blended Component Unit, and its Discretely Presented Component Unit include the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows, where applicable.

- The two (2) financial statements for the University's fiduciary fund, which includes the Retirement and the Other Postemployment Benefits Trust Funds, are the Statement of Plan Net Position and the Statement of Changes in Plan Net Position.

The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities.

2. *Pursuant to 10 CFR 50.33(f)(2), "[t]he applicant shall submit estimates for total annual operating costs for each of the first five years of operations of the facility." Since the information included in the application is now out of date, please provide the following additional information:*

   a. *Projected operating costs of the MURR for each of the fiscal years (FY) 2016 thru FY 2020 (the first five year period after the projected license renewal).*

TABLE 1
FISCAL YEAR 2016-2020 PROJECTED EXPENDITURES
(in thousands of dollars)

	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Salaries/Wages & Benefits	12,615	12,993	13,383	13,785	14,198
Supplies/Services/Equipment < $5K	3,652	3,762	3,847	3,991	4,110
Debt Service	378	378	378	378	378
Reserves	1,325	1,365	1,406	1,448	1,491
Grants	4,761	4,904	5,051	5,202	5,359
Other	2,919	3,007	3,097	3,190	3,285
TOTAL EXPENDITURES	**$ 25,650**	**$ 26,408**	**$ 27,189**	**$ 27,993**	**$ 28,882**

Notes:

1. The University of Missouri fiscal year (FY XXXX) begins July 1 and ends June 30.
2. All projected revenues and expenditures reflect a 3% increase per year except for Debt Service and Campus Allocation.
3. MURR reserves will be used to cover fiscal year end deficits, as needed.

b. MU's source(s) of funding to cover the operating costs for the above fiscal years.

TABLE 2
FISCAL YEAR 2016-2020 PROJECTED REVENUES
(in thousands of dollars)

	FY 2016 Projected	FY 2017 Projected	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected
Campus Allocation	2,728	2,673	2,673	2,673	2,673
Service Operations	17,001	17,511	18,036	18,577	19,135
Partnerships	50	52	53	55	56
Grants	4,761	4,904	5,051	5,202	5,359
Other	1,150	1,185	1,220	1,257	1,294
TOTAL REVENUES	**$ 25,690**	**$ 26,324**	**$ 27,034**	**$ 27,765**	**$ 28,517**

Notes:

1. The University of Missouri fiscal year (FY XXXX) begins July 1 and ends June 30.
2. All projected revenues and expenditures reflect a 3% increase per year except for Debt Service and Campus Allocation.
3. MURR reserves will be used to cover fiscal year end deficits, as needed.

"Campus Allocation" represents an annual allocation from the University of Missouri. "Service Operations" is primarily based on the sale of irradiation, processing and analytical services. Revenue is subject to market fluctuations; however, many of the MURR's major customers have been clients for several years and the MURR continues to develop significant new customers each year. "Grants" are a revenue source received from non-University sources.

3. *The application references a decommissioning cost estimate for the MURR that was developed using NUREG/CR-1756, Technology, Safety and Costs of Decommissioning Reference Research and Test Reactors. The application states that the decommissioning cost estimate was $47.3 million in 2009 dollars, including safe storage (SAFSTOR) costs, and a 25 percent contingency factor. The NRC staff needs the following additional information to complete its review of the MURR decommissioning cost estimate:*

   a. *A current decommissioning cost estimate in 2016 dollars for the MURR to meet the NRC's radiological release criteria for decommissioning the facility for unrestricted use, pursuant to 10 CFR 50.75(d)(2). Accordingly, describe the basis for how the cost estimate was developed (if NUREG/CR-1756 is still the basis for the decommissioning cost estimate, please so state).*

The current decommissioning cost estimate is $58.41 million in 2016 dollars. The original decommissioning cost estimate was developed using the methodology proposed in NUREG/CR-1756, Technology, Safety and Costs of Decommissioning Reference Research and Test Reactors, for a reference test reactor using the passive safe storage (SAFSTOR) option for a period of 30 years. The reference test reactor approach was used because this was thought to more closely represent the decommissioning efforts that would be needed for the MURR. The original decommissioning estimate was transmitted to the NRC in a letter dated June 29, 1990. In this letter, the MURR committed to adjusting our cost estimate at five year intervals using the decommissioning inflation formula provided in 10 CFR 50.75(c)(2).

Our initial decommissioning cost estimate was $9.0 million, which included a 25% contingency. In 1995 this estimate was revised to delete the 30-year annuity method of determining the present values of the annual costs associated with SAFSTOR. This revision to the original estimate, which changed the cost estimate to $11.8 million (1989 $), was made to assure that this aspect of the decommissioning cost would not introduce significant under-estimation of the annual costs.

The current decommissioning cost estimate was developed using the inflation formula provided in 10 CFR 50.75(c)(2). The use of this formula requires information from the most recently published NUREG-1307, Report on Waste Burial Charges; in this case Revision 15, dated January 2013.

The calculation also requires information from Bureau of Labor Statistics (BLS) data for Employment Cost Index (ECI) to develop L_x and for Producer Price Index (PPI) to develop E_x for the formula. These BLS datasets currently contain L_x data for December 2015 and E_x data for January 2016.

b. *A summary of total decommissioning costs by labor, waste disposal, other items (such as energy, equipment, and supplies) in current dollars, and a 25 percent contingency factor.*

The following Table 3, an update of Table 17-2 found in Chapter 17 of the Safety Analysis Report (SAR) that was submitted as part of the MURR's renewal application, provides a summary of the breakdown of categories in current dollars. This table contains the categories the MURR used to develop our initial decommissioning estimate using the guidance of NUREG/CR-1756 that was submitted to the NRC by letter dated June 29, 1990.

TABLE 3
SUMMARY OF COST
(in millions of dollars)

Category	Cost (1989 $)	Cost (2016 $)
Labor	4.9	24.26
Equipment	0.27	1.35
Radioactive Shipments	0.6	2.98
Termination Survey	0.06	0.31
Annual Storage Cost	3.6	17.83
Subtotal	$ 9.43	$ 46.73
Contingency (25%)	$ 2.36	$ 11.68
Total	**$ 11.8**	**$ 58.41**

c. *Provide an update of the total and annual MURR SAFSTOR costs provided in your March 12, 2013 response to RAI No. 3.(c) to current dollars as well as the supporting bases for the costs associated with the SAFSTOR option. Also, please provide a numerical example showing how the SAFSTOR costs will be escalated each year.*

The following Table 4, an update of Table 17-1 found in Chapter 17 of the SAR, indicates the annual cost estimates from the original cost estimate as revised in 1995 as well as these same annual costs in current dollars as escalated using the cost inflation formula of 10 CFR 50.75(c)(2). Table 4 is an example of the items in each category of the table. These examples are taken from NUREG/CR-1756, Volume 2 of 2, page J-79.

By letter dated June 29, 1990, the MURR committed to escalating the decommissioning cost estimates at five (5) year intervals using the methodology proposed in 10 CFR 50.75(c)(2). There is no regulatory requirement to escalate these costs on a yearly basis. With the 25% contingency included in the estimate, because of the uncertainty of an estimate, an annual escalation exercise would provide little benefit.

The supporting bases for the annual costs associated with the SAFSTOR option were the categories specified in NUREG/CR-1756, adjusted to our judgment in 1990 where the reference test reactor estimates could be revised. One example was the cost for security systems. MURR decided the current system we have in use would provide more than adequate security for the safe storage period so that category estimate was reduced.

TABLE 4
ANNUAL COST DURING SAFSTOR
(in thousands of dollars)

SAFSTOR Categories	Cost (1989 $)	Cost (2016 $)
Security	15.0	74.3
Minor Maintenance and Repair	10.0	49.5
Major Repair	10.0	49.5
Offsite Laboratory Work and Equipment Repair	6.0	29.7
Reactor Facility Services	50.0	247.5
Laboratory Samples, EPA Reports, and Surveillance	30.0	148.5
Total	**$ 121.0**	**$ 599.0**[a]

[a]The summation of the estimated annual cost during SAFSTOR is $17.97 million dollars ($599,000/year x 30 years).

Examples of Items in Each SAFSTOR Category of Table 4

Security: • Maintenance of existing security system • Monitoring, supervision and security patrols	Minor Maintenance and Repair: • Custodial • Grounds and yard
Offsite Laboratory Work and Equipment Repairs: • Sample analysis • Contamination counter repairs	Laboratory Samples, EPA Reports, and Surveillance: • Surveys • Regulatory reports
Reactor Facility Services: • Electrical • Water • HVAC • Sewer	Major Repair: • Roof repairs • Ventilation system repairs • Water systems repair

d. *Provide a numerical example showing how the 2016 cost estimate will be updated periodically in the future.*

Future cost estimates will be performed using the same methodology that was used for the most recent 2016 estimate, as described below.

Adjustment Factor:

The adjustment factor was designed for updating reference Pressurized Water Reactor (PWR) and Boiling Water Reactor (BWR) decommissioning estimates, but serves as a convenient method to adjust the MURR decommissioning cost estimates over time. Whenever a calculation is specified for a PWR or BWR, an average of the PWR and BWR factors is used.

The decommissioning cost inflation equation of 10 CFR 50.75(c)(2) is divided into three general categories that tend to escalate similarly: (1) labor, materials and services, (2) energy and waste transportation, and (3) radioactive waste burial/treatment. A relatively simple equation is used to update the estimate of cost by multiplying the revised original cost estimate (in our case, $11.8 million in 1989 $) by a factor developed using the three (3) categories described above. The equation is:

Estimated Cost (2016):

= [Cost in 1989 $] x [A L_x + B E_x + C B_x];

= estimated decommissioning costs in 2016 dollars;

where:

[Cost in 1989 $]

= revised original decommissioning cost estimate ($11.8M in 1989 $);

A = fraction of the [Cost in 1989 $] attributable to labor, materials and services;
B = fraction of the [Cost in 1989 $] attributable to energy and transportation;
C = fraction of the [Cost in 1989 $] attributable to waste burial/treatment;
L_x = labor, materials, and service cost adjustment, January 1989 to December 2015;
E_x = energy & waste transportation cost adjustment, January 1989 to January 2016; and
B_x = LLW burial/treatment cost adjustment, January 1989 to January 2013.

The coefficients in the adjustment factor of 10 CFR 50.75(c)(2) are established as A = 0.65, B = 0.13, and C = 0.22. The escalation formula then becomes:

Estimated Cost (2016)

= [Cost in 1989 $] x [0.65 L_x + 0.13 E_x + 0.22 B_x]

Determination of L_x, E_x, and B_x:

These ratios are determined using the information supplied in the most recently published NUREG-1307, Report on Waste Burial Charges, Revision 15, January 2013, and by using the most recent U.S. Department of Labor-Bureau of Labor Statistics (BLS) data.

Labor Adjustment Factor:

The Employment Cost Index (ECI) is taken from Table 6 of current BLS data entitled "Employment Cost Index for total compensation for private industry workers, by bargaining status, census region and metropolitan area status." The Base L_x is taken from Table 3-2, Regional Factors for Labor Cost Adjustment, in NUREG-1307 referenced above.

$$L_x = [(\text{ECI, December 2015}) \times (\text{Base } L_x)] / 100$$
$$= [(122.5) \times (2.08)] / 100$$
$$= 2.548$$

Energy Adjustment Factor:

This adjustment factor for energy, E_x, is a weighted average of two (2) components, namely, industrial electrical power, P_x, and light fuel oil, F_x.

For the reference PWR: $E_x(\text{PWR}) = 0.58\ P_x + 0.42\ F_x$
For the reference BWR: $E_x(\text{BWR}) = 0.54\ P_x + 0.46\ F_x$

P_x and F_x are the ratios of the current Producer Price Indexes (PPI) divided by the corresponding indexes for January 1986.

P_x = 205.3 (January 2016 value for code wpu0543) / 114.2 (January 1986 value for code wpu0543)
= 1.79772

F_x = 111.4 (January 2016 value for code wpu0573) / 82.0 (January 1986 value for code wpu0573)
= 1.35854

Therefore:

$E_x(\text{PWR})$
$= (0.58 \times 1.79772) + (0.42 \times 1.35854)$
$= 1.61326$

$E_x(\text{BWR})$
$= (0.54 \times 1.79772) + (0.46 \times 1.35854)$
$= 1.59570$

E_x for MURR is calculated as an average of $E_x(\text{PWR})$ and $E_x(\text{BWR})$, therefore:

$E_x(\text{average})$
$= (1.61326 + 1.59570) / 2$
$= 1.60448$

Waste Burial Adjustment Factor:

The adjustment factor for waste burial/treatment, B_x, is taken directly from Table 2-1 of NUREG-1307, Values of B_x as a Function of LLW Burial Site, Waste Vendor, and Year. For facilities that have no disposal site available for LLW, the NUREG assumes the cost of disposal is the same as that provided for the Atlantic Compact, for lack of a better alternative at this time.

$B_x(PWR) = 13.885$ $B_x(BWR) = 14.160$

B_x for MURR is calculated as an average of $B_x(PWR)$ and $B_x(BWR)$, therefore:

B_x(average)
= (13.885 + 14.160) / 2
= 14.0225

Adjusted Decommissioning Cost Estimate:

Estimated Cost (in 2016 $)
= [Cost in 1989 $] x [A L_x + B E_x + C B_x]
= [$11.8 Million] [(0.65 x 2.548) + (0.13 x 1.60448) + (0.22 x 14.0225)]
= [$11.8 Million] [4.94973]
= $58.41 Million (this includes the 25% contingency)

4. *The application indicates that MU plans to use a statement of intent (SOI) as the method to provide decommissioning funding assurance, as provided for by 10 CFR 50.75(e)(1)(iv). Where the applicant intends to use a SOI, the NRC staff must find that the applicant "is a Federal, State, or local government licensee." To make this finding, the applicant must state that it is a State government organization and that the decommissioning funding obligations of the applicant are backed by the State government, and also provide corroborating documentation. Further, the applicant must provide documentation verifying that the signator of the SOI is authorized to execute said document that binds the University. This document may be a governing body resolution, management directives, or other form that provides an equivalent level of assurance. As the application does not include all of the above information, please submit the following:*

a. *An updated SOI which includes the current (2016 dollars) cost estimate for decommissioning, a statement that funds for decommissioning will be obtained when necessary, and the signator's oath or affirmation attesting to the information.*

Attached you will find the most recent Statement of Intent (dated March 29, 2016), signed by Rhonda K. Gibler, Vice Chancellor for Finance and Chief Financial Officer, University of Missouri-Columbia, which provides assurance that funding will be requested from the Board of Curators of the University of Missouri if decommissioning activities are commenced at the MURR (Attachment 3).

b. *Documentation that corroborates the statement in the application that MU is a State agency and a State of Missouri government licensee under 10 CFR 50.75(e)(2)(iv).*

No change or additional information is necessary. The letter dated February 28, 2013, from Kelly Mescher, Office of the General Counsel, University of Missouri (Enclosure No. 4 from the March 12, 2013 submittal), which states that The Curators of the University of Missouri is a state university which was created by the Missouri Constitution in Article IX Section 9(a), remains current.

c. *A statement as to whether the decommissioning funding obligations for the MURR are backed by the State of Missouri government. The application must also present documentation that corroborates this statement. For example, the documentation may be a copy of or complete citation to a state statute that expressly provides that the obligations, or at least the decommissioning funding obligations, of the applicant are backed or supported by the full faith and credit of the State of Missouri, or an opinion of the applicant's General Counsel with citations to statutes, regulations, and/or case law that the obligations, or at least those with respect to the decommissioning funding of the applicant are obligations back or supported by the full faith and credit of the State of Missouri.*

No change or additional information is necessary. The letter dated February 28, 2013, from Kelly Mescher, Office of the General Counsel, University of Missouri (Enclosure No. 4 from the March 12, 2013 submittal), which states that the state is constitutionally required to provide funding to the University, remains current.

d. *Documentation verifying that the signator of the SOI is authorized to execute such a document that binds the applicant financially. For example, provide a copy of MU's governing board or equivalent resolution that shows that the signator of the SOI has been authorized by MU to bind MU financially, at least with respect to funding the decommissioning of the MURR, or provide a copy of an official MU delegation of authority showing that the signator of the SOI is authorized to bind MU financially, at least with respect to funding the decommissioning of the MURR.*

No change or additional information is necessary. Enclosure No. 5 – Section 70.010, "General Execution of Corporate or Board Instruments," of Chapter 70, "Execution of Instruments," from the University of Missouri Collected Rules and Regulations – of the March 12, 2013 submittal has not been revised since May 5, 2006, and thus remains current.

ATTACHMENT 1

University of Missouri System

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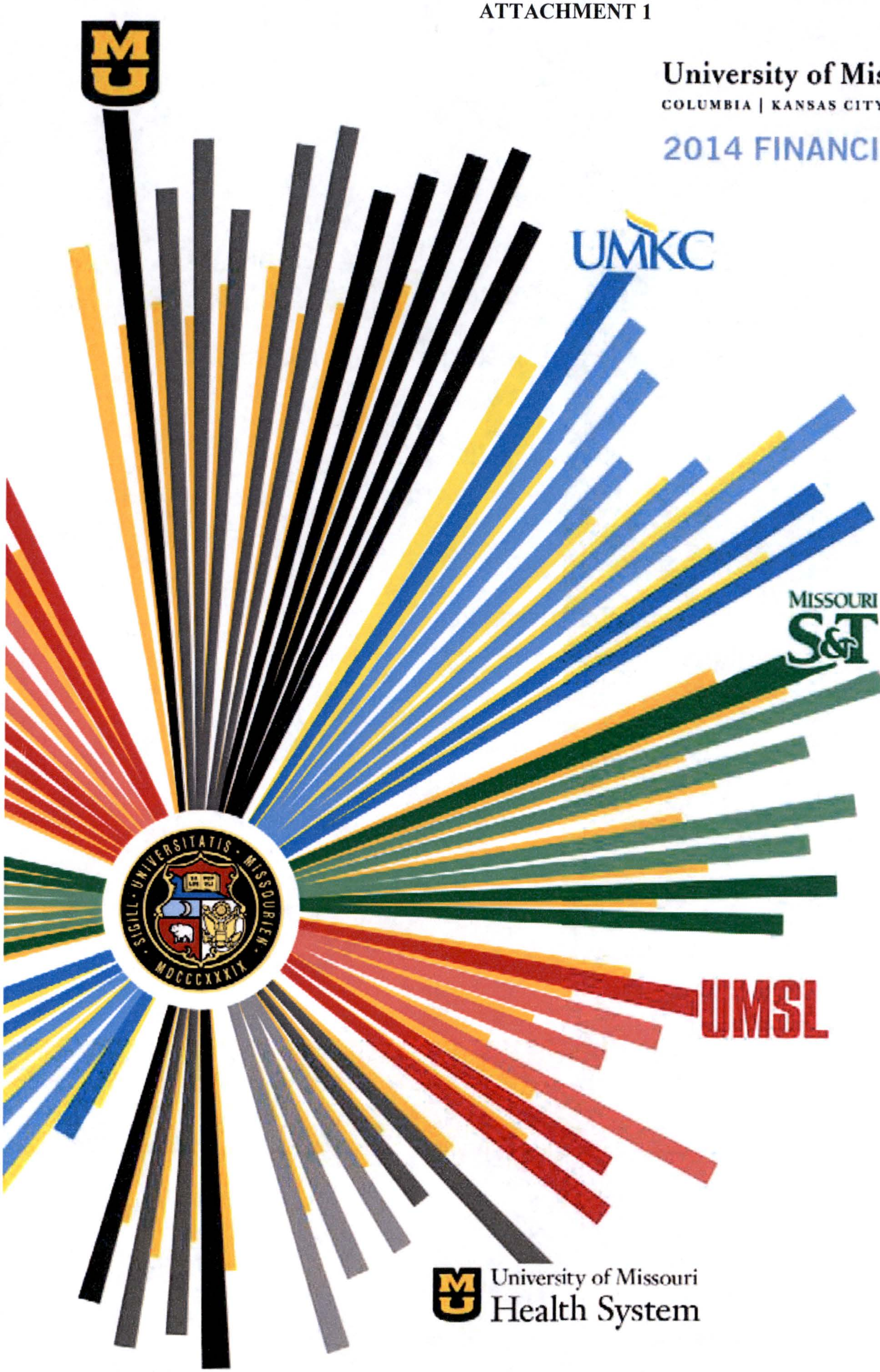
2014 FINANCIAL REPORT



University of Missouri Health System

ATTACHMENT 1

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Introductory Section

Financial Information

ATTACHMENT 1

Message from the President

As the state's largest public four-year research university and a vital driving force of the state's economic vitality, the University of Missouri System is committed to improving the well being of all 6 million Missourians. We take great pride in our responsibility to be good stewards of state resources.

We were encouraged this legislative session by the support of the entire General Assembly. In fact, we are in a position to receive the highest year over year funding increase to our budget in the past 14 years. We advocate proudly for our university and are appreciative of our lawmakers who have demonstrated that they, too, value higher education in the state.

As you'll note in the following pages, our fiscal position and health remains strong and sound. Despite the decision to keep tuition flat for FY14, the university has been able to maintain its strong financial position through efficiency strategies across the system. These include lowering our administrative costs in order to allow for more investment toward the academic mission of the university.

In order to continue to thrive, we must continue to make decisions that will help ensure our financial stability well into the future, which requires strategic thinking about the university's areas of focus and how to apply precious resources to those endeavors. With our strategic planning efforts in full force, we will continue to look for ways to be more efficient and effective in meeting our mission of research, teaching, service and economic development.

This information and more is available on our website at www.umsystem.edu. We invite you to read about our successes, review our strategic priorities and interact with us online or through any number of social media channels.

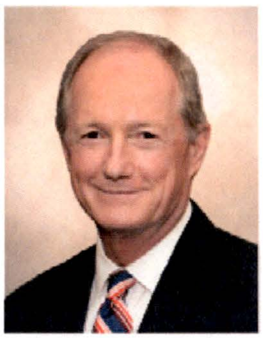
Sincerely,

Timothy M. Wolfe
President, University of Missouri System

ATTACHMENT 1

Curators of the University of Missouri

The University of Missouri is governed by a nine-member board of curators, appointed by the Governor and confirmed by the Senate. Curators serve six-year terms. The student representative to the board of curators is appointed by the Governor and confirmed by the Senate. Student representatives serve two-year terms. No more than two curators shall be appointed from each congressional district, and no person shall be appointed a curator who shall not be a citizen of the United States, and who shall not have been a resident of the state of Missouri two years prior to his or her appointment. No more than five curators shall belong to any one political party.

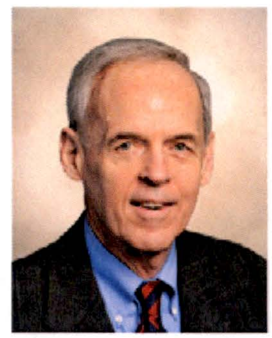


Don M. Downing
Webster Groves, Chairman
Term expires: Jan. 1, 2015

Donald L. Cupps
Cassville, Vice Chairman
Term expires: Jan. 1, 2017

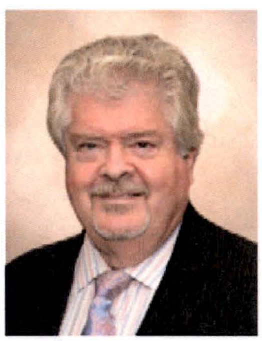
David R. Bradley
St. Joseph
Term expires: Jan. 1, 2015

Ann Covington
Columbia
Term Expires: Jan. 1, 2019

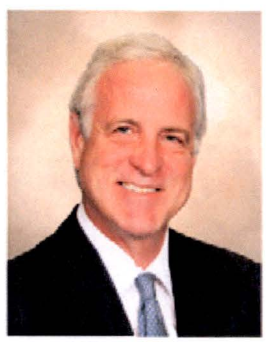


Wayne Goode
St. Louis
Term expires: Jan. 1, 2015

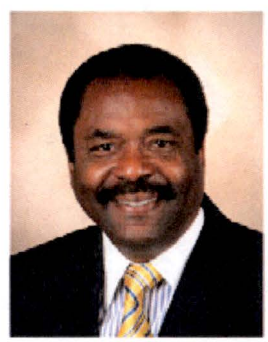
Pamela Quigg Henrickson
Jefferson City
Term expires: Jan. 1, 2017



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



David L. Steelman
Rolla
Term expires: Jan. 1, 2019



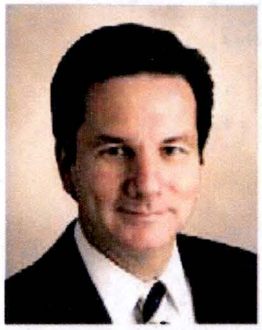
David L. Steward
St. Louis
Term expires: Jan. 1, 2017

Tracy Mulderig
Student Representative
to the Board of Curators,
UMSL
Term expires: Jan. 1, 2016

ATTACHMENT 1

University of Missouri System General Officers

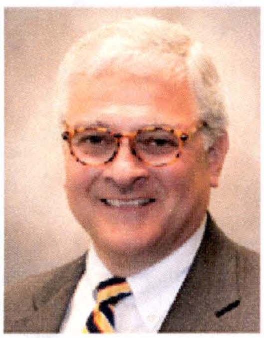
Timothy M. Wolfe
President



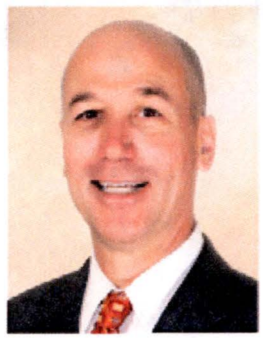
Stephen J. Owens, JD
General Counsel

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

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

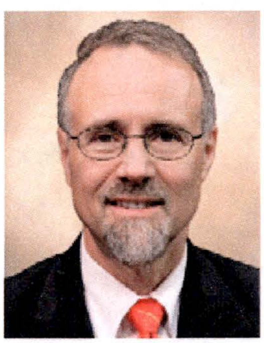


Henry C. Foley, PhD
Executive Vice President for
Academic Affairs

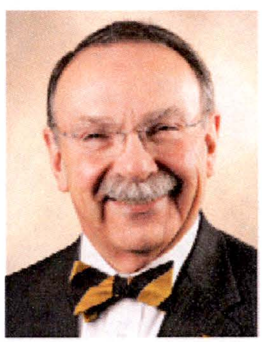


Stephen C. Knorr
Vice President for
University Relations

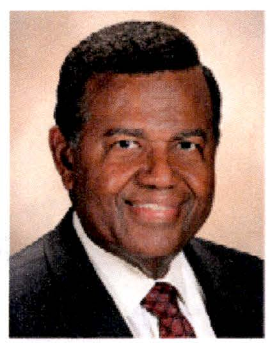
Elizabeth "Betsy" Rodriguez, PhD
Vice President for
Human Resources



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



R. Bowen Loftin, PhD
Chancellor,
University of Missouri-Columbia



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

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

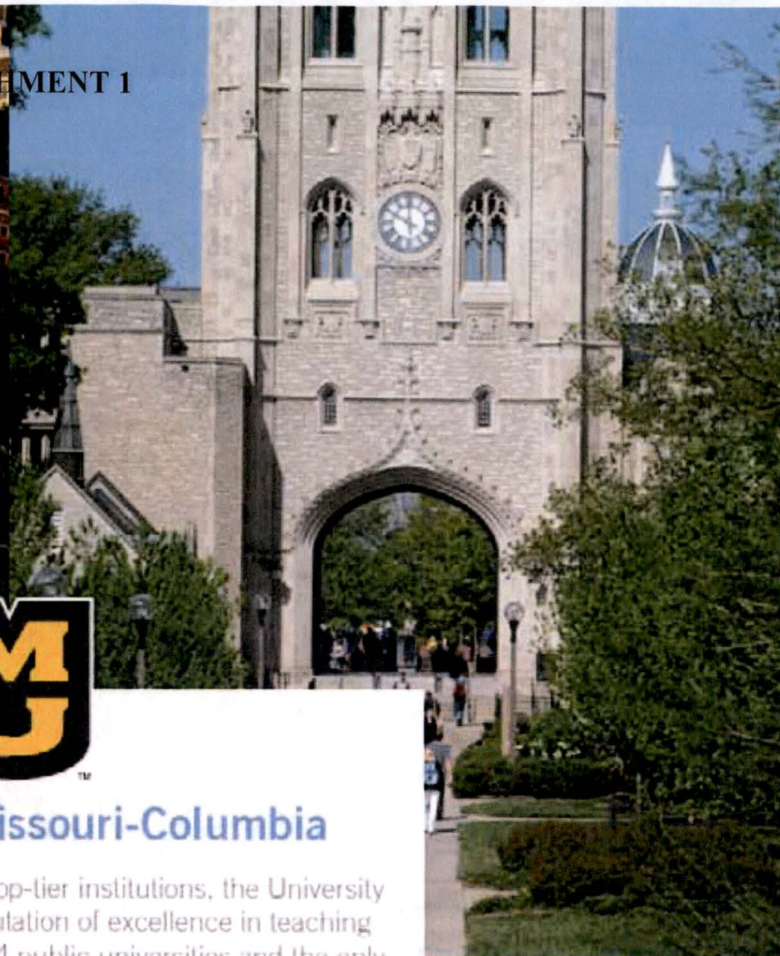
University of Missouri System Finance Staff

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

Ryan Rapp, Controller

Cuba Plain, Assistant Vice President for Budget Planning and Development

ATTACHMENT 1



University of Missouri-Columbia

Considered one of the nation's top-tier institutions, the University of Missouri-Columbia has a reputation of excellence in teaching and research. It is one of only 34 public universities and the only public institution in Missouri to be selected for membership in the Association of American Universities. MU is one of only five universities nationwide with programs in law, medicine, veterinary medicine and a nuclear research reactor on one campus. The university is nationally recognized for its collaborative strengths in Food for the Future, Sustainable Energy, One Health/One Medicine, and Media of the Future.

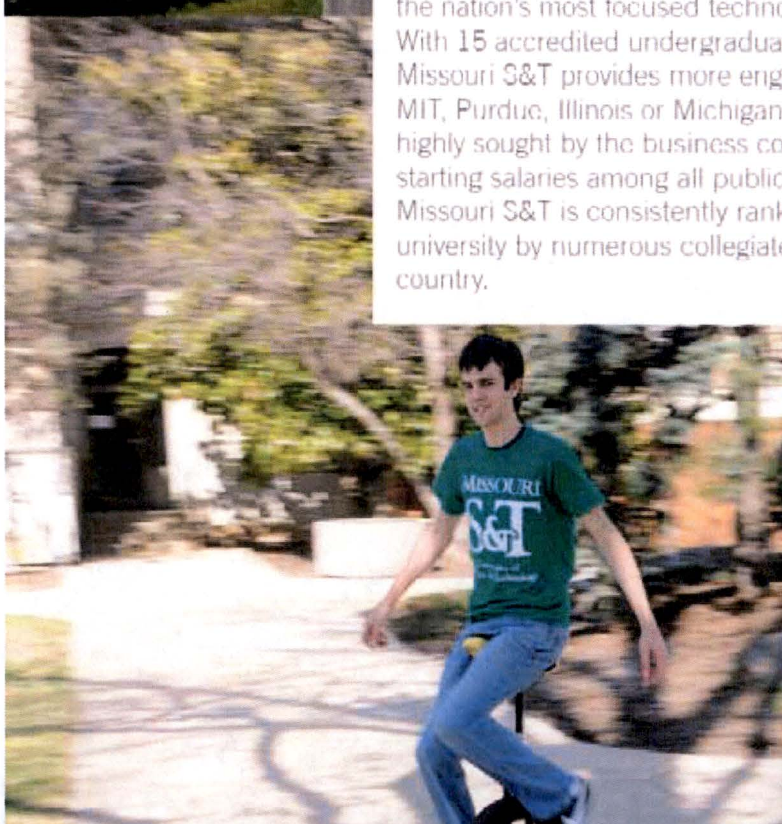
UMKC

University of Missouri-Kansas City

The University of Missouri-Kansas City, located in the heart of Kansas City, is a comprehensive, public research university offering more than 125 academic programs across a wide spectrum of academic units including the liberal arts, sciences, business, education, engineering, the performing arts and nursing as well as professional programs in dentistry, law, medicine and pharmacy. In 2014, the Princeton Review named UMKC a "Best Value" public university, for the third consecutive year. UMKC has long been at the heart of nurturing culture in the Kansas City region through renowned programs in music and dance, theater and visual arts. In addition, UMKC has four health science schools on one campus that provide outreach for community health needs and hands-on experience for students.

Missouri University of Science and Technology

Missouri University of Science and Technology in Rolla is one of the nation's most focused technological research universities. With 15 accredited undergraduate engineering programs, Missouri S&T provides more engineering degree options than MIT, Purdue, Illinois or Michigan. Missouri S&T graduates are highly sought by the business community, with the fifth highest starting salaries among all public universities in the nation. Missouri S&T is consistently ranked as a best investment university by numerous collegiate publications throughout the country.



UMSL

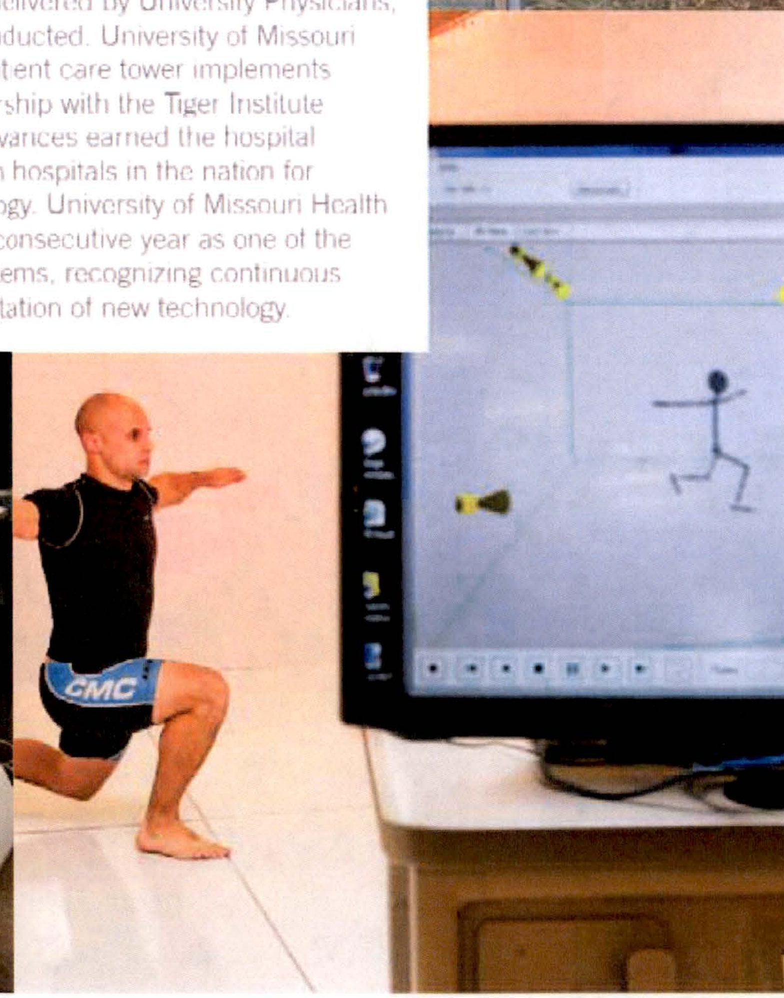
University of Missouri-St. Louis

The largest research university located in Missouri's most populous and economically important region, the University of Missouri-St. Louis provides excellent learning experiences and leadership opportunities to a diverse student body whose influence on the region upon graduation is immense. UMSL boasts several nationally-ranked departments and programs, including the Department of Criminology and Criminal Justice and the International Business program. With the largest university alumni population in the region, UMSL is ranked 14th nationally in a survey of "Best College and University Civic Partnerships," which measures the economic, social and cultural impact of academic institutions on metropolitan regions.

University of Missouri
Health Care

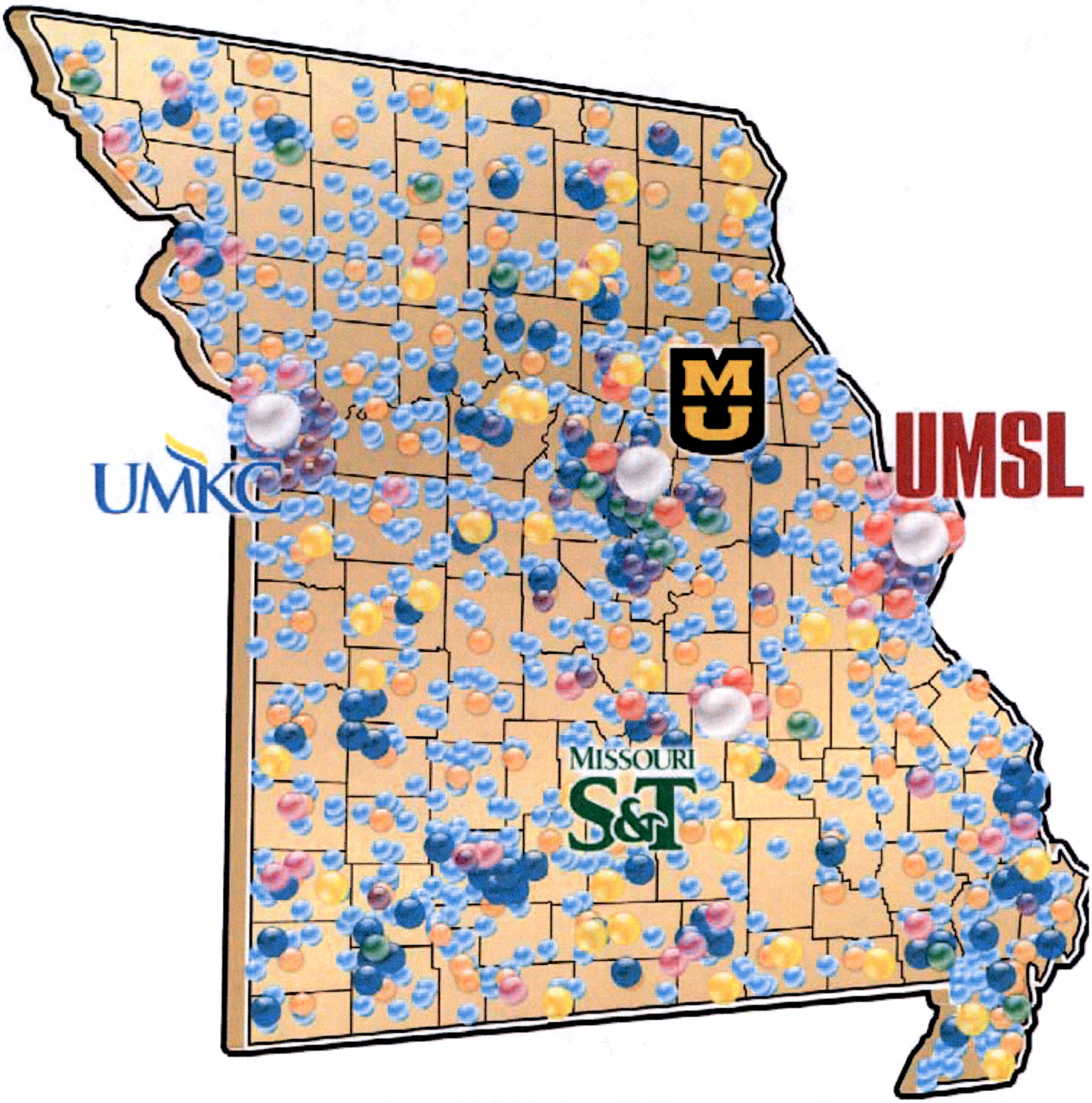
University of Missouri Health Care

University of Missouri Health Care touches the lives of Missourians across the state in myriad ways - through the quality care provided at its hospitals and clinics, the education of future health professionals offered by its health sciences schools, the specialty services delivered by University Physicians, and the life-saving research conducted. University of Missouri Health Care's state-of-the-art patient care tower implements technology developed in partnership with the Tiger Institute for Health Innovation. These advances earned the hospital recognition as one of the top ten hospitals in the nation for health care information technology. University of Missouri Health Care was named for the fourth consecutive year as one of the nation's "Most Wired" health systems, recognizing continuous advancements in the implementation of new technology.



ATTACHMENT 1

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

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

October 10, 2014

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 30 to 77, 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 KPMG 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. KPMG's audit opinion is presented on pages 28-29.

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

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

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

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

University of Missouri System COLUMBIA | KANSAS CITY | MISSOURI S&T | ST. LOUIS
118 University Hall . Columbia, MO 65211 . 573-882-3611 www.umsystem.edu

University of Missouri System

COLUMBIA | KANSAS CITY | ROLLA | ST.LOUIS

FINANCIAL INFORMATION

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (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 year ended June 30, 2014, and should be read in conjunction with the financial statements and notes. The University is a component unit of the state of Missouri and an integral part of the state's Comprehensive Annual Financial Report.

This report includes five financial statements:

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

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

The University's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes financial reporting standards for public colleges and universities. The University's significant accounting policies are summarized in Note 1 to the financial statements of this report, including further information on the financial reporting entity. In addition, a more detailed unaudited financial report that includes campus-level financial statements is available at the University of Missouri, 1000 W Nifong, Building 7, Suite 300, Columbia, MO 65211, and at www.umsystem.edu.

FINANCIAL HIGHLIGHTS

At June 30, 2014, the University's financial position remained solid, with Total Assets of $7.2 billion. Net Position, which represents the residual value of the University's assets and deferred outflow of resources after deducting liabilities and deferred inflow of resources, totaled $4.1 billion. When operating and non-operating changes are included, Net Position increased by approximately $344.0 million as compared to fiscal year (FY) 2013. Taking into account a ($509.9) million cumulative effect of a change in accounting principle, Net Position decreased by approximately $166.0 million in fiscal year (FY) 2014, primarily driven by the net pension liability at the beginning of the year related to the implementation of GASB Statement No. 68.

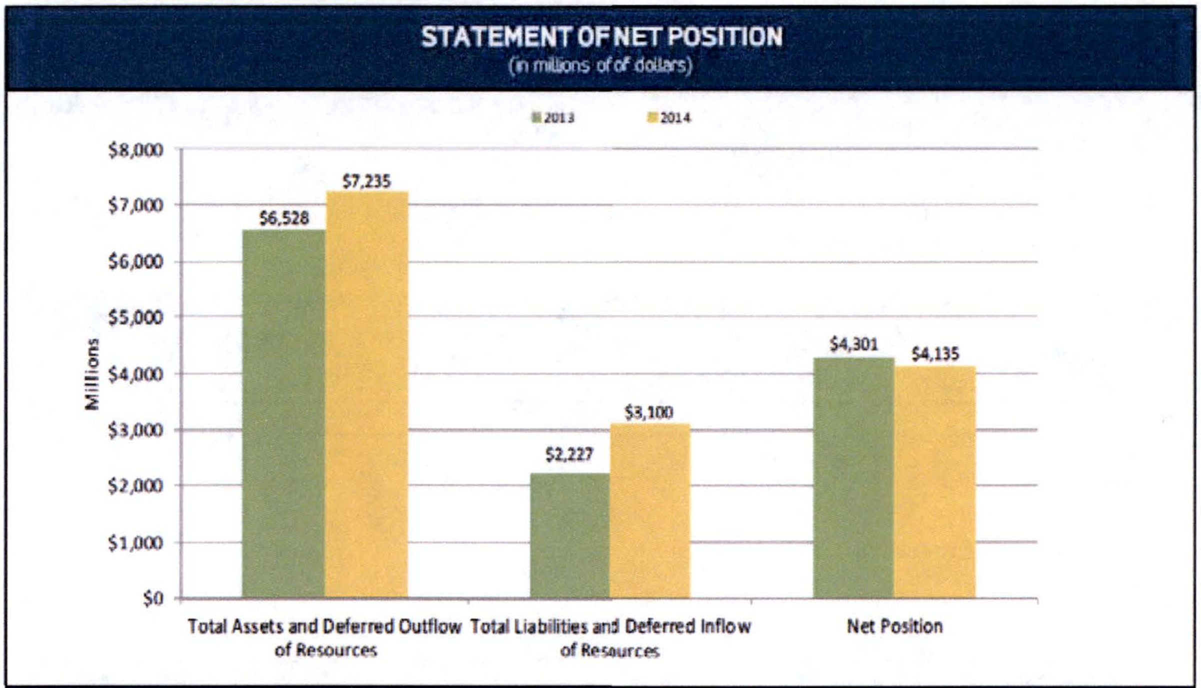
ATTACHMENT 1

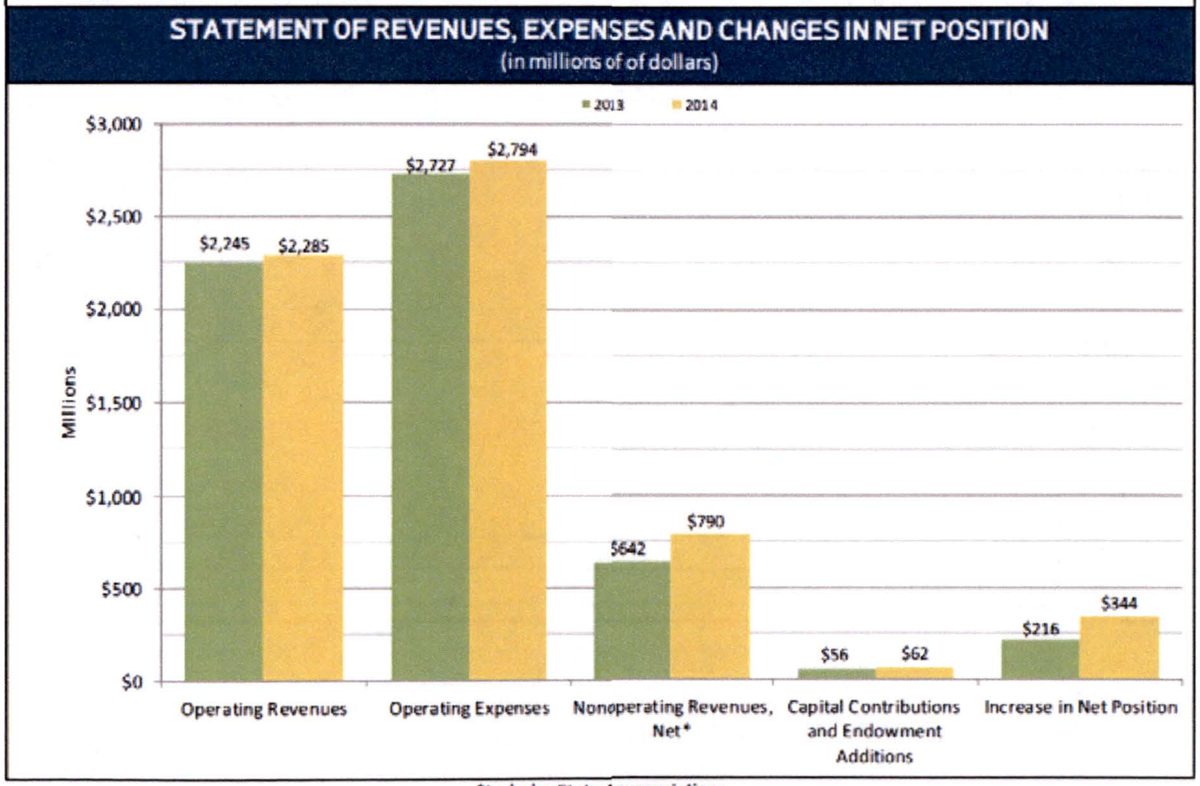
UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

The following charts compare Total Assets and Deferred Outflow of Resources, Liabilities and Deferred Inflow of Resources, and Net Position at June 30, 2014 and 2013, and the major components of changes in Net Position for the years ended June 30, 2014 and 2013:





*includes State Appropriations

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 outflow of resources and liabilities and deferred inflow of resources of the University and 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 outflow of resources and liabilities and deferred inflow 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 outflow of resources, liabilities and deferred inflow of resources and net position at June 30, 2014 and 2013:

CONDENSED STATEMENT OF NET POSITION
(in thousands of dollars)

As of June 30,	2014	2013
Assets		
Current Assets	$ 1,110,174	$ 950,039
Noncurrent Assets		
Endowment and Other Long-Term Investments	2,827,084	2,442,510
Capital Assets, Net	3,123,172	2,997,508
Other	122,208	116,475
Deferred Outflow of Resources	52,417	21,736
Total Assets and Deferred Outflow of Resources	$ 7,235,055	$ 6,528,268
Liabilities		
Current Liabilities		
Commercial Paper and Current Portion of Long-Term Debt	$ 92,433	$ 203,295
Long-Term Debt Subject to Remarketing Agreements	99,445	99,895
Other	770,196	582,292
Noncurrent Liabilities		
Long-Term Debt	1,411,225	1,103,004
Other	540,926	238,843
Deferred Inflow of Resources	185,860	-
Total Liabilities & Deferred Inflow of Resources	3,100,085	2,227,329
Net Position		
Net Investment in Capital Assets	1,626,371	1,636,334
Restricted -		
Nonexpendable	998,947	858,820
Expendable	477,728	415,128
Unrestricted	1,031,924	1,390,657
Total Net Position	4,134,970	4,300,939
Total Liabilities and Net Position	$ 7,235,055	$ 6,528,268

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

Total Assets increased by $706.8 million, or 10.8%, to $7.2 billion as of June 30, 2014 compared to the prior year. The increase during FY 2014 was driven primarily by strong returns on the University's **Investments**. At the same time, the University continued to expand **Capital Assets** across all of its campuses to meet housing, educational, and patient care needs.

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

At June 30, 2014, the University's working capital, which is current assets less current liabilities, was \$148.1 million, an increase of \$83.5 million from the previous year. The largest driver of the increase was a \$208.2 million increase in **Investment Settlements Receivable** for sales of investments occurring on or before June 30, but settling after June 30.

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 \$247.5 million at June 30, 2014, also expressed as Current Assets of 1.29 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,	2014	2013
Current Assets	$ 1,110,174	$ 950,039
Current Liabilities	962,074	885,482
Working Capital	**$ 148,100**	**$ 64,557**
Ratio of Current Assets to Current Liabilities	**1.15**	**1.07**
Current Assets	1,110,174	950,039
Current Liabilities	962,074	885,482
Less: Long-Term Debt Subject to Remarketing	(99,445)	(99,895)
Current Liabilities, As Restated	862,629	785,587
Working Capital, As Restated	**$ 247,545**	**$ 164,452**
Ratio of Current Assets to Current Liabilities (As Adjusted)	**1.29**	**1.21**

At June 30, 2014, the University held $146.9 million in **Cash and Cash Equivalents**, a decrease of $111.5 million from June 30, 2013. The decrease in cash at June 30, 2014 is largely due to timing differences as more working capital was invested at June 30, 2014 as compared to June 30, 2013. **Short-Term and Long-Term Investments** totaled $3.1 billion as of June 30, 2014, representing an increase of 11.7% over the prior year. The increase in investment balances during FY 2014 is partially offset by decreases in cash and cash equivalents due to an increased investment of working capital. The financial markets improved during FY 2014; net realized and unrealized gains and losses increased by $137.7 million, going from a net gain of $96.5 million in FY 2013 to a net gain of $234.2 million in FY 2014. The overall change in investment returns is evident across all investment pools. The Endowment Pool, Fixed Income Pool and General Pool experienced a net gain of 16.7%, 7.5% and 6.2% in FY 2014, respectively as compared to a net gain of 12.6%, 3.5% and (0.9)% in FY 2013, respectively.

Composition and returns of the University's various investment pools for the years ended June 30, 2014 and 2013 were as follows:

CASH, CASH EQUIVALENTS AND INVESTMENTS
(in thousands of dollars)

	June 30, 2014					June 30, 2013	
	Cash and Cash Equivalents	Short-Term and Long-Term	Total	Total Return	Benchmark Index Return (A)	Total	Total Return
General Pool	$ 104,727	$ 1,589,265	$ 1,693,992	6.2%	3.1%	$ 1,682,716	-0.9%
Endowment Funds							
Endowment Pool	27,302	1,299,224	1,326,526	16.7%	17.6%	1,135,525	12.6%
Fixed Income Pool	3,086	70,379	73,465	7.5%	6.5%	73,369	3.5%
Other	11,820	122,150	133,970	N/A		125,278	N/A
Total	$ 146,935	$ 3,081,018	$ 3,227,953			$ 3,016,888	

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

At June 30, 2014, the University's investment in **Capital Assets** totaled $3.1 billion compared to $3.0 billion at June 30, 2013. The University added $308.9 million in capital assets, net of retirements, during FY 2014, offset by depreciation of $183.3 million for the year. FY 2013 capital asset additions of $316.3 million, net of retirements, were offset by $167.8 million in depreciation.

Note 6 presents additional information on changes by asset classification. Major capital projects either substantially completed in FY 2014 or ongoing are shown in the following table:

SELECTED CAPITAL PROJECTS
(Fiscal Year Ended June 30, 2014)

Campus	Project Budget	Expenditures Through June 30,	Source of Funding
Columbia:			
Virginia Avenue South	$28,400,000	$ 5,519,000	Revenue Bonds, Campus Reserves
Renovation of Johnston and Wolpers	42,800,000	26,806,000	Revenue Bonds, Campus Reserves
Memorial Stadium	55,300,000	33,498,000	Revenue Bonds
Dobbs Dining Replacement Project	139,603,000	1,559,000	Revenue Bonds, Campus Reserves
Hospital:			
Green Meadows	28,528,000	15,380,000	Revenue Bonds, Reserves
MO Orthopaedic Institute	35,334,000	654,000	Revenue Bonds, Reserves
Kansas City:			
Hospital Hill	32,400,000	23,780,000	Revenue Bonds
Missouri S&T:			
Geothermal Energy Project	32,400,000	26,085,000	Revenue Bonds, Campus Reserves
Bertelsmeyer Hall	30,509,000	11,381,000	Revenue Bonds, Campus Reserves, Gifts
St. Louis:			
Wellness Center	36,000,000	9,854,000	Revenue Bonds
Benton Science Learning Building	30,000,000	2,874,000	Revenue Bonds, Campus Reserves
Optometry Building	18,300,000	145,000	Revenue Bonds, Campus Reserves

LIABILITIES AND DEFERRED INFLOW OF RESOURCES

Total Liabilities and Deferred Inflow of Resources was $872.8 million higher at June 30, 2014 as compared to June 30, 2013. Significant changes in **Current Liabilities** at June 30, 2014 include a $84.3 million increase in **Investment Settlements Payable** for purchases of investments occurring on or before June 30, but settling after June 30; a $89.0 million increase in **Collateral Held for Securities Lending**; and a $110.9 million decrease in **Commercial Paper and Current Portion of Long-Term Debt**.

Current Liabilities include long-term variable rate demand bonds subject to remarketing agreements totaling $99.4 million and $99.9 million at June 30, 2014 and 2013, respectively. The variable rate demand bond has a final contractual maturity in fiscal year 2032. Despite contractual maturities beyond one year, this variable rate demand bond is classified as a current liability because the University is ultimately the sole source of liquidity should the option to tender be exercised by the bondholder.

The University's Commercial Paper Program can issue up to an aggregate outstanding principal amount of $375 million. During fiscal year 2014, the University refunded $147.5 million of Commercial Paper with bond issuances and issued $45.0 million of commercial paper to fund working capital needs. During fiscal year 2013, the University issued $18.9 million of Commercial Paper to finance capital projects.

Noncurrent Liabilities represent those commitments beyond one year. Three new bonds were issued in FY 2014. On November 26, 2013 the University issued $11.3 million and $150.0 million in Series 2013A System Facilities Revenue Bonds and 2013B Taxable System Facilities Revenue Bonds, respectively. Proceeds from issuance of the Series 2013A and 2013B Bonds were used to refund the Series 2003B bonds, finance construction projects across multiple campuses and the health system, and finance the cost of issuance of the Series 2013A and 2013B bonds. The all-in-true interest cost of the Series 2013A and 2013B bonds is 2.2% and 4.9%, respectively.

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

On May 22, 2014 the University issued $294.5 million in Series 2014A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014A bonds were used to refund a portion of Series 2007A bonds, repaying a portion of outstanding Commercial Paper Notes and paying the cost of issuance of the Series 2014A bonds. The all-in-true interest cost of the Series 2014A bonds is 3.2%.

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

LONG-TERM DEBT
(in thousands of dollars)

As of June 30,	2014	2013
System Facilities Revenue Bonds	$ 1,420,420	$ 1,185,400
Unamortized Premium and Loss on Defeasance	72,556	23,489
Total Bonds Payable	1,492,976	1,208,889
Notes Payable	33,389	14,130
Capital Lease Obligations	5,166	5,920
Commercial Paper	71,572	177,255
Total Long-Term Debt	**$ 1,603,103**	**$ 1,406,194**
Contractual Maturities Within One Year		
Bonds Payable - Fixed Rate	$ 18,640	$ 23,890
Bonds Payable - Variable Rate Demand	450	435
Notes Payable	951	960
Capital Lease Obligations	820	755
Commercial Paper	71,572	177,255
Total Contractual Maturities Within One Year	**$ 92,433**	**$ 203,295**

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)

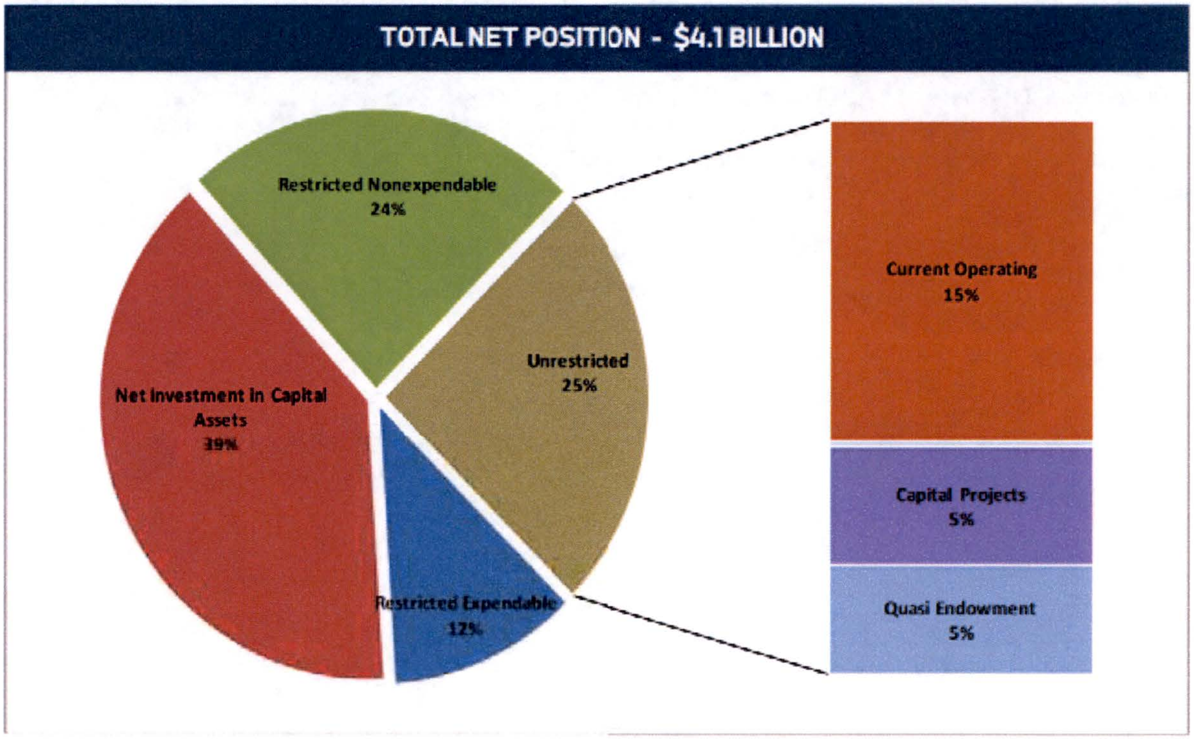
	June 30, 2014						
	MU	UMKC	UMSL	Missouri S&T	University Health Care	Unallocated Bond Cost	Total
Athletics	$ 81,268	$ -	$ -	$ -	$ -	$ -	$ 81,268
Campus Utilities	143,910	11,325	-	30,945	-	-	186,180
Classroom & Research	56,367	26,368	12,275	15,281	-	-	110,291
Critical Repairs/Maintenance	17,313	7,386	4,558	5,132	-	-	34,389
Housing	261,674	106,015	20,554	58,920	-	-	447,163
Health Care	-	-	-	-	306,257	-	306,257
Student Centers	45,952	46,002	20,666	-	-	-	112,620
Parking	39,555	7,222	15,762	1,089	-	-	63,628
Recreational Facilities	27,851	40,378	17,395	9,922	-	-	95,546
Other	811	1,008	-	-	-	7,831	9,650
Short-term working capital	-	-	-	-	-	45,000	45,000
Unamortized Premium	-	-	-	-	-	72,556	72,556
Total	$674,701	$245,704	$91,210	$121,289	$ 306,257	$ 125,387	$1,564,548

Deferred Inflow Resources represent an acquisition of net position by the University that is applicable to a future period. During FY 2014, the University recognized $185.9 million of deferred inflow resources representing the difference between actual and expected earnings on pension plan investments.

NET POSITION

Net Position represents the value of the University's assets after liabilities are deducted. The University's total **Net Position** decreased by $166.0 million during the year ended June 30, 2014.

The distribution of the Net Position balances, including additional details on unrestricted net position by fund type, as of June 30, 2014, 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 decreased by $10.0 million in FY 2014. This decrease was driven by a change in accounting principle requiring the write down of previously capitalized bond issue costs.

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. Favorable market experience led to a $140.1 million, or 16.3%, increase in Restricted Nonexpendable Net Position during FY 2014. Favorable market conditions were largely responsible for an $87.7 million, or 11.4%, increase during FY 2013.

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 by $62.6 million, or 15.1%, during FY 2014 and $26.1 million, or 6.7%, in FY 2013. As of June 30, 2014, this category includes:

- $349.6 million of net position restricted for operations and giving purposes compared to $323.4 million at June 30, 2013;
- $81.8 million for student loan programs compared to $80.4 million at June 30, 2013; and
- $46.4 million for facilities compared to $11.2 million at June 30, 2013.

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 decreased by $358.7 million, or 25.8%, to $1.0 billion at June 30, 2014. A ($509.9) million cumulative effect of a change in accounting principle from the implementation of GASB 68 was the primary driver of the decrease in FY 2014. 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, 2014 and 2013, University Health Care designated funds totaled $351.8 million and $309.5 million, respectively; capital project-designated funds totaled $221.3 million and $238.2 million, respectively; student loan program-designated funds totaled $8.8 million and $8.7 million, respectively; and unrestricted funds functioning as endowments totaled $204.3 million and $177.9 million, respectively. The remaining Unrestricted Net Position is available for the University's instructional and public service missions and its general operations totaled $245.7 million and $656.4 million at June 30, 2014 and 2013, respectively.

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 (unaudited)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

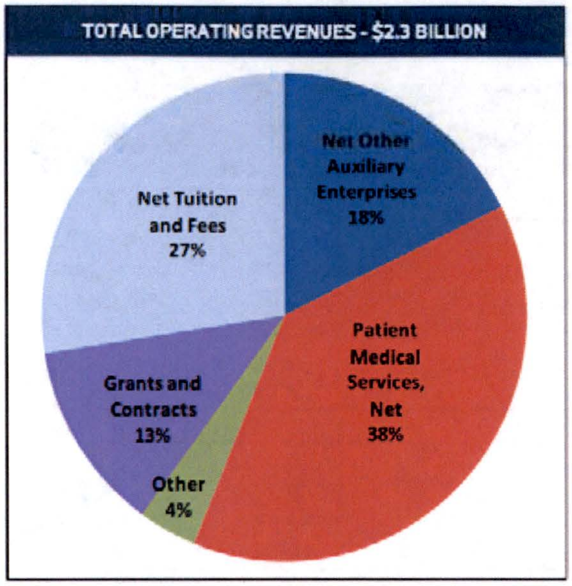
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands of dollars)

Fiscal Year Ended June 30,	2014	2013
Operating Revenues		
Net Tuition and Fees	$ 627,273	$ 592,805
Grants and Contracts	286,987	309,683
Patient Medical Services, Net	873,638	847,681
Other Auxiliary Enterprises	409,184	412,351
Other Operating Revenues	88,174	82,308
Total Operating Revenues	2,285,256	2,244,828
Operating Expenses		
Salaries, Wages and Benefits	1,709,706	1,729,656
Supplies, Services and Other Operating Expenses	833,799	766,624
Other Operating Expenses	250,169	230,257
Total Operating Expenses	2,793,674	2,726,537
Operating Loss Before State Appropriations	(508,418)	(481,709)
State Appropriations	412,650	401,400
Loss after State Appropriations, before Nonoperating Revenues (Expenses)	(95,768)	(80,309)
Nonoperating Revenues (Expenses)		
Investment and Endowment Income, Net of Fees	281,837	147,433
Private Gifts	66,780	64,103
Interest Expense	(59,916)	(55,256)
Other Nonoperating Revenues, Net	88,928	84,249
Net Nonoperating Revenues (Expenses)	377,629	240,529
Income before Capital Contributions and Additions to Permanent Endowments	281,861	160,220
State Capital Appropriations	-	745
Capital Gifts and Grants	14,727	20,244
Private Gifts for Endowment Purposes	47,390	35,113
Increase in Net Position	343,978	216,322
Net Position, Beginning of Year	4,300,939	4,084,617
Cumulative Effect of a Change in Accounting Principle	(509,947)	-
Net Position, Beginning of Year, Restated	3,790,992	4,084,617
Net Position, End of Year	$ 4,134,970	$ 4,300,939

OPERATING REVENUES

Operating Revenues represent resources generated by the University in fulfilling its instruction, research, and public service missions. Total **Operating Revenues** increased $40.4 million, or 1.8%, in FY 2014. **Net Tuition and Fees, Patient Medical Services** and **Other Auxiliary Enterprises** continued to grow over FY 2013, but this growth was offset by a decrease in **Grants and Contracts.**

The following is a graphic illustration of operating revenues by source for FY 2014:



Tuition and Fees, net of **Scholarship Allowances,** increased by $34.5 million, or 5.8%, in FY 2014 and by $47.5 million, or 8.7%, in FY 2013. The increase in FY 2014 was driven by a 1% growth in full-time equivalent enrollment and increases of 1.7% in resident and between 1.7% and 6.8% in non-resident tuition rates varying by campus.

As a research institution, the University receives a substantial amount of funding through **Federal, State and Private Grants and Contracts**. Overall, sponsored funding decreased by $22.7 million, or 7.3%, in FY 2014 compared to a decrease of 0.7% in FY 2013. Federal Grants and Contracts declined in FY 2014 as projects funded by the American Recovery and Reinvestment Act expired.

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 $22.8 million, or 1.8% in FY 2014. **Patient Medical Services**, which includes fees for services provided by University Health Care, had the largest increase among auxiliaries at $26.0 million, or 3.1%. This was largely driven by growth in inpatient areas with discharges increasing by 3.9% over FY 2013.

NONOPERATING REVENUES

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

Total **State Appropriations** received for University operations, University Health Care operations, and other special programs increased by $11.3 million, or 2.8%, in FY 2014. Even though State Appropriations increased over FY 2013, the increase was not as high as expected as the State's lottery revenue fell short of expectations, resulting in increased withholdings for FY 2014.

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 $281.8 million in FY 2014 as compared to a net gain of $147.4 million in FY 2013, an increase of $134.4 million for the year ended June 30, 2014.

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 2014, the University received gifts totaling $128.9 million, as compared to $119.5 million for FY 2013.

Total **Interest Expense** for the year ended June 30, 2014 was $67.9 million. 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, 2014 and 2013, capitalization of interest earned on unspent bond proceeds totaled $8.0 million and $9.2 million, respectively, resulting in net interest expense of $59.9 million and $55.3 million, respectively.

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

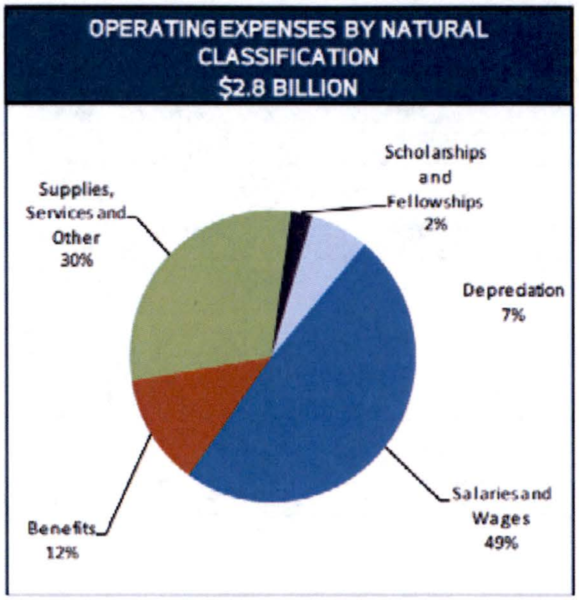
INTEREST EXPENSE
(in thousands of dollars)

Fiscal Year Ended June 30,	2014	2013
System Facilities Revenue Bonds	$ 59,401	$ 56,208
Net Payment on Interest Rate Swaps	7,176	7,104
Total System Facilities Revenue Bonds	66,577	63,312
Capitalized Lease Obligations	807	867
Notes Payable	385	35
Commercial Paper	150	255
Total Interest Expense Before Capitalization of Interest	67,919	64,469
Capitalization of Interest, Net of Interest Earned on Unspent Bond Proceeds	(8,003)	(9,213)
Total Interest Expense	**$ 59,916**	**$ 55,256**

In FY 2014, **Other Nonoperating Revenues, Net** of $88.9 million increased $4.7 million over FY 2013. The increase is primarily due to positive experience on insurance recoveries for FY 2014. In FY 2014 and FY 2013, Federal Appropriations include cash subsidy payments from the United States Treasury totaling $9.8 million and $10.5 million respectively, for designated Build America Bonds outstanding. Pell Grants were flat in FY 2014.

OPERATING EXPENSES

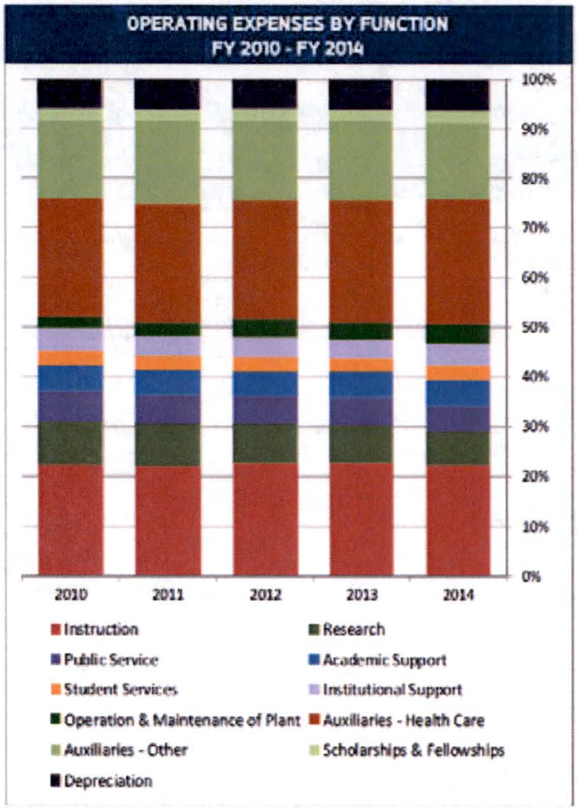
Total Operating Expenses increased by $67.1 million, or 2.5%, in FY 2014 compared to an increase of $64.6 million, or 2.4%, in FY 2013. The following graph illustrates the University's operating expenses by natural classification for FY 2014:



During FY 2014, **Salaries, Wages and Benefits** decreased by approximately 1.2% as compared to a 3.1% increase in the prior fiscal year. Salaries and Wages increased by $19.6 million, or 1.5%, driven by merit increases. Staff Benefits in FY 2014 decreased $39.5 million, or 10.2%, over FY 2013 primarily due to positive investment performance on the pension plan.

In FY 2014, the University's **Supplies, Services, and Other Operating** expenses of $833.8 million increased by $67.2 million, or 8.8%, over the prior fiscal year. The increase in growth for FY 2014 was due to increased volatility in self insured expenses.

The following illustrates the University's operating expenses by function for FY 2010 through FY 2014:



The core missions of instruction, research, and public service account for the largest proportion of Operating Expenses at 34.3% for FY 2014. University Health Care constitutes the next highest proportion at 25.2% of expenses for FY 2014. Excluding University Health Care, instruction, research, and public service account for 45.9% of Operating Expenses for FY 2014. 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.

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, 2014 and 2013:

CONDENSED STATEMENT OF CASH FLOWS
(in thousands of dollars)

Fiscal Year Ended June 30,	2014	2013
Net Cash Used in Operating Activities	$ (366,936)	$ (251,188)
Net Cash Provided from Noncapital Financing Activities	621,579	581,032
Net Cash Used in Capital and Related Financing Activities	(202,284)	(356,843)
Net Cash Used in Investing Activities	(163,876)	(77,329)
Net Decrease in Cash and Cash Equivalents	**(111,517)**	**(104,328)**
Cash and Cash Equivalents, Beginning of Year	**258,452**	**362,780**
Cash and Cash Equivalents, End of Year	**$ 146,935**	**$ 258,452**

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 2014, cash used in operating activities increased by $115.7 million as compared to FY 2013 due primarily to increased payments to employees and suppliers.

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 $621.6 million and $581.0 million in FY 2014 and FY 2013, respectively, directly offset the additional cash needs resulting from operations.

Net Cash Used In Capital Related Financing Activities increased by $154.6 million in FY 2014 due largely to new issuances of debt to fund capital projects. Net Cash Used in Capital and Related Financing Activities of $356.8 million in FY 2013 was due largely to the spend down of bond proceeds for capital projects.

Net Cash Used In Investing Activities reflects a net cash outflow of $163.9 million in FY 2014
compared to a net cash outflow of $77.3 million in FY 2013. This is largely driven by increased purchases of investments over the prior year as the University invested more working capital outside of cash.

ECONOMIC OUTLOOK

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

The University has experienced 25% enrollment growth over the past 10 years and is now educating 12,000 more students each year. Approximately 98% of the state's growth in undergraduate enrollment among public four-year institutions over the last 10 years has occurred within the University of Missouri System. This growth has occurred during the challenging economy of the past decade without any growth in state support and modest annual average increases in tuition. In FY 2014, growth in Operating Expense exceeded the growth in Operating Revenue, largely due to increases in self-insurance claims on benefit plans and decreases in research revenue. The University formed a task force to address benefit costs over the coming years.

State appropriations for operations increased by 2.8% in FY 2014 as the University performed well on state performance measures and received money to start additional programs. For FY 2015, the University expects to receive a small increase in state appropriations as the state releases performance measure withholdings. Without significant increases in general revenues, the state will continue to be challenged to increase funding for higher education for FY 2016 and beyond.

Despite the challenges generated by relatively flat state funding and limited tuition increases, the University has been able to maintain its strong financial position due to diversified revenue sources, system-wide cost containment measures and historically low borrowing costs.

The University is aware of its fiduciary responsibility to control costs in order to provide an affordable education for Missourians. The University has continued to implement shared services and business process redesign to achieve cost savings and efficiencies and to identify resources for strategic investment. This is an on-going process critical to future performance.

The University continues to maintain its strong research base. Research expenditures faced significant downward pressure in FY 2014 as the funding provided by the American Recovery and Reinvestment Act began to wane and the impacts of sequestration were felt. To offset these decreases, the University is looking for other opportunities to stimulate research and economic development. This includes increased partnerships with private industry.

For FY 2014, University Health Care continues focus on advancing the health of all people, especially Missourians. For the future, University Health Care continues to pursue growth and its academic mission. During FY 2014, University Health formed the Health Network of Missouri with four other hospitals in central Missouri in an effort to improve patient outcomes and access to care, share best practices, create efficiencies and lower healthcare costs to communities served by the network. University Health Care has also begun construction on a new replacement outpatient facility in Columbia, with expected completion in FY 2015.

The University continues to monitor the changing environment surrounding State and Federal health care programs and the corresponding legislation, including the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, collectively referred to as 'Health Care Reform.' This legislation will significantly impact the future of healthcare. University Health Care management continues to review the effect that the legislation will have on the organization, but has not determined the full financial statement effect of this new Health Care Reform legislation.

Strong student demand, highly successful capital campaigns, robust research funding, economic development programs and a financially stable and growing healthcare system are all factors in the positive outlook for the University of Missouri. However, the state economy, limited increases in tuition, and flat state support will continue to pose budgetary challenges for the University in the future.

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INDEPENDENT AUDITORS' REPORT

KPMG

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

The Board of Curators
University of Missouri System:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System, a component unit of the State of Missouri, as of and for the year ended June 30, 2014, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of the University of Missouri System as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

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INDEPENDENT AUDITORS' REPORT

KPMG

Emphasis of Matter

Effective July 1, 2013 the University of Missouri System implemented Government Accounting Standards Board (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*. GASB No. 67, *Financial Reporting for Pension Plans*, and GASB No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis on pages 13 through 27, and the schedule of changes in the net pension liability, the schedule of contributions, the schedule of annual money-weighted rate of return on pension plan investments, the notes to required supplementary information, the OPEB plan schedule of funding progress, and the OPEB plan schedule of employer contributions on pages 73 through 77 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Missouri System's basic financial statements. The introductory section and the statistical section presented on pages 2 through 27 and 72 through 93, respectively, are presented for purposes of additional analysis and are 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the University of Missouri System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Missouri System's internal control over financial reporting and compliance.

KPMG LLP

St. Louis, Missouri
October 10, 2014

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UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Assets		
Current Assets		
Cash and Cash Equivalents	$ 90,750	$ 7,245
Restricted Cash and Cash Equivalents	56,185	-
Short-Term Investments	217,758	-
Restricted Short-Term Investments	36,176	-
Investment of Cash Collateral	113,477	-
Accounts Receivable, Net	292,854	17,289
Pledges Receivable, Net	15,930	-
Investment Settlements Receivable	224,423	-
Notes Receivable, Net	8,490	-
Due (To) From Component Unit	(8,107)	8,107
Inventories	35,354	3,602
Prepaid Expenses and Other Current Assets	26,884	2,781
Total Current Assets	1,110,174	39,024
Noncurrent Assets		
Restricted Cash and Cash Equivalents		4,347
Pledges Receivable, Net	40,004	-
Notes Receivable, Net	79,961	-
Other Assets	2,243	5,138
Restricted Other Assets		3,368
Long-Term Investments	1,526,603	72,254
Restricted Long-Term Investments	1,300,481	-
Capital Assets, Net	3,123,172	59,656
Total Noncurrent Assets	6,072,464	144,763
Deferred Outflow of Resources	52,417	-
Total Assets and Deferred Outflow of Resources	$ 7,235,055	$ 183,787
Liabilities		
Current Liabilities		
Accounts Payable	$ 137,956	$ 5,408
Accrued Liabilities	159,209	14,087
Unearned Revenue	89,318	-
Funds Held for Others	78,787	-
Investment Settlements Payable	191,449	-
Collateral Held for Securities Lending	113,477	-
Commercial Paper and Current Portion of Long-Term Debt	92,433	1,795
Long-Term Debt Subject to Remarketing Agreements	99,445	-
Total Current Liabilities	962,074	21,290

(continued)

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF NET POSITION

As of June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Liabilities, Continued		
Noncurrent Liabilities		
Unearned Revenue	9,859	-
Long-Term Debt	1,411,225	27,585
Derivative Instrument Liability	39,571	-
Other Postemployment Benefits Liability	177,040	-
Net Pension Liability	253,804	-
Other Noncurrent Liabilities	60,652	4,728
Total Noncurrent Liabilities	1,952,151	32,313
Deferred Inflow of Resources	185,860	-
Total Liabilities and Deferred Inflow of Resources	3,100,085	53,603
Net Position		
Net Investment in Capital Assets	1,626,371	30,400
Restricted		
Nonexpendable -		
Endowment	998,947	-
Expendable -		
Scholarship, Research, Instruction and Other	349,560	3,368
Loans	81,805	-
Capital Projects	46,363	-
Unrestricted	1,031,924	96,416
Total Net Position	4,134,970	130,184
Total Liabilities, Deferred Inflow of Resources and Net Position	$ 7,235,055	$ 183,787

See notes to the financial statements

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Operating Revenues		
Tuition and Fees (Net of Provision for Doubtful Accounts of $7,908 in 2014 and $7,324 in 2013)	$ 829,920	$ -
Less Scholarship Allowances	202,647	-
Net Tuition and Fees	627,273	-
Federal Grants and Contracts	160,582	-
State and Local Grants and Contracts	49,538	-
Private Grants and Contracts	76,867	-
Sales and Services of Educational Activities	24,137	-
Auxiliary Enterprises -		
Patient Medical Services, Net	873,638	164,211
Housing and Dining Services (Net of Scholarship Allowance of $1,317 in 2014 and $670 in 2013)	106,818	-
Bookstores	54,444	-
Other Auxiliary Enterprises (Net of Scholarship Allowance of $11,166 in 2014 and $8,337 in 2013)	247,922	-
Other Operating Revenues	64,037	-
Total Operating Revenues	**2,285,256**	**164,211**
Operating Expenses		
Salaries and Wages	1,363,449	69,401
Benefits	346,257	17,092
Supplies, Services and Other Operating Expenses	833,799	64,799
Scholarships and Fellowships	66,919	-
Depreciation	183,250	9,817
Total Operating Expenses	**2,793,674**	**161,109**
Operating Income (Loss) before State Appropriations	**(508,418)**	**3,102**
State Appropriations	412,650	-
Operating Income (Loss) after State Appropriations, before Nonoperating Revenues (Expenses)	**(95,768)**	**3,102**
Nonoperating Revenues (Expenses)		
Federal Appropriations	27,675	-
Federal Pell Grants	59,776	-
Investment and Endowment Income, Net of Fees	281,837	520
Private Gifts	66,780	-
Interest Expense	(59,916)	(1,111)
Other Nonoperating Revenues (Expenses)	1,477	510
Net Nonoperating Revenues (Expenses)	**377,629**	**(81)**

(continued)

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014 (in thousands)

	University 2014	Discretely Presented Component Unit 2014
Income before Capital Contributions, and Additions to Permanent Endowments	281,861	3,021
Capital Gifts and Grants	14,727	-
Private Gifts for Endowment Purposes	47,390	-
Increase in Net Position	**343,978**	**3,021**
Net Position, Beginning of Year	**4,300,939**	**127,163**
Cumulative Effect of Change in Accounting Principle	(509,947)	-
Net Position, Beginning of Year, Adjusted	**3,790,992**	**127,163**
Net Position, End of Year	**$ 4,134,970**	**$ 130,184**

See notes to the financial statements

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014 (in thousands)

	2014
Cash Flows from Operating Activities	
Tuition and Fees	$ 631,335
Federal, State and Private Grants and Contracts	291,060
Sales and Services of Educational Activities and Other Auxiliaries	256,724
Patient Care Revenues	869,862
Student Housing Fees	106,747
Bookstore Collections	50,038
Payments to Suppliers	(833,665)
Payments to Employees	(1,361,741)
Payments for Benefits	(374,136)
Payments for Scholarships and Fellowships	(66,919)
Student Loans Issued	(12,077)
Student Loans Collected	8,864
Student Loan Interest and Fees	5,301
Other Receipts, Net	61,671
Net Cash Used in Operating Activities	(366,936)
Cash Flows from Noncapital Financing Activities	
State Appropriations	412,650
Federal Appropriations and Pell Grants	86,438
Private Gifts	69,559
Endowment and Similar Funds Gifts	47,390
Direct Lending Receipts	332,603
Direct Lending Disbursements	(332,603)
PLUS Loan Receipts	83,357
PLUS Loan Disbursements	(83,357)
Other Receipts, Net	(2,076)
Deposits (Receipts) of Affiliates	7,618
Net Cash Provided by Noncapital Financing Activities	621,579
Cash Flows from Capital and Related Financing Activities	
Capital Gifts and Grants	13,623
Proceeds from Sales of Capital Assets	9,795
Purchase of Capital Assets	(317,168)
Proceeds from Issuance of Capital Debt, Net	546,038
Principal Payments on Capital Debt	(28,349)
Payments on Capital Lease	(754)
Payments on Debt Defeasance	(348,264)
Payments of Bond Issuance Costs	(1,315)
Interest Payments on Capital Debt	(61,510)
Payments to Leveraged Loan	(14,380)
Net Cash Used in Capital and Related Financing Activities	(202,284)

(continued)

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2014 (In thousands)

	2014
Cash Flows from Investing Activities	
Interest and Dividends on Investments, Net	47,660
Purchase of Investments, Net of Sales and Maturities	(211,817)
Other Investing Activities	281
Net Cash Provided by (Used in) Investing Activities	(163,876)
Net Increase (Decrease) in Cash and Cash Equivalents	(111,517)
Cash and Cash Equivalents, Beginning of Year	258,452
Cash and Cash Equivalents, End of Year	$ 146,935
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	$ (508,418)
Adjustments to Net Cash Used in Operating Activities	
Depreciation Expense	183,250
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(36,759)
Inventory, Prepaid Expenses and Other Assets	2,612
Notes Receivable	919
Accounts Payable	6,498
Accrued Liabilities	33,818
Unearned Revenue	13,855
Pension Liability	(62,711)
Net Cash Used in Operating Activities	$ (366,936)
Supplemental Disclosure of Noncash Activities	
Net Increase (Decrease) in Fair Value of Investments	$ 184,538
Noncash Gifts	24,635

See notes to the financial statements

ATTACHMENT 1

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF PLAN NET POSITION

As of June 30, 2014 (in thousands)

	2014
Assets	
Cash and Cash Equivalents	$ 92,512
Investment of Cash Collateral	263,048
Investment Settlements Receivable	44,920
Investments:	
Debt Securities	525,129
Equity Securities	707,632
Commingled Funds	1,839,054
Nonmarketable Alternative Investments	297,450
Total Assets	3,769,745
Liabilities	
Accounts Payable and Accrued Liabilities	279
Collateral Held for Securities Lending	263,048
Investment Settlements Payable	122,092
Total Liabilities	385,419
Net Position Held in Trust for Retirement and OPEB	$3,384,326

UNIVERSITY OF MISSOURI SYSTEM

STATEMENT OF CHANGES IN PLAN NET POSITION

For the Year Ended June 30, 2014 (in thousands)

	2014
Net Revenues and Other Additions	
Investment Income:	
Interest & Dividend Income	$ 61,364
Net Appreciation in Fair Value of Investments	410,958
Less investment expense	(11,091)
Net Investment Income	461,231
Contributions:	
University	138,782
Members	28,618
Total Contributions	167,400
Total Net Revenues and Other Additions	628,631
Expenses and Other Deductions	
Administrative Expenses	3,043
Payments to Retirees and Beneficiaries	209,102
Total Expenses and Other Deductions	212,145
Increase in Net Position Held in Trust for Retirement and OPEB	416,486
Net Position Held in Trust for Retirement and OPEB, Beginning of Year	2,967,840
Net Position Held in Trust for Retirement and OPEB, End of Year	$3,384,326

See notes to the financial statements

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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 Health Care and related facilities, principally at its four campuses in Columbia, Kansas City, Rolla and St. Louis. The University also administers a statewide cooperative extension service with centers located in each county in the State of Missouri (the "State"). The University is a component unit of the State and is governed by a nine-member Board of Curators appointed by the State's Governor.

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

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

The University of Missouri-Columbia Medical Alliance (the "Medical Alliance") is considered a component unit of the University according to the criteria in GASB Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*, and is discretely presented in the University's financial statements. The Medical Alliance, a not-for-profit corporation, provides an integrated health care delivery system for mid-Missouri by establishing affiliations with various medical facilities. The purpose of the Medical Alliance is to develop a network of health care providers to support the missions of University Health Care. The Capital Region Medical Center ("CRMC") in Jefferson City, Missouri, operates as an affiliate of the Medical Alliance and provides inpatient, outpatient, and emergency care services to the surrounding community. CRMC, a not-for-profit organization that follows generally accepted accounting principles under the Financial Accounting Standards Board ("FASB"), is a discretely presented component unit of the Medical Alliance. The University appoints the Board of Directors of the Medical Alliance and can impose its will on the organization. Financial statements for the Medical Alliance are not available.

The 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, 2014, the University was the majority owner of MREC. Financial statements for MREC are available at the University of Missouri System Controller's Office. Condensed combining information regarding MREC is provided in Note 14.

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

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

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

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

The financial statements for the Pension Trust Funds have been prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable. Investments are reported at fair value. Combining financial statements for these funds are presented in Note 16.

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

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

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

Pledges Receivable – The University receives unconditional promises to give through private donations (pledges) from corporations, alumni and various other supporters of the University. Revenue is recognized when a pledge is received and all eligibility requirements, including time requirements, are met. These pledges have been recorded as pledges receivable on the Statement of Net Position and as private or capital gift revenues on the Statement of Revenues, Expenses, and Changes in Net Position, at the present value of the estimated future cash flows. An allowance of $5,416,000 as of June 30, 2014 has been made for uncollectible pledges based upon management's expectations regarding the collection of the pledges and the University's historical collection experience.

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

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

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

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

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

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

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

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

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

Patient Medical Services, Net – Patient medical services are primarily provided through University of Missouri Hospitals and Clinics, Ellis Fischel Cancer Research Center, Women's and Children's Hospital, Missouri Rehabilitation Center and University Physicians. The University has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discount charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as estimates are refined and final settlements are determined. Net patient service revenue is also shown net of estimated uncollectible accounts.

Amounts receivable under Medicare and Tricare/Champus reimbursement agreements are subject to examination and certain retroactive adjustments by the related programs. These adjustments increased net patient services revenues by $621,000 for the year ended June 30, 2014.

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 year ended June 30, 2014 the University 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)

	2014
Medicare	28%
Commercial Insurance	13%
Medicaid	19%
Self Pay & Other	18%
Managed Care Agreements	22%
	100%

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

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

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

		2014
Patient Medical Services Revenue, Gross	$	2,050,850
Deductions for Contractuals		(1,091,815)
Deductions for Bad Debt		(85,397)
Patient Medical Services Revenue, Net	$	873,638

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)*

		2014
Cost of Charity Care	$	23,082
Unreimbursed cost under state and local government assistance programs, net of Medicaid disproportionate share funding, less Medicaid provider taxes		3,820
Cost of uncollectible accounts		36,075
Total Uncompensated Care	$	62,977

New Accounting Pronouncements – Effective for fiscal year 2014, the University Adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which intends to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reports. In adopting this standard, the University recognized the effect of a change in accounting principle, which decreased net position by $7.6 million for prior periods' capitalized bond issue costs which were previously reported as "Deferred Charges and Other Assets" on the Statement of Net Position. Future bond issue costs will be included in interest expense when incurred. The University also changed the classification of the difference between the carrying value of defeased debt and the offsetting new debt to a deferred outflow of resources from long-term debt. The Statement also limited the use of the term deferred to deferred outflow resources and deferred inflow resources. To comply with this naming convention, the University changed "Deferred Revenue" to "Unearned Revenue" in the current liabilities section of the Statement of Net Position and "Deferred Charges and Other Assets" to "Other Assets" in the non-current asset section of the Statement of Net Position.

Effective for fiscal year 2014, the University adopted GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which intends to improve financial reporting by state and local governmental pension plans. Effective for fiscal year 2014, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting* *for Pensions – an amendment to GASB Statement No. 27,* which enhances accounting and financial reporting by state and local governments for pensions and improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. In adopting these standards, the University recognized the effect of a change in accounting principle in the amount of $502.3 million for the net pension liability at the beginning of fiscal year 2014, with no impact to Deferred Inflow of Resources or Deferred Outflow of Resources for any prior year. The University will now recognize a long-term liability for the net pension liability in the Statement of Net Position. The University will continue to report pension expense as a component of benefits expense. The amount of expense reported now includes the overall change in the pension liability. See Note 12 for additional details on the University's pension plan.

Effective for fiscal year 2014, the University adopted GASB Statement No. 66, *Technical Corrections – 2012* which intends to improve financial reporting by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* Adoption of GASB Statement No. 66 had no effect on the University's financial statements.

Effective for fiscal year 2014, the University adopted GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* which intends to improve financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Adoption of GASB Statement No. 70 had no effect on the University's financial statements.

In January 2013, GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* effective for financial statements for periods beginning after December 15, 2013, which intends to improve financial reporting by establishing standards for reporting government combinations and disposals of government operations. The University has not yet determined the effect that adoption of GASB Statement No. 69 will have on its 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

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

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

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

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

Net Patient Medical Service Revenue – Net patient medical service revenue is reported at the net amounts to be realized from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments for reimbursement agreements with third-party payers. Retroactive adjustments are estimated and accrued in the period the related services are provided, and these amounts are adjusted in future periods as final settlements are determined.

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that in the event of bank failure, the University's deposits may not be recovered. State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. Agencies and instrumentalities of the state of Missouri; bonds of any city, county, school district or special road district of the state of Missouri; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The University's cash deposits were fully insured or collateralized at June 30, 2014.

3. INVESTMENTS

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

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

General Pool – General Pool contains short-term University funds, including but not limited to cash and reserves, operating funds, bond funds, and plant funds. Subject to various limitations contained within the corresponding investment policy, the University's internally managed component of the General Pool may be invested in the following instruments: U.S. Government securities; U.S. Government Agency securities; U.S. Government guaranteed securities; money market funds; certificates of deposit; repurchase agreements; commercial paper; and other similar short-term investment instruments of like or better quality. The externally managed component of the General Pool is allowed to invest in the following asset sectors: fixed income, absolute return and risk parity strategies. The General Pool's total return (loss), including unrealized gains and losses, was 6.2% for the year ended June 30, 2014.

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

The Endowment Pool, which is externally managed, is the primary investment vehicle for endowment funds. Subject to various limitations contained within the corresponding investment policy, the Endowment Pool is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-linked bonds, emerging markets debt, and risk parity strategies. The Endowment Pool's total return (loss), including unrealized gains and losses, was 16.7% for the year ended June 30, 2014.

The Fixed Income Pool is an additional investment vehicle for endowment funds. The Fixed Income Pool, as required by investment policy, is invested in externally managed U.S. core plus bond funds. The Fixed Income Pool's total return, including unrealized gains and losses, was 7.5% for the year ended June 30, 2014.

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 $117,930,000 in fiscal year 2014.

The Board has adopted the total return concept (yield plus change in market value) in determining the spendable return for endowments and similar funds. The spending formula was revised in fiscal year 2012 to distribute 4.5% of a trailing 28-quarter average of the endowment's total market value, with the understanding that this spending rate over the long term will not exceed the total real return (net of inflation). However, the change from 5% to 4.5% is being phased in over several years to ensure a decrease in distributions year over year is not due solely to the lower rate. In addition, the University distributes 1% of the trailing 28-quarter average of the endowment's total market value to support internal endowment and development administration.

PENSION TRUST FUNDS

The Retirement Trust and the OPEB Trust hold the assets of the Retirement Plan and OPEB Plan, respectively. Subject to various limitations contained within the corresponding investment policy, the externally-managed Retirement Trust is allowed to invest in the following asset sectors: global equity, absolute return strategies, private equity, real estate, global fixed income, high-yield fixed income, floating rate bank loans, global inflation-like bonds, emerging markets debt and risk parity strategies. The Retirement Trust's total return, including unrealized gains and losses, was 16.2% for the year ended June 30, 2014.

The OPEB Trust held $51,631,000 of net position at June 30, 2014. 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.

At June 30, 2014, the University and Pension Trust Funds held the following types of investments:

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

As of June 30, 2014	University of Missouri	University of Missouri Pension Trust Funds
Debt Securities:		
U.S. Treasury Obligations	$ 191,473	$ 34,064
U.S. Agency Obligations	514,011	1,141
Asset-Backed Securities	32,599	35,251
Government - Foreign	95,970	186,076
Corporate - Domestic	288,550	180,118
Corporate - Foreign	174,190	88,479
Equity Securities:		
Domestic	206,354	393,991
Foreign	90,025	313,641
Commingled Funds:		
Absolute Return	175,256	268,950
Risk Parity	440,146	68,832
Debt Securities - Global	41,981	19,553
Debt Securities - Domestic	130,673	223,683
Debt Securities - Foreign	77,309	177,340
Equity Securities - Domestic	115,345	270,410
Equity Securities - Foreign	251,142	544,761
Equity Securities - Global	77,803	231,146
Real Estate	13,253	34,379
Nonmarketable Alternative Investments:		
Real Estate	50,235	102,438
Private Equity	83,771	195,012
Other	30,932	-
Total Investments	3,081,018	3,369,265
Money Market Funds	105,785	84,675
Commercial Paper	13,300	-
Other	27,850	7,837
Total Cash and Cash Equivalents	146,935	92,512
Total Investments and Cash and Cash Equivalents	$ 3,227,953	$ 3,461,777

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

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

As of June 30, 2014, of the University's total investments and cash and cash equivalents, 10.0% are issues of the Federal Home Loan Bank (FHLB). At June 30, 2014 the Pension Trust Funds did not contain investments from any single issuer that exceeded 5% of the total portfolio.

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

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

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

All holdings of commercial paper were rated A-1/P-1 or better at June 30, 2014. All holdings of money market funds were rated AAA at June 30, 2014.

UNIVERSITY OF MISSOURI SYSTEM

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

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, 2014, is as follows:

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

As of June 30, 2014	University of Missouri	University of Missouri Pension Trust Funds
U.S. Treasury Obligations	$ 191,473	$ 34,064
U.S. Agency Obligations	514,011	1,141
Asset-Backed Securities		
Mortgage Backed Securities		
Guaranteed by U.S. Agencies	(95,374)	4,912
Aaa/AAA	1,670	8,494
Aa/AA	2,753	10,425
A/A	3,389	3,053
Baa/BBB	3,482	230
Ba/BB and lower	115,285	6,264
Unrated	1,394	1,873
Government - Foreign		
Aaa/AAA	2,952	24,324
Aa/AA	1,923	28,145
A/A	9,095	22,719
Baa/BBB	58,973	55,153
Ba/BB and lower	2,951	2,230
Unrated	20,076	53,505
Corporate - Domestic		
Aaa/AAA	4,693	367
Aa/AA	4,278	-
A/A	17,957	2,812
Baa/BBB	51,528	5,569
Ba/BB and lower	171,524	163,376
Unrated	38,570	7,994
Corporate - Foreign		
Aaa/AAA	11,712	6,504
Aa/AA	21,209	9,016
A/A	32,795	16,002
Baa/BBB	36,510	17,324
Ba/BB and lower	44,501	25,537
Unrated	27,463	14,096
Total	$ 1,296,793	$ 525,129

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

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

The University and Pension Trust Funds invest in forward settling To Be Announced (TBA) Mortgage Backed Securities (MBS). TBA MBS with notional amounts totaling $110,000,000 and $4,000,000 and fair values of ($119,916,000) and ($4,553,000) were in place at June 30, 2014 for the University and Pension Trust Funds, respectively. The forward settling MBS instruments expose the University to interest rate risk of mortgage backed securities.

Table 3.3 presents the modified durations of the University's and Pension Trust Funds' debt securities as of June 30, 2014:

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

As of June 30, 2014	University of Missouri Duration (in years)	
U.S. Treasury Obligations	$ 191,473	8.3
U.S. Agency Obligations	514,011	3.3
Asset-Backed Securities	32,599	7.3
Government - Foreign	95,970	5.8
Corporate - Domestic	288,550	4.5
Corporate - Foreign	174,190	5.2
Total Debt Securities	$ 1,296,793	4.8

As of June 30, 2014	University of Missouri Pension Trust Duration (in years)	
U.S. Treasury Obligations	$ 34,064	10.5
U.S. Agency Obligations	1,141	3.1
Asset-Backed Securities	35,251	4.9
Government - Foreign	186,076	7.2
Corporate - Domestic	180,118	5.0
Corporate - Foreign	88,479	4.0
Total Debt Securities	$ 525,129	6.0

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

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

At June 30, 2014, 20.7% of the University's total investments and cash and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling $519,207,000 were in place at June 30, 2014. At June 30, 2014, 41.8% of the Pension Trust Funds' total investments and cash equivalents were denominated in foreign currencies. Forward foreign currency contracts with notional amounts totaling $337,390,000 were in place at June 30, 2014.

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For the Year Ended June 30, 2014

The University's and Pension Trust Funds' exposure to foreign exchange risk as of June 30, 2014:

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

As of June 30, 2014	University of Missouri	University of Missouri Pension Trust Funds
Debt Securities		
Euro	$ 80,086	$ 104,144
Australian Dollar	3,428	14,844
Canadian Dollar	494	7,657
British Pound Sterling	21,104	22,783
Japanese Yen	1,026	4,275
Danish Krone	436	2,672
New Zealand Dollar	773	8,365
Brazil Real	37,423	16,966
Singapore Dollar	-	-
Mexican New Peso	2,350	14,845
Polish Zloty	288	1,561
Other	1,419	9,621
	148,827	207,733
Equity Securities		
Euro	5,426	39,081
Japanese Yen	11,376	47,363
British Pound Sterling	13,401	56,094
Australian Dollar	3,030	13,544
Canadian Dollar	1,282	3,648
Swiss Franc	10,570	34,104
Hong Kong Dollar	7,232	21,420
Swedish Krona	4,306	14,391
Other	7,585	29,462
	64,208	259,107
Commingled Funds		
Various currency denominations:		
Debt Securities - Global	41,981	19,553
Debt Securities - Foreign	77,309	177,340
Equity Securities - Global	77,803	231,146
Equity Securities - Foreign	251,142	544,761
	448,235	972,800
Cash and Cash Equivalents		
Euro	3,174	5,928
Hong Kong Dollar	-	9
Mexican New Peso	1,454	86
Japanese Yen	110	673
British Pound Sterling	111	235
Other	1,326	835
	6,175	7,766
Total Exposure to Foreign Exchange Risk	$ 667,445	$ 1,447,406

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.

Of the University's and Pension Trust Funds' commingled funds at June 30, 2014, approximately 91% and 85%, respectively, are redeemable within 90 days, with the remaining redeemable within one year.

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 further discussed in Note 11.

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

For the University, at June 30, 2014, there were a total of $113,148,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of $113,477,000 cash and $2,692,000 noncash collateral at June 30, 2014.

For the Pension Trust Funds, at June 30, 2014, there was a total of $263,023,000 of securities out on loan to borrowers. The value of collateral received from the borrower for these securities consisted of $263,048,000 cash and $6,953,000 noncash collateral at June 30, 2014.

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

The University and Pension Trust Funds continue to receive interest and dividends during the loan period. The maturities of the investments made with the cash collateral generally match the maturities of the securities lent. At June 30, 2014, neither the University nor the Pension Trust Funds have any credit risk exposure arising from the actual securities lending transactions since the collateral received from the borrower exceeds the value of the securities lent. Further, the University and Pension Trust Funds are fully indemnified by the custodial bank against any losses incurred as a result of borrower default.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

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

Medical Alliance investments are presented at fair value in accordance with FASB Accounting Standards Codification 820, which establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to measurements involving significant unobservable inputs. The three levels of the fair value hierarchy are as follows: Level 1 - Quoted prices in active markets for identical assets that the Medical Alliance has the ability to access at the measurement date; Level 2 - Inputs other than quoted market prices included in Level 1, that are observable for the asset, either directly or indirectly; and, Level 3 - Inputs that are unobservable for the asset. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

At June 30, 2014, Medical Alliance held the following investments:

Table 3.5 - Medical Alliance Cash, Cash Equivalents, and Investments
(in thousands)

As of June 30, 2014		
Fair Value - Level 1		
Money Market Accounts	$	40,579
U.S. Treasury Obligations		73
Cash and Other Cash Equivalents		5,265
Total Fair Value - Level 1		45,917
Fair Value - Level 2		
Mortgage-Backed Securities		7,898
Certificates of Deposit		26,599
Corporate Bonds		3,432
Total Fair Value - Level 2		37,929
Total Cash, Cash Equivalents, and Investments	$	83,846

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014, are summarized as follows:

Table 4.1 - Accounts Receivable
(in thousands)

		2014
Grants and Contracts	$	62,576
Federal Appropriations		11,923
State Appropriations and State Bond Funds		431
Student Fees and Other Academic Charges		130,452
Patient Services, Net of Contractual Allowances		116,832
Subtotal		322,214
Less Provisions for Loss:		
Grants & Contracts		1,131
University Health Care Patient Services		20,321
Student Fees and Other Academic Charges		7,908
Subtotal		29,360
Total Accounts Receivable, Net	$	292,854

5. 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, 2014, are summarized as follows:

Table 5.1 - Notes Receivable *(in thousands)*

		2014
Federal Health Profession Loans	$	17,829
Carl D. Perkins National Loans		31,201
University Loan Programs		17,352
Other		26,474
Subtotal		92,856
Less Provisions for Loss		4,405
Total Notes Receivable, Net	$	88,451

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For the Year Ended June 30, 2014

6. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2014 is summarized as follows:

Table 6.1 - Capital Assets *(in thousands)*

	2014 Beginning Balance	Additions/ Transfers	Retirements	2014 Ending Balance
Capital Assets, Nondepreciable:				
Land	$ 80,549	$ 727	$ (15)	$ 81,261
Artwork and Historical Artifacts	13,424	934	-	14,358
Construction in Progress	240,960	(6,011)	-	234,949
Total Capital Assets, Nondepreciable	334,933	(4,350)	(15)	330,568
Capital Assets, Depreciable:				
Buildings and Improvements	3,296,382	171,027	(5,026)	3,462,383
Infrastructure	369,213	84,361	(684)	452,890
Equipment	770,851	57,657	(21,107)	807,401
Library Materials	256,653	6,415	-	263,068
Total Capital Assets, Depreciable	4,693,099	319,460	(26,817)	4,985,742
Less Accumulated Depreciation:				
Buildings and Improvements	1,189,096	98,127	(528)	1,286,695
Infrastructure	154,883	17,442	-	172,325
Equipment	515,611	60,425	(20,108)	555,928
Library Materials	170,934	7,256	-	178,190
Total Accumulated Depreciation	2,030,524	183,250	(20,636)	2,193,138
Total Capital Assets, Depreciable, Net	2,662,575	136,210	(6,181)	2,792,604
Total Capital Assets, Net	$ 2,997,508	$ 131,860	$ (6,196)	$ 3,123,172

The estimated cost to complete construction in progress at June 30, 2014, is $727,172,000 of which $456,858,000 is available from unrestricted net position. The remaining costs are expected to be funded from $23,558,000 of gifts, $29,000 of grants, and $246,727,000 of debt proceeds.

Capital assets include a building facility under a capital lease of $10,364,000 and related accumulated depreciation of $6,815,000 at June 30, 2014.

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

Capital assets at June 30, 2014 are summarized as follows:

Table 6.2 - Medical Alliance - Capital Assets *(in thousands)*

(in thousands)	2014
Land & Improvements	$ 7,876
Buildings	115,563
Movable Equipment	78,751
Construction in Progress	4,116
	206,306
Less Accumulated Depreciation	146,650
Total Capital Assets, Net	$ 59,656

7. ACCRUED SHORT-TERM LIABILITIES

Accrued liabilities at June 30, 2014 are summarized as follows:

Table 7.1 - Accrued Liabilities *(In thousands)*

	2014
Accrued Salaries, Wages & Benefits	$ 62,159
Accrued Vacation	47,719
Accrued Self Insurance Claims	36,686
Accrued Interest Payable	12,645
Total Accrued Liabilities	$ 159,209

8. OTHER NONCURRENT LIABILITIES

Table 8.1 - Other Noncurrent Liabilities *(in thousands)*

Fiscal Year 2014	Beginning of Year	Additions	Payments	Total End of Year	Less Current Portion	Noncurrent End of Year
Accrued Vacation	$ 64,467	$ 45,226	$ (42,580)	$ 67,113	$ (47,719)	$ 19,394
Accrued Self-Insurance Claims	80,665	231,121	(233,842)	77,944	(36,686)	41,258
	$ 145,132	$ 276,347	$ (276,422)	$ 145,057	$ (84,405)	$ 60,652

9. LONG-TERM DEBT

The University's outstanding debt at June 30, 2014, with corresponding activity, is as follows:

Table 9.1 - Long-Term Debt *(In thousands)*

As of June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
System Facilities Revenue Bonds - Fixed	$ 1,085,070	$ 455,835	$ (220,380)	$ 1,320,525	$ 18,640
System Facilities Revenue Bonds - Variable	100,330	-	(435)	99,895	450
Unamortized Premium	41,612	41,755	(10,811)	72,556	-
Net System Facilities Revenue Bonds	1,227,012	497,590	(231,626)	1,492,976	19,090
Notes Payable	14,130	20,061	(802)	33,389	951
Capital Lease Obligations	5,920	-	(754)	5,166	820
Commercial Paper	177,255	44,989	(150,672)	71,572	71,572
Total Long-Term Debt	$ 1,424,317	$ 562,640	$ (383,854)	$ 1,603,103	$ 92,433

System Facilities Revenue Bonds

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

On November 26, 2013, the University issued $11,325,000 and $150,000,000 in Series 2013A System Facilities Revenue Bonds and Series 2013B Taxable System Facilities Revenue Bonds, respectively. Proceeds from issuance of the Series 2013 Bonds are being used to refund all of Series 2003B bonds in the outstanding principal amount of $13,035,000, finance construction or renovation of housing facilities on the Columbia and Kansas City campuses, energy management improvements on the Columbia campus, renovations and construction to Memorial Stadium and other athletic projects, construction of a wellness center on the St. Louis campus, construction and renovations of academic buildings on the St. Louis and Missouri S&T campuses, expansion of the Missouri Orthopedic Institute, and paying cost of issuance of the Series 2013 bonds. The all-in-true interest cost of the Series 2013A and 2013B bonds is 2.2% and 4.9%, respectively.

On May 22, 2014, the University issued $294,510,000 in Series 2014A System Facilities Revenue Bonds. Proceeds from issuance of the Series 2014A bonds are being used to refund $183,455,000 principal amount of the Series 2007A Bonds, repaying $128,600,000 principal amount of the University's outstanding Commercial Paper Notes, and paying the cost of issuance of the Series 2014A bonds. The all-in-true interest cost of the Series 2014A bonds is 3.2%.

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 year ended June 30, 2014 was $67,919,000. 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, 2014, capitalization of interest earned on unspent bond proceeds totaled $8,003,000, resulting in net interest expense of $59,916,000. For the year ended June 30, 2014, the University earned cash subsidy payments from the United States Treasury totaling $9,709,000 for designated Build America Bonds outstanding, which was recorded as Federal Appropriations on the Statement of Revenues, Expenses, and Changes in Net Position.

Table 9.2 - System Facilities Revenue Bonds *(in thousands)*

Series	Type	Weighted Avg. Cost of Capital at June 30, 2014	Final Maturity	Original Issue	Balance June 30, 2014
2003B	Fixed	N/A	11/1/2023	37,085	$ -
2006A	Fixed	4.22%	11/1/2026	260,975	127,540
2007A	Fixed	4.18%	11/1/2037	262,970	17,480
2009A (1)	Fixed	3.87%	11/1/2039	256,300	256,300
2009B	Fixed	3.02%	11/1/2021	75,760	53,925
2010A (1)	Fixed	3.76%	11/1/2041	252,285	252,285
2011	Fixed	2.66%	11/1/2027	54,125	52,005
2012A	Fixed	1.58%	11/1/2019	105,155	105,155
2013A	Fixed	1.77%	11/1/2023	11,325	11,325
2013B	Fixed	4.87%	11/1/2043	150,000	150,000
2014A	Fixed	3.16%	11/1/2037	294,510	294,510
Total Fixed Rate Bonds				1,760,490	1,320,525
2007B	Variable	0.06% (2)	11/1/2031	102,250	99,895
Total Variable Rate Demand Bonds				102,250	99,895
Total System Facilities Revenue Bonds				$ 1,862,740	$ 1,420,420

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

(2) As of June 30, 2014, rates are determined daily or weekly by the remarketing agents. The rate is usually within a range at or near the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA Index) rate, which resets weekly.

System Facilities Revenue Bond Series 2007B is a variable rate demand bond with remarketing features which allow bondholders to put debt back to the University. Because the University is the sole source of liquidity should the option to tender be exercised by the bondholder, these variable rate demand bonds are classified in their entirety as current liabilities on the Statement of Net Position, with the balance in excess of actual current principal maturities reported as Long-Term Debt Subject to Remarketing.

In-substance defeased bonds aggregating $315,230,000 are outstanding at June 30,2014.

Interest Rate Swap Agreements

With an objective of lowering the University's borrowing costs, when compared against fixed-rate debt, the University entered into interest rate swap agreements in connection with certain variable-rate System Facilities Revenue Bonds and commercial paper. Under each of the swap agreements, the University pays the swap counterparty a fixed interest rate payment and receives a variable rate interest rate payment that effectively changes a component of the University's variable interest rate debt to fixed rate debt. The University assumed a 2006 interest rate swap with a negative fair market value of $9,799,000 on March 21, 2012 to which the counterparty was Bank of America, N.A. The 2006 swap was acquired in conjunction with the purchase of a housing and parking facility at the Kansas City campus. Table 9.3 presents the terms of the outstanding swaps and their fair values at June 30, 2014.

Table 9.3 - 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	$ (9,977)	Aa3 / A+
Pay fixed; receive variable	50,615	12/14/2006	8/1/2026	Pay 3.902%; receive SIFMA Index	(8,725)	Baa2 / A-
Pay fixed; receive variable	99,895	7/26/2007	11/1/2031	Pay 3.798%; receive 68% of 1-Month LIBOR	(20,869)	Aa3 / A+
Total	$ 190,510				$ (39,571)	

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 9.4:

Table 9.4 - Interest Rate Swaps - Change in Fair Value *(in thousands)*

Type	Fair Value at June 30, 2014	Fair Value on Acquisition	Change in Fair Value	Presentation of Change in Fair Value
2002 Swap - Investment Derivative	$ (9,977)	N/A	$ (365)	Investment and Endowment Income, Net
2006 Swap - Investment Derivative	(8,725)	N/A	(203)	Investment and Endowment Income, Net
2007 Swap - Cash Flow Hedge	(20,869)	N/A	867	Deferred Outflow of Resources
Total	$ (39,571)	$ -	$ 299	

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, 2014.

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

The collateral requirements are determined by a combination of credit ratings and the aggregate fair value of swaps outstanding with each counterparty as presented in Table 9.5:

Table 9.5 - Swap Collateral Requirements

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

If the aggregate fair value of swaps outstanding with each counterparty is positive and exceeds the fair value threshold for the applicable credit rating, the counterparties are required to post collateral. If the aggregate fair value of the 2002 and 2007 swaps is negative and exceeds the fair value threshold for the applicable credit rating, the University is required to post collateral. Permitted collateral for either party includes U.S. Treasuries, U.S. government agencies, cash, and commercial paper rated A1/P1 by S&P or Moody's, respectively. As the negative aggregate fair value of the 2002 and 2007 swaps exceeded $30,000,000 on June 30, 2014, which is the current fair value threshold for the University given a Moody's rating of Aa1, the University had collateral posted with the counterparty as required.

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

Termination Risk. The University is exposed to termination risk for the 2002 and 2007 interest rate swaps as the counterparty has the right to terminate the agreements in certain circumstances. For the 2002 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 30 calendar day period is greater than 7.00%. With regard to the 2007 swap, the counterparty has a contractual right to terminate the agreement if the daily weighted average of the SIFMA Index for the preceding 180 days is greater than 6.00%. The 2006 interest rate swap is not exposed to termination risk. The SIFMA Index was .06% at June 30, 2014.

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 outflow resources is presented in Table 9.6.

Table 9.6 - Debt-Related Deferred Outflow of Resources *(in thousands)*

	June 30, 2014
Swaps - Cash Flow Hedge	$ 20,869
Loss on Bond Defeasance	31,548
Deferred Outflow of Resources	**$ 52,417**

For the year ended June 30, 2014, the University increased the Loss on Bond Defeasance by $16,602,000 for the issuance of the 2014A and 2013A bonds. For fiscal year 2014 the amortization of the Loss on Bond Defeasance totaled $2,791,000 which reduces interest expense.

Pledged Revenues and Debt Service Requirements

For fiscal year 2014, annual debt service, including net payments on associated interest rate swaps, totaled $96,606,000. For fiscal year 2014, System Facilities Pledged Revenue was twelve times greater than the annual debt service. Net System Facilities Revenue was 160% of annual debt service. Table 9.7 provides the System Facilities pledged revenues and operating expenses.

Table 9.7 - System Facilities Pledged Revenues and Operating Expenses
(in thousands)

		June 30, 2014
Pledged Revenues:		
Net Patient Revenue	$	873,638
Housing and Food Service		107,547
Bookstores		54,503
Net Tuition and Fees		23,900
Other Operating Revenue		35,749
Pledged Revenues		**1,095,337**
Operating Expenses		953,372
Net Revenues	**$**	**141,965**

Table 9.8 provides future debt service requirements for the System Facilities Revenue Bonds, including the impact of both 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, 2014. As market rates vary, variable rate bond interest payments and net swap payments will vary.

Table 9.8 - Future Debt Service - System Facilities Revenue Bonds *(in thousands)*

Fiscal Year	Principal	Interest	Hedging Derivatives, Net	Total Before Investment Derivatives	Investment Derivatives, Net	Total Future Debt Service
2015	19,090	70,423	3,680	93,193	3,485	96,678
2016	28,015	66,072	3,598	97,685	3,459	101,144
2017	43,440	64,670	3,479	111,589	3,430	115,019
2018	39,370	63,035	3,282	105,687	3,396	109,083
2019	39,485	61,374	3,191	104,050	3,358	107,408
2020-2024	299,500	260,917	14,039	574,456	16,045	590,501
2025-2029	227,870	209,687	8,539	446,096	14,755	460,851
2030-2034	158,230	171,461	1,376	331,067	12,040	343,107
2035-2039	143,780	134,390	-	278,170	6,853	285,023
2040-2044	421,640	55,395	-	477,035	1,828	478,863
	$ 1,420,420	$ 1,157,424	$ 41,184	$ 2,619,028	$ 68,649	$ 2,687,677

Commercial Paper

During fiscal year 2014, the University issued $44,989,000 of commercial paper to fund working capital and finance capital 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.

Notes Payable

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

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

The future payments on all notes payable at June 30, 2014, are as follows:

Table 9.9 - Future Notes Payable Payments

Year Ending June 30	Amount *(in thousands)*
2015	$ 1,346
2016	1,354
2017	1,152
2018	1,153
2019	1,082
2020-2024	7,856
2025-2029	7,202
2030-2034	7,202
2035-2039	7,202
2040-2044	5,340
Total Future Notes Payable Payments	40,889
Less: Amount Representing Interest	(7,500)
Future Notes Payable Principal Payments	$ 33,389

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, 2014, are as follows:

Table 9.10 - Future Capital Lease Payments

Year Ending June 30	Amount *(in thousands)*
2015	1,563
2016	1,563
2017	1,563
2018	1,563
2019	1,563
2020	391
Total Future Minimum Payments	8,206
Less: Amount Representing Interest	(3,040)
Present Value of Future Minimum Lease Payments	$ 5,166

DISCRETELY PRESENTED COMPONENT UNIT – MEDICAL ALLIANCE

The Medical Alliance's outstanding debt at June 30, 2014, with corresponding activity, is as follows:

Table 9.11 - Long-Term Debt - Medical Alliance *(in thousands)*

As of June 30, 2014	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Health Facilities Revenue Bonds Series 2011	$ 31,120	$ -	$ (1,740)	$ 29,380	$ 1,795
Total Bonds Payable	31,120	-	(1,740)	29,380	1,795
Capital Lease Obligations	325	-	(325)	-	-
Total Long-Term Debt	$ 31,445	$ -	$ (2,065)	$ 29,380	$ 1,795

Bonds Payable

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

The Master Indenture has mandatory sinking fund redemption requirements in which funds are required to be set aside beginning in 2021 for the Series 2011 bonds. Interest expense incurred on the bonds during the years ended June 30, 2014 was $1,145,000, of which $32,000 in interest was capitalized.

As of June 30, 2014, the total of principal and interest due on bonds during the next five years and in subsequent five-year periods is as follows:

Table 9.12 - Future Debt Service - Medical Alliance *(in thousands)*

Fiscal Year	Principal	Interest	Total
2015	1,795	1,085	2,880
2016	1,840	1,038	2,878
2017	1,885	992	2,877
2018	1,930	939	2,869
2019	1,995	877	2,872
2020-2024	11,085	3,215	14,300
2025-2029	8,850	756	9,606
	$ 29,380	$ 8,902	$ 38,282

10. RISK MANAGEMENT

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

The liability for self-insurance claims at June 30, 2014 of $77,944,000 represents the present value of amounts estimated to have been incurred by those dates, using discount rates ranging from 1.0% to 3.8% for fiscal year 2014, based on expected future investment yield assumptions.

Changes in the self-insurance liability during fiscal year 2014 were as follows:

Table 10.1 - Self-Insurance Claims Liability *(in thousands)*

Fiscal Year	Beginning of Year	New Claims and Changes in Estimates	Claim Payments	End of Year
2014	80,665	$ 231,121	$ (233,842)	$77,944

11. COMMITMENTS AND CONTINGENCIES

Endowment and Pension Trust Funds

The University Endowment Fund and Pension Trust Funds have made commitments to make investments in certain investment partnerships pursuant to provisions in the various partnership agreements. These commitments totaled $106,321,000 and $215,224,000 for the University and the Pension Trust Funds, respectively, at June 30, 2014.

University Operating Leases

The University leases various facilities and equipment under agreements recorded as operating leases. Operating lease expense for the year ended June 30, 2014 was $22,575,000.

Future minimum payments on all significant operating leases with initial or remaining terms of one year or more at June 30, 2014, are as follows:

Table 11.1 - Future Operating Lease Payments

Fiscal Year	Amount *(in thousands)*
2015	$ 7,128
2016	6,339
2017	4,692
2018	2,019
2019	1,262
2020-2024	1,267
Total Future Lease Payments	**$ 22,707**

In addition to the above lease obligations, the University has outstanding commitments for the usage and ongoing support of University Health Care's information technology environment. As of January 2010, University 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 University Health Care and Cerner Corporation referred to as the Tiger Institute for Health Innovation (the Tiger Institute). The Tiger Institute is not a legally separate entity and is included within the financial statements of the University. The Tiger Institute provides continued development of information technology within the clinical areas, as well as developing new technology initiatives in health information systems.

As of June 30, 2014, this contracted commitment totaled $123,757,000 and will be paid in the following amounts: $17,516,000 in 2014, $18,041,000 in 2015, $18,583,000 in 2016, $19,140,000 in 2017, $19,714,000 in 2018 and $20,306,000 in 2019 and $10,457,000 in 2020.

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 is awaiting a cost estimate to perform the additional evaluation requested by MDNR. Long term costs will depend on the results of the two-year sampling process that began in 2013. As a result, the University is unable to estimate future costs on cleanup of the site at this time.

Radiology and Other Health Care Matters

Since November 2011, the University has been investigating 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 has identified indications that two radiologists improperly certified that they had performed services that were actually performed by resident physicians. The University is cooperating with the investigation of the U.S. Attorney's Office in an effort to achieve a resolution of the matter. The University has estimated minimum likely exposure including penalties of $3,929,000. Also, the University has reviewed other potential federal health program reimbursement issues contemporaneous with the radiology investigation noted above. The University is in the process of self-disclosure and has estimated minimum likely exposure including penalties of $4,862,000 in aggregate for these matters. Because the federal government could assess additional penalties or assert alternative theories or analysis concerning amounts of liability, the potential for additional exposure for these issues exists but cannot be estimated at this time, as these matters have not yet been resolved.

Charitable Gift Annuities

A charitable gift annuity is a contractual agreement between one or two donors (typically husband and wife) and a charity. The donor(s) transfers assets as a gift to the charity, and in return the charity is obligated to pay a fixed annuity to one or two annuitants, of the donor(s)' choosing, for the life of the donor(s). As part of the University's "Planned Giving" program, the University enters into Charitable Gift Annuity contracts with donors. The University's liability related to the annuity obligations was $6,512,000 at June 30, 2014.

12. RETIREMENT, DISABILITY AND DEATH BENEFIT PLAN

DEFINED BENEFIT PLAN

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

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

Table 12.1 - Retirement Plan Membership

	2014
Active Members	
Vested	11,293
Nonvested	7,038
Pensioners and Beneficiaries	8,410
Former Employees with Deferred Pensions	6,259
Total Members	33,000

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 (ARC). The ARC for those employees hired before October 1, 2012 averaged 10.8% of covered payroll for the year ending June 30, 2014. The ARC for those employees hired after September 30, 2012 averaged 6.8% of covered payroll for the year ended June 30, 2014. Employees are required to contribute 1% of their salary up to $50,000 in a calendar year and 2% of their salary in excess of $50,000. An actuarial valuation of the Plan is performed annually and the University's contribution rate is updated at the beginning of the University's fiscal year on July 1, to reflect the actuarially determined funding requirement from the most recent valuation, as of the preceding October 1. This actuarial valuation reflects the adoption of any Retirement Plan amendments during the previous fiscal year.

Net Pension Liability – The Retirement Plan's net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2013.

Table 12.2 Changes in the Net Pension Liability *(In Thousands)*

	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at June 30, 2013	$3,420,930	$2,918,556	$502,374
Changes for the year:			
Service cost	71,995	-	71,995
Interest	263,566	-	263,566
Differences between expected and actual experience	-	-	-
Contributions – employer	-	113,688	(113,688)
Contributions – employee	-	14,113	(14,113)
Net investment income	-	456,330	(456,330)
Benefit payments, including refunds of employee contributions	(169,992)	(169,992)	-
Other changes	-	-	-
Net changes	165,569	414,139	(248,570)
Balances at June 30, 2014	**$3,586,499**	**$3,332,695**	**$253,804**

Actuarial Methods and Assumptions – The October 1, 2013 actuarial valuation utilized the entry age actuarial cost method. Actuarial assumptions included:

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

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 30 years from the October 1, 2013 valuation date. Mortality rates were based on the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results the most recent quinquennial study of the University's own experience covering 2008 to 2012.

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that University contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. For the October 1, 2013 actuarial valuation, a 7.75% discount rate was used.

Table 12.3 Sensitivity of the Net Pension Liability to Changes in the Discount Rate
(In Thousands)

	Rate	Net Pension Liability
1% Decrease	6.75%	$711,800
Current Discount Rate	7.75%	$253,804
1% Increase	8.75%	($127,799)

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 year ended June 30, 2014 was 15.7%.

Table 12.4 - Asset Class Allocation

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

Pension Expense- For the year ended June 30, 2014, the Retirement Plan recognized pension expense of $50,979,000. Annual pension expense consists of service cost and interest on the pension liability less employee contributions and projected earnings on pension plan investments. The difference between actual and expected earnings is recorded as a deferred outflow/inflow of resources and recognized in pension expense over a five year period.

The pension expense for the year ended June 30, 2014 is as follows:

Table 12.5 Pension expense for the year ended June 30, 2014 *(In Thousands)*

Service cost	$71,995
Interest	263,566
Recognized portion of current-period difference between expected and actual experience	-
Contributions – employee	(14,113)
Projected earnings on pension plan investments	(224,004)
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	(46,465)
Recognition of deferred outflows of resources	-
Recognition of deferred inflows of resources	-
Pension expense for fiscal year ended June 30, 2014	**$50,979**

Deferred Outflows/Inflows of Resources- In accordance with GASB Statements No. 67 and 68, the University recognizes differences between actual and expected experience with regard to economic or demographic factors, changes of assumptions about future economic or demographic factors, and the difference between actual and expected investment returns as Deferred Outflows/Inflows of Resources. At June 30, 2014, the Retirement Plan reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:.

Table 12.6 Deferred outflows/inflows of resources related to pensions *(In Thousands)*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	--	--
Changes of assumptions	--	--
Changes of benefit terms	--	--
Net difference between projected and actual earnings on pension plan investments	--	185,860
Total	--	185,860

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. The following table summarizes the future recognition of these items:

Table 12.7 Projected recognition of deferred outflows/(inflows) *(In Thousands)*

Year Ended June 30,	Recognition
2015	(46,465)
2016	(46,465)
2017	(46,465)
2018	(46,465)
2019	--
Thereafter	--

DEFINED CONTRIBUTION PLAN

Plan Description - Employees hired after September 30, 2012 participate in a single employer, defined contribution plan. Each year the University contributes 2% of each employee's eligible salary to a 401(a) plan. Employees are able to contribute to a 457(b) plan. The University will match up to 3% of that 457(b) plan contribution with those 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 $4,829,000 of pension expense and $138,000 of forfeitures for the year ended June 30, 2014.

13. OTHER POSTEMPLOYMENT BENEFITS

Plan Description – In addition to the pension benefits described in Note 12, the University operates a single-employer, defined benefit postemployment plan. The University's Other Postemployment Benefits (OPEB) Plan provides postemployment medical, dental, and life insurance benefits to employees who retire from the University after attaining age 55 and before reaching age 60 with ten or more years of service, or after attaining age 60 with five or more years of service. As of June 30, 2014, 6,764 were receiving benefits, and an estimated 18,319 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, 2014, 223 long-term disability claimants met those eligibility requirements.

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

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

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

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

For the year ended June 30, 2014, participants contributed $14,505,000, or approximately 36.6%, of total premiums through their required contributions, which vary depending on the plan and coverage selection.

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

The Annual Required Contribution (ARC) represents a level of funding that an employer is projected to need in order to prefund its obligations for postemployment benefits over its employees' years of service. The University has no obligation to make contributions in advance of when insurance premiums or claims are due for payment and currently funds postemployment benefits at a level no less than the pay-as-you-go basis. In fiscal year 2014, the University contributed $25,094,000, or 41.8% of the ARC, which was $59,966,000 and represented 5.4% of annual covered payroll.

Table 13.1 presents the OPEB cost for the year, the amount contributed, and changes in the OPEB obligation for fiscal year 2014:

Table 13.1 - Changes in Net OPEB Obligation *(in thousands)*

Annual Required Contribution	$ 59,966
Interest on Existing Net OPEB Obligation	5,688
ARC Adjustment	(5,729)
Annual OPEB Cost	59,925
Contributions Made	(25,094)
Increase in net OPEB obligation	34,831
Net OPEB obligation - beginning of year	142,209
Net OPEB obligation - June 30, 2014	$ 177,040

Funding Status and Funding Progress – As of July 1, 2013, the date of the last valuation, the OPEB Plan was 7.4% funded. The actuarial accrued liability (AAL) for postemployment benefits was $669,836,000, with $49,284,000 in actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $620,552,000. The covered payroll (annual payroll of active employees covered by the plan) was $1,103,558,000, and the ratio of UAAL to covered payroll was 56.2%.

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

Benefit projections for financial reporting purposes are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and the historical pattern of cost sharing between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the University and plan members in the future.

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

Table 13.2 - OPEB Plan Three-Year Trend Information *(in thousands)*

Fiscal Year Ending	Annual Required Contribution	Annual OPEB Cost (AOC)	Contributions Made	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2014	$ 59,966	$ 59,925	$ 25,094	41.9%	$ 177,040
6/30/2013	50,954	51,890	19,177	37.0%	142,209
6/30/2012	50,954	51,667	25,477	49.3%	109,496

Actuarial Methods and Assumptions - Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The projected unit credit actuarial cost method was used in the July 1, 2013 actuarial valuation. Actuarial assumptions included a 4.0% investment rate of return, net of administrative expenses. The projected annual healthcare trend rate is 5.0% to 8.0% initially, reduced by 0.5% decrements to an ultimate rate of 5.0%. The UAAL is being amortized as a level dollar amount on an open basis, level percent of pay, over a 30-year amortization period.

14. BLENDED COMPONENT UNIT

Condensed combining information for the University's blended component unit as of and for the year ended June 30, 2014 is presented as follows:

Table 14.1 - Missouri Renewable Energy Corporation Condensed Financial Statements *(in thousands)*

Condensed Statement of Net Position	2014		
	MREC	Eliminations	Total
Assets:			
Current Assets	$ 25,333	$ (4,132)	$ 21,201
Non Current Other Assets	-	20,982	$ 20,982
Capital Assets, Net	124,894	(13,305)	111,589
Total Assets and Deferred Outflow of Resources	$150,227	$ 3,545	$153,772
Liabilities:			
Current Liabilities	$ 3,780	$ (3,422)	$ 358
Noncurrent Liabilities	131,102	(92,740)	38,362
Total Liabilities	134,882	(96,162)	38,720
Net Position:			
Net Investment in Capital Assets	3,650	75,303	78,953
Restricted -			
Nonexpendable	-	-	-
Expendable	11,695	24,404	36,099
Unrestricted	-	-	-
Total Net Position	15,345	99,707	115,052
Total Liabilities and Net Position	$150,227	$ 3,545	$153,772

Condensed Statement of Revenues, Expenses and Changes in Net Position	2014		
	MREC	Eliminations	Total
Operating Revenues:			
Other Operating Revenue	$ 2,276	$ (1,922)	$ 354
Total Operating Revenues	2,276	(1,922)	354
Operating Expenses:			
Depreciation	1,772	-	1,772
All Other Operating Expenses	2,180	(2,134)	46
Total Operating Expenses	3,952	(2,134)	1,818
Operating Income (Loss)	(1,676)	212	(1,464)
Capital Contribution	7,418	35,084	42,502
Increase in Net Position	5,742	35,296	41,038
Net Position, Beginning of Year	9,603	64,411	74,014
Net Position, End of Year	$ 15,345	$ 99,707	$115,052

(Continued)

Condensed Statement of Cash Flows	2014		
	MREC	Eliminations	Total
Net Cash Flows Provided by (Used in) Operating Activities	$ 1,610	$ (1,662)	$ (52)
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	8,447	1,662	10,109
Net Increase in Cash and Cash Equivalents	10,057	-	10,057
Cash and Cash Equivalents, Beginning of Year	660	-	660
Cash and Cash Equivalents, End of Year	$ 10,717	$ -	$ 10,717

15. 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 15.1 - Operating Expenses by Functional and Natural Classifications *(in thousands)*

Fiscal Year Ended June 30, 2014	Salaries and Wages	Benefits	Supplies, Services and Other	Scholarships and Fellowships	Depreciation	Total
Instruction	$ 441,841	$ 96,041	$ 84,802	$ -	$ -	$ 622,684
Research	102,064	19,322	69,020	-	-	190,406
Public Service	77,378	18,550	49,701	-	-	145,629
Academic Support	82,559	20,822	35,737	-	-	139,118
Student Services	47,486	10,996	26,305	-	-	84,787
Institutional Support	106,067	32,401	(14,817)	-	-	123,651
Operation and Maintenance of Plant	38,224	10,192	56,267	-	-	104,683
Auxiliary Enterprises	467,830	137,933	526,784	-	-	1,132,547
Scholarships and Fellowships	-	-	-	66,919	-	66,919
Depreciation	-	-	-	-	183,250	183,250
Total Operating Expenses	$ 1,363,449	$ 346,257	$ 833,799	$ 66,919	$ 183,250	$ 2,793,674

16. FIDUCIARY FUNDS – PENSION TRUST FUNDS COMBINING STATEMENTS

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

Table 16.1 - Statement of Plan Net Position *(in thousands)*

	June 30, 2014		
	Retirement	OPEB	Total
Assets			
Cash and Cash Equivalents	$ 67,325	$ 25,187	$ 92,512
Investment of Cash Collateral	263,048	-	263,048
Investment Settlements Receivable	44,920	-	44,920
Investments:			
Debt Securities	525,129	-	525,129
Equity Securities	707,632	-	707,632
Commingled Funds	1,772,610	66,444	1,839,054
Nonmarketable Alternative Investments	297,450	-	297,450
Total Assets	3,678,114	91,631	3,769,745
Liabilities			
Accounts Payable and Accrued Liabilities	279	-	279
Collateral Held for Securities Lending	263,048	-	263,048
Investment Settlements Payable	82,092	40,000	122,092
Total Liabilities	345,419	40,000	385,419
Net Position Held in Trust for Retirement and OPEB	$ 3,332,695	$ 51,631	$ 3,384,326

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NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Table 16.2 - Statement of Changes in Plan Net Position *(in thousands)*

	June 30, 2014		
	Retirement	OPEB	Total
Net Revenues and Other Additions			
Investment Income:			
Interest and Dividend Income	$ 60,721	$ 643	$ 61,364
Net Appreciation (Depreciation) in			
Fair Value of Investments	409,250	1,708	410,958
Less Investment Expense	(11,087)	(4)	(11,091)
Net Investment Income	458,884	2,347	461,231
Contributions:			
University	113,688	25,094	138,782
Members	14,113	14,505	28,618
Total Contributions	127,801	39,599	167,400
Total Net Revenues and Other Additions	586,685	41,946	628,631
Expenses and Other Deductions			
Administrative Expenses	2,554	489	3,043
Payments to Retirees and Beneficiaries	169,992	39,110	209,102
Total Expenses and Other Deductions	172,546	39,599	212,145
Increase (decrease) in Net Position Held in Trust for Retirement and OPEB	414,139	2,347	416,486
Net Position Held in Trust for Retirement & OPEB, Beginning of Year	2,918,556	49,284	2,967,840
Net Position Held in Trust for Retirement and OPEB, End of Year	$ 3,332,695	$ 51,631	$ 3,384,326

17. SUBSEQUENT EVENTS

On August 11, 2014, University of Missouri Health Care announced the closure of its long-term acute care facility, Missouri Rehabilitation Center (MRC), in Mount Vernon, Missouri. Inpatient services will continue through October 31, 2014, with certain outpatient services continuing through December 31, 2014. MUHC will receive a final appropriation of $5,014,000 from the State of Missouri related to the normal operations of MRC during fiscal year 2015. MUHC will recognize an estimated loss of $7,783,000 on the write-down of the facility at the time of closure.

In September of 2014, the University of Missouri, Santarus, Inc., Salix Pharmaceuticals, Inc., and Par Pharmaceutical, Inc. entered into a settlement agreement regarding Santarus, Inc. et al v. Par Pharmaceutical, Inc. (the "Zegerid Patent Litigation"). The Zegerid® Patent Litigation consists of civil actions for infringement of patents covering certain Zegerid® products brought by the University and Santarus against Par in U.S. District Court. As a part of the Settlement Agreement, Par will make a one-time payment of $100 million to an escrow account approved by Santarus and the University, and these funds will be allocated between Santarus and the University pursuant to the terms of the Exclusive License Agreement between Santarus and the University. The University has not determined the full amount of the settlement, but expects to receive the funds and recognize a gain during fiscal year 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

(unaudited)

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

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total pension liability										
Service cost	$71,995									
Interest	263,566									
Differences between expected and actual experience	- -									
Changes of assumptions	- -	(Historical information prior to implementation of GASB 67/68 is not required)								
Changes of benefit terms	- -									
Benefit payments, including refunds of employee contributions	(169,992)									
Net change in total pension liability	165,569									
Total pension liability - beginning	3,420,930									
Total pension liability - ending (a)	**$3,586,499**									
Plan fiduciary net position										
Contributions - employer	$113,688									
Contributions - employee	14,113									
Net investment income	456,330									
Benefit payments, including refunds of employee contributions	(169,992)	(Historical information prior to implementation of GASB 67/68 is not required)								
Other	- -									
Net change in fiduciary net position	414,139									
Plan fiduciary net position - beginning	2,918,556									
Plan fiduciary net position - ending (b)	**$3,332,695**									

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UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014
(unaudited)

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

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net pension liability – ending: (a)-(b)	**$253,804**									
Plan's fiduciary net position as a percentage of the total pension liability	92.92%	(Historical information prior to implementation of GASB 67/68 is not required)								
Covered-employee payroll	$1,078,347*									
Net pension liability as a percentage of covered-employee payroll	23.54%									

**Covered-employee payroll as reported in the October 1, 2013 funding valuation report*

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UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014

(unaudited)

Schedule of Contributions – Last Ten Fiscal Years *(In Thousands)*

Fiscal Year	Covered Employee Payroll		Contributions as % of covered-employee payroll**		Actuarially determined contribution**		Contributions in relation to the actuarially determined contribution**		Contribution deficiency (excess)	
Ended June 30,	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2	Level 1	Level 2
2014	$ 984,787	$93,560	10.78%	6.77%	10.78%	6.77%	10.78%	6.77%	-	-
2013	1,046,075	-	8.88%	4.87%	8.88%	4.87%	8.88%	4.87%	-	-
2012	1,031,891	-	7.07%	-	7.07%	-	7.07%	-	-	-
2011	979,888	-	5.74%	-	5.74%	-	5.74%	-	-	-
2010	970,060	-	4.88%	-	4.88%	-	4.88%	-	-	-
2009	954,430	-	5.87%	-	5.87%	-	5.87%	-	-	-
2008	891,648	-	7.78%	-	7.78%	-	7.78%	-	-	-
2007	846,884	-	8.69%	-	8.69%	-	8.69%	-	-	-
2006	795,758	-	7.80%	-	7.80%	-	7.80%	-	-	-
2005	753,266	-	6.40%	-	6.40%	-	6.40%	-	-	-

** Covered-employee payroll as reported in the October 1, 2013 funding valuation report*

*** Net of employee contributions*

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

	Fiscal Year End June 30,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Money-Weighted Rate of Return	16.2%	(Historical information prior to implementation of GASB 67/68 is not required)								

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UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014
(unaudited)

Notes to Required Supplementary Information

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	30 years
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, 2013 actuarial valuation were based on the results of an experience study for the period October 1, 2007 to September 30, 2012. See Section IV of the October 1, 2013 funding valuation report for a full summary of actuarial assumptions.
Investment Rate of Return	7.75%, net of expenses
Inflation	2.75%
Projected Salary Increases	4.9% average (including inflation) for academic and administrative; 4.1% average (including inflation) for clerical and service
Cost-of-living Adjustments	No future retiree ad-hoc increases assumed
Retirement Age	See Section IV of the October 1, 2013 funding valuation report for summary of assumption
Mortality	
Healthy lives	95% of the RP-2000 Combined Health Mortality Table projected to 2023 using Scale BB
Disabled lives	RP-2000 Disabled Retiree Mortality Table projected to 2023 using Scale BB

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UNIVERSITY OF MISSOURI SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2014
(unaudited)

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

Actuarial Valuation Date	Actuarial Valuation of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a / b)	Annual Covered Payroll (c)	UAAL as a % of Covered Payroll [(b-a) /c)
7/1/2009	37,171	646,655	609,484	5.7%	1,009,800	60.4%
7/1/2011	45,745	542,844	497,099	8.4%	1,041,413	47.7%
7/1/2013 (a)(b)	49,284	669,836	620,552	7.4%	1,103,558	56.2%

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

(b) Date of last valuation provided

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

Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
6/30/2012	7/1/2011	50,954	50%	109,496
6/30/2013	7/1/2011	50,954	38%	142,209
6/30/2014	7/1/2013(a)	59,965	42%	177,040

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