



MISSISSIPPI VALLEY STATE UNIVERSITY

GASB 2013 - 2014

ONE GOAL
TEAM
VALLEY



Mississippi Valley State University

September 24, 2014

Dr. William B. Bynum, Jr.
President
Mississippi Valley State University
Itta Bena, MS 38941

Dear Dr. Bynum:

We are submitting the Annual GASB Financial Report of Mississippi Valley State University for the year ending June 30, 2014 for your review.

We will gladly supply any additional or supplemental information which you may desire.

Respectfully,

A handwritten signature in black ink, appearing to read "Joyce A. Dixon".

Joyce A. Dixon
Vice President/CFO



MISSISSIPPI VALLEY STATE
UNIVERSITY

FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014

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Overview of Management Discussion and Analysis

Mississippi Valley State University (henceforth referred to as the University) presents its financial statements for the fiscal year ended June 30, 2014 and 2013 in accordance with GASB Statements Nos. 34 and 35.

The financial report of the University includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be prepared on a consolidated basis to focus on the University as a whole. Previously, financial statements focused on the accountability of fund groups, rather than on the University as a consolidated entity.

The following discussion and analyses provide an overview of the financial position and activities of Mississippi Valley State University for the year ended June 30, 2014, with selected comparative information for the year ended June 30, 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The net assets amount is one indicator of the current financial condition of the University, while the change in net assets is indicative of whether the overall financial condition has improved or diminished during the year.

Assets and revenues are recognized when the services are provided. Liabilities and expenses are recognized when services are provided. Assets and liabilities are generally measured using current values. One notable exception, however, is capital assets, which are stated at historical cost less an allowance for depreciation.

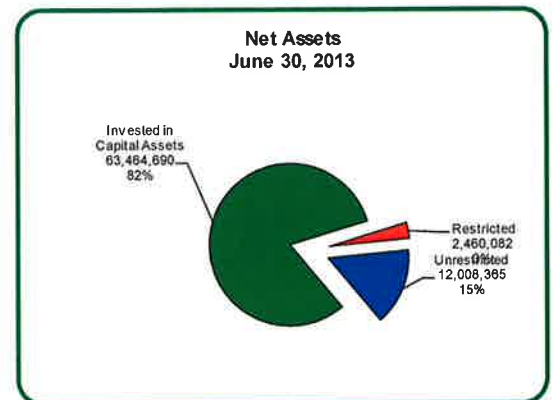
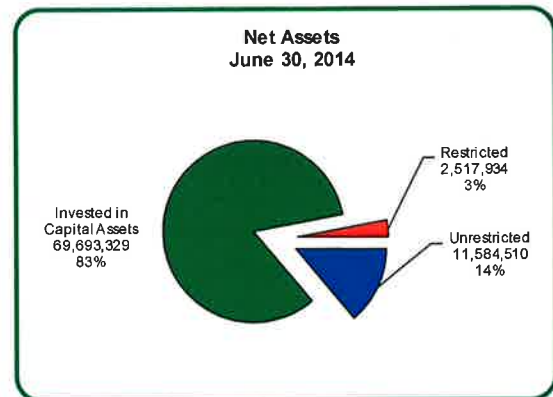
Net Assets are divided into three major categories; invested in capital assets, restricted and unrestricted.



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2014**

Invested in capital assets, net of related debt, represents the equity in property, plant and equipment of the University. Restricted net assets are divided into two categories, nonexpendable and expendable. Nonexpendable restricted assets are composed of donor restricted endowment funds. Expendable restricted net assets are available for expenditure by the University, but must be expended for purposes intended by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The expendable restricted net assets of the University consist of funds utilized for scholarships and fellowships, capital projects, debt service, other purposes. Unrestricted net assets can be used for any lawful purpose deemed necessary to manage the operations of the University. A portion of the unrestricted net assets of the University has been reserved for inventories, prepayments, auxiliary enterprises, designated and other purposes.

The distribution of net assets for FY 2014 and FY 2013 are as follows:





The Statement of Net Position for the years ended June 30, 2014 and 2013 is as follows:

Statement of Net Position				
	FY 2014	FY 2013	Difference	%I(D)
Assets:				
Current assets	\$ 15,299,037	\$ 15,570,177	\$ (271,140)	-2%
Non-current assets	90,117,041	84,611,989	5,505,052	7%
Total assets	\$ 105,416,078	\$ 100,182,166	\$ 5,233,912	5%
Liabilities:				
Current liabilities	\$ 2,693,798	\$ 2,997,920	\$ (304,122)	-10%
Non-current liabilities	18,926,507	19,251,109	(324,602)	-2%
Total liabilities	\$ 21,620,305	\$ 22,249,029	\$ (628,724)	-3%
Net Assets:				
Invested in capital assets	\$ 69,693,329	\$ 63,464,690	\$ 6,228,639	10%
Restricted	2,517,934	2,460,082	57,852	2%
Unrestricted	11,584,510	12,008,365	(423,855)	-4%
Total net assets	\$ 83,795,773	\$ 77,933,137	\$ 5,862,636	8%

The University continues to maintain and protect its financial position with cost controls, conservative investments, strategic-use of debt and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

Current assets decreased slightly primarily due to more timely collection of receivables offset by earlier payments of vendor invoices. Non-current assets increased 7% primarily due to construction and renovations.

Current liabilities decreased 10% primarily due to reductions in accounts payable and accrued liabilities and deferred income.

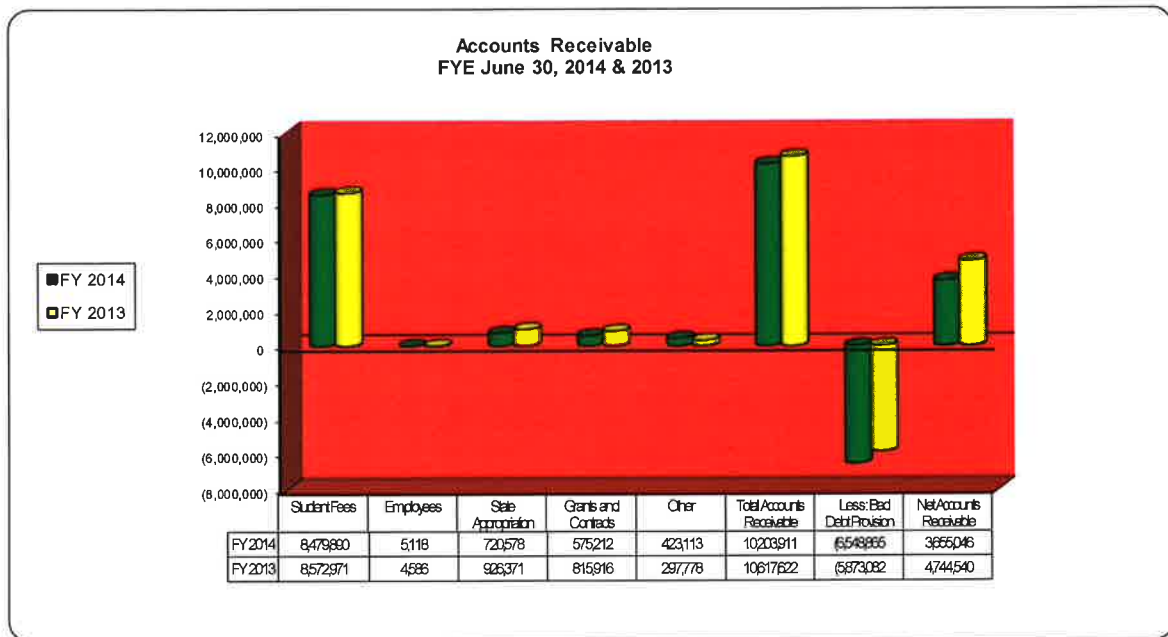
Non-current liabilities, including long-term debt and accrued leave liability, decline due to principal payments on debt service principal payments and leave liability used by retiring employees. Debt service payments were current and there were no debt covenant violations.

Receivables include student fee receivable, employee travel, state appropriations, grants and contracts, and other sources.



**Management's Discussion and Analysis
For the Year Ended June 30, 2014**

The following graph shows the comparison of receivable at June 30, 2014 and 2013.



A comparison of the accounts receivable at June 30, 2014 and 2013 is as follows:

Type of Receivable	2014	2013	Difference	%I(D)
Student fees	\$ 8,479,890	\$ 8,572,971	\$ (93,081)	-1%
State appropriation	720,578	926,371	(205,793)	-22%
Grants and contracts	575,212	815,916	(240,704)	-30%
Employees	5,118	4,586	532	12%
Other	423,113	297,778	125,335	42%
Total accounts receivable	10,203,911	10,617,622	(413,711)	-4%
Less: bad debt provision	(6,548,865)	(5,873,082)	(675,783)	12%
Net accounts receivable	\$ 3,655,046	\$ 4,744,540	\$ (1,089,494)	-23%

The decrease in student fee receivable resulted from improved collections. The 12% increase in bad debt provision reflects the downturn in the economy where parents are not able to pay student fees and federal financial aid is not keeping pace with the cost of attendance. More timely billings and collections are reflected in the reduction of state appropriation and grants and contracts receivables.



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of University operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating. Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Non-operating revenues are revenues received for which no goods and services are provided, i.e. state appropriations, because they are allocated by the State Legislature to the Institutions of Higher Learning without the Legislature receiving any benefits for said appropriations.

As in the past, the University continues to aggressively seek funding from sources consistent with its missions to supplement the loss in student tuition and fees and to prudently manage the financial resources realized from these efforts to funds its operating activities.

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2014 and 2013 is as follows:

Statement of Revenues, Expenses and Changes in Net Position				
	<u>2014</u>	<u>2013</u>	<u>Difference</u>	<u>%I(D)</u>
Operating revenues	\$ 23,915,759	\$ 25,366,100	\$ (1,450,341)	-6%
Operating expenses	54,886,375	55,072,452	(186,077)	0%
Operating loss	(30,970,616)	(29,706,352)	(1,264,264)	4%
Non-operating revenues and expenses	26,959,668	28,153,579	(1,193,911)	-4%
Income (loss) before other revenues, expenses, gains or losses	(4,010,948)	(1,552,773)	(2,458,175)	158%
Other revenues, expenses, gains or losses	9,873,584	11,145,524	(1,271,940)	-11%
Increase in net assets	5,862,636	9,592,751	(3,730,115)	-39%
Net assets - beginning of year	77,933,137	68,340,386	9,592,751	14%
Net assets - end of year	<u>\$ 83,795,773</u>	<u>\$ 77,933,137</u>	<u>\$ 5,862,636</u>	8%

The decline in operating revenues is primarily attributed to a 26% the decline in tuition and fees from enrollment and fewer grant and contract expenditures offset by increases in auxiliary revenues.

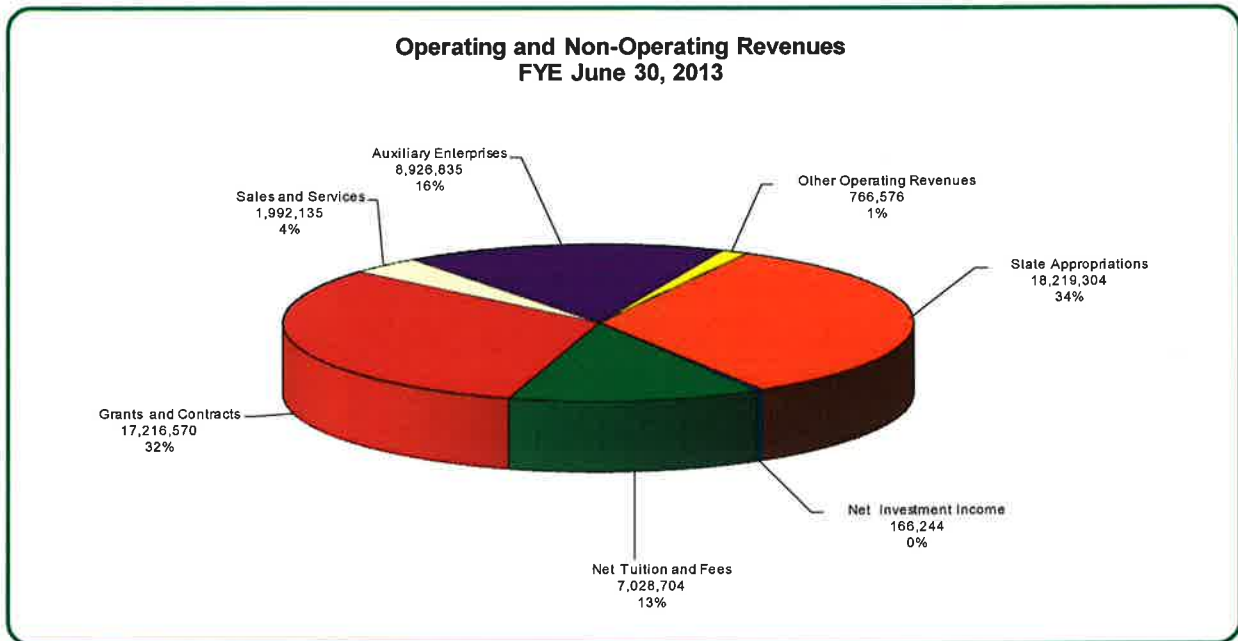
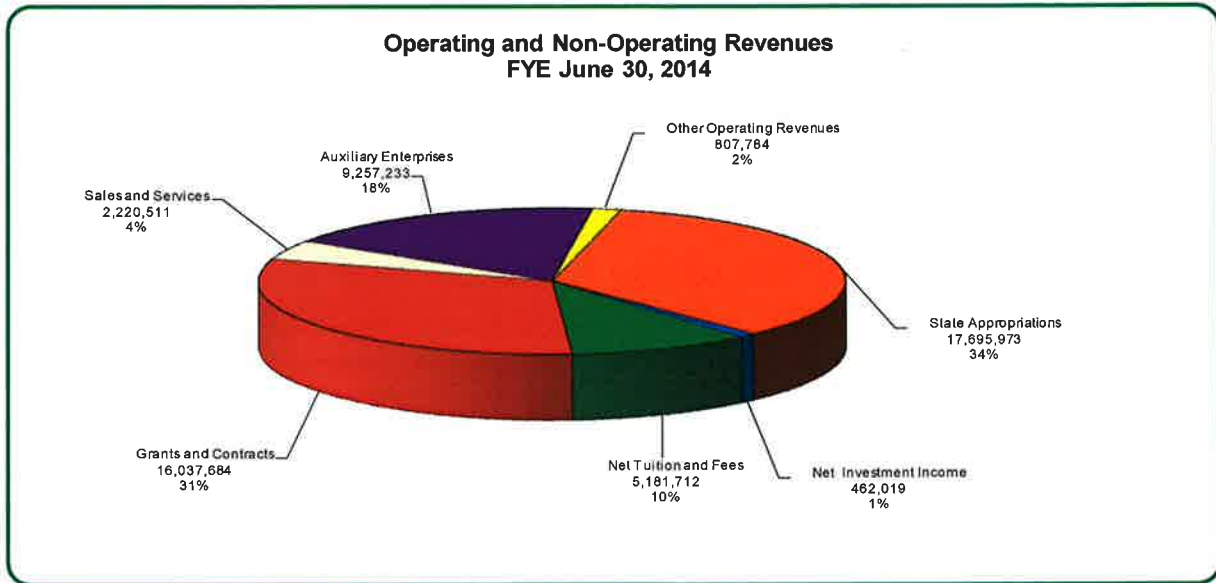
Non-operating revenue declined 4% due to reductions in gift and state appropriations offset by increased net investment income.



**Management's Discussion and Analysis
For the Year Ended June 30, 2014**

Other revenues, expenses, gains or losses are composed primarily of state appropriation for capital projects and reflects planned projects nearing completion.

Graphical presentations of the operating and non-operating revenues for the years ended June 30, 2014 and 2013 are as follows:





**Management's Discussion and Analysis
For the Year Ended June 30, 2014**

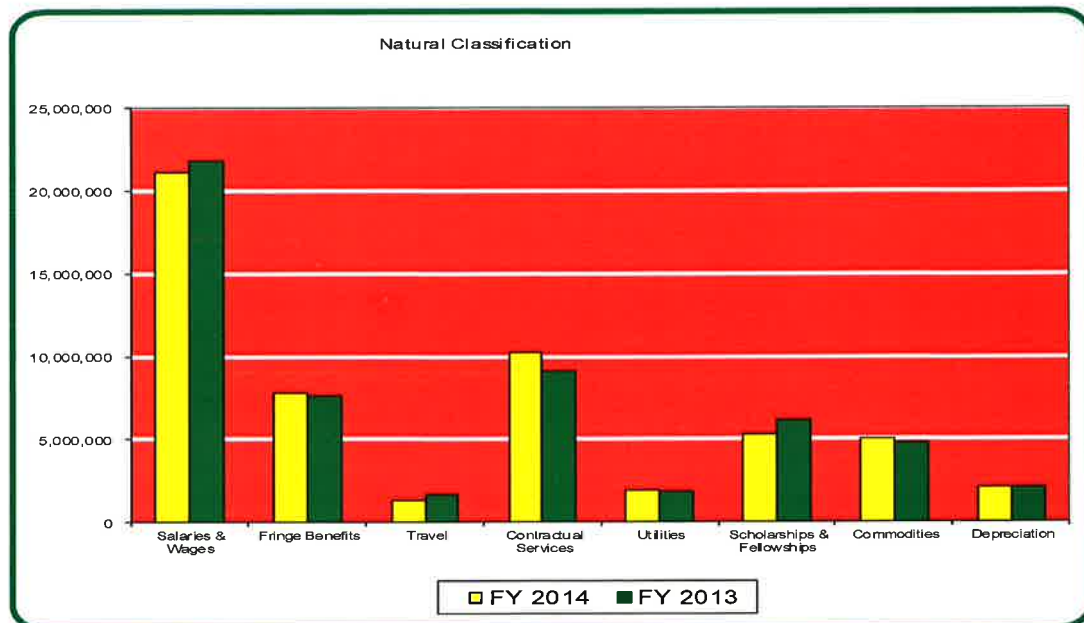
Operating and non-operating revenues for the years ended June 30, 2014 and 2013 are as follows:

Revenues	2014	2013	Difference	%I(D)
Net tuition and fees	\$ 5,181,712	\$ 7,028,704	\$ (1,846,992)	-26%
Grants and gifts	16,037,684	17,216,570	(1,178,886)	-7%
Sales and services	2,220,511	1,992,135	228,376	11%
Auxiliary enterprises	9,257,233	8,926,835	330,398	4%
Other operating revenues	807,784	766,576	41,208	5%
State appropriations	17,695,973	18,219,304	(523,331)	-3%
Net investment income	462,019	166,244	295,775	178%
Total revenues	\$ 51,662,916	\$ 54,316,368	\$ (2,653,452)	-5%

Total revenues decline 5% primarily due to declining enrollment as reflected in net tuition and fees and financial aid included in grants and gifts and state appropriations. Athletic game guarantees included in sales and services increased. Auxiliary enterprises revenues increase reflect growth in students housed on campus and rate increases for food services and student housing. Net investment income reflects increased returns on investments.

Operating expenses are amounts paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University.

The following graph shows the comparison of expenses by natural classification for years ended June 30, 2014 and 2013.





A comparison of expenses by natural classification for the years ended June 30, 2014 and 2013 is as follows:

	FY 2014	FY 2013	Difference	% I(D)
Salaries and wages	\$ 21,159,328	\$ 21,804,315	\$ (644,987)	-3%
Fringe benefits	7,825,296	7,671,948	153,348	2%
Travel	1,354,884	1,643,286	(288,402)	-18%
Contractual services	10,239,196	9,095,907	1,143,289	13%
Utilities	1,953,486	1,873,558	79,928	4%
Scholarships & fellowships	5,287,224	6,137,259	(850,035)	-14%
Commodities	5,009,740	4,791,256	218,484	5%
Depreciation expense	2,057,221	2,054,923	2,298	0%
Totals	\$ 54,886,375	\$ 55,072,452	\$ (186,077)	0%

Downward economic trends are reflected in grants awards and enrollment due to lack of available financial aid. The University continues to face significant financial pressure where compensation represents 52.8% of total operating expenses in FY 2014. Lower student enrollment resulted in the reduced need for employees and scholarships and fellowships. Contractual services increased primarily due to un-capitalized remodeling and renovations projects. Commodities increased due to additional funds allocated for supplies and fuel costs.

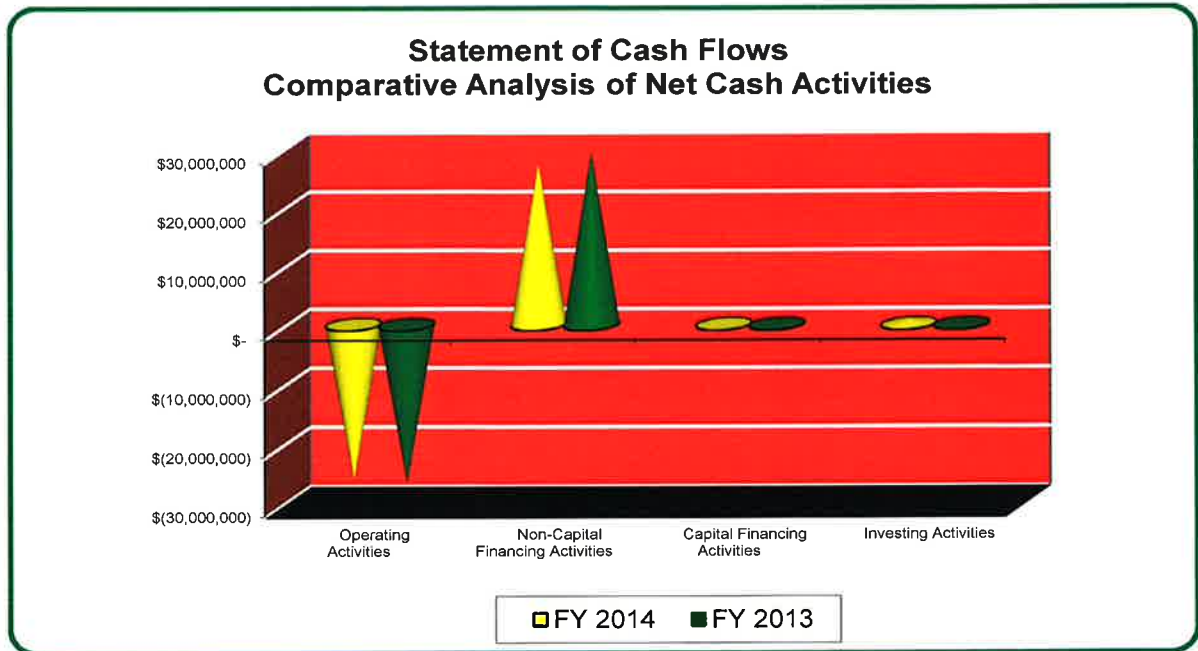
In summary, the Statement of Revenues, Expenses, and Changes in Net Position reflect the strategic allocation of the resources to meet its mission of providing constituents accessible, relevant and quality academic and public service programs.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the financial results of the University by reporting the major sources and uses of cash. This statement also helps users assess the University's ability to generate net cash flows to meet its obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and long-term debt activities. Cash flows from investing activities show the uses of cash and cash equivalents to purchase investments. Cash flows from non-capital financing activities are those not covered in other sections.



A graphical presentation of net cash activities for the years ended June 30, 2014 and 2013 is as follows:



A summary of the net cash flows for the years ended June 30, 2014 and 2013 are as follows:

Statement of Cash Flows				
Cash Provided (Used) By:	2014	2013	Difference	%I(D)
Operating activities	\$ (26,369,638)	\$ (26,572,353)	\$ 202,715	-1%
Non-capital financing activities	27,490,931	29,011,440	(1,520,509)	-5%
Capital financing activities	(1,172,033)	(1,084,895)	(87,138)	8%
Investing activities	<u>761,068</u>	<u>(135,264)</u>	<u>896,332</u>	-663%
Net change in cash	710,328	1,218,928	(508,600)	-42%
Cash, beginning of year	<u>5,900,227</u>	<u>4,681,299</u>	<u>(1,219,915)</u>	-26%
Cash, end of year	<u>\$ 6,610,555</u>	<u>\$ 5,900,227</u>	<u>\$ (1,728,515)</u>	-29%

Cash increased 29% primarily from more timely collection of receivables, reductions in operating expenses and timing difference in payment of vendors. The decline in cash available from non-capital financing activities primarily reflects a reduction in financial aid. The decline in capital financing activities primarily reflects the planned reduction in capital expenditures. The increase in cash from investing activities reflects the favorable return on investments in the capital markets.



Financial Summary and Outlook

The University continues to face many challenges with fiscal impact including competition for students and an erosion in the population of the Mississippi Delta. Despite tough economic times, the University ended the fiscal year with an increase in net assets. The overall financial position is stable. The downward economic trend in the nation and State of Mississippi continues to adversely affect the University's financial position. Reductions in resources available from Federal, state and private funds for financial aid and out-of-work parents limit the funds available for payment of education. As a result, enrollment could decline and student account receivable could increase.

The University continues to seek funding from possible sources consistent with its missions to offset a decrease in student tuition and fees from declining enrollment and the elimination of out-of-state fees. Management will continue to strategically allocate its scarce resources to achieve its goals and limit spending to available revenues.

The University is not aware of any other current issues, decisions or conditions that would adversely affect its financial operations.



STATEMENT OF NET ASSETS

	June 30,	
	2014	2013
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 6,610,555	\$ 5,900,227
Short Term Investments	4,669,196	4,539,123
Accounts Receivables, Net	3,655,046	4,744,540
Inventories	344,740	318,276
Prepaid Expenses	19,500	68,011
Total Current Assets	15,299,037	15,570,177
Non-Current Assets:		
Restricted Cash and Cash Equivalents	-	-
Restricted Short Term Investments	57,031	55,750
Endowment Investments	1,424,392	1,773,256
Other Long Term Investments	1,216,503	1,248,807
Capital Assets, Net	87,299,089	81,408,932
Other Non-Current Assets	120,026	125,244
Total Non-Current Assets	90,117,041	84,611,989
Total Assets	\$ 105,416,078	\$ 100,182,166
Deferred Outflows of Resources		
	-	-
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 1,990,340	\$ 2,191,079
Unearned Revenues	151,433	246,352
Accrued Leave Liabilities - Current Portion	180,256	220,324
Long Term Liabilities - Current Portion	290,000	265,000
Other Current Liabilities	81,769	75,165
Total Current Liabilities	2,693,798	2,997,920



Non-Current Liabilities:

Deposits Refundable	32,287	30,258
Accrued Leave Liabilities	1,374,220	1,410,851
Long Term Liabilities	17,520,000	17,810,000
Other Non-Current Liabilities	-	-

Total Non-Current Liabilities 18,926,507 19,251,109

Total Liabilities 21,620,305 22,249,029

Deferred Inflows of Resources

- -

Net Position:

Net Invested in Capital Assets 69,693,329 63,464,690

Restricted for:

Nonexpendable -

Scholarships and Fellowships 763,507 714,272

Research

Other Purposes

Expendable -

Scholarships and Fellowships 973,393 1,096,342

Research

Capital Projects 1,436 6,136

Debt Service 71,715 71,715

Loans - -

Other Purposes 707,883 571,617

Unrestricted 11,584,510 12,008,365

Total Net Position \$ 83,795,773 \$ 77,933,137



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	June 30,	
	2014	2013
Operating Revenues:		
Tuition and Fees	\$ 13,494,657	\$ 15,451,207
Less: Scholarship Allowances	(7,633,108)	(7,939,633)
Less: Bad Debt Expenses	(679,837)	(482,870)
Net Tuition and Fees	5,181,712	7,028,704
Federal Appropriations	-	-
Federal Grants and Contracts	6,417,439	6,615,416
State Grants and Contracts	31,080	36,434
Sales and Services of Educational Departments	2,220,511	1,992,135
Auxiliary Enterprises:		
Student Housing	3,304,392	3,068,930
Food Services	2,738,223	2,465,305
Bookstore	1,531,606	1,750,281
Athletics	-	-
Other Auxiliary Revenues	1,683,012	1,642,319
Less: Auxiliary Enterprise Scholarship Allowances	-	-
Interest Earned on Loans to Students	-	-
Other Operating Revenues	807,784	766,576
Total Operating Revenues	\$ 23,915,759	\$ 25,366,100
Operating Expenses:		
Salaries and Wages	21,159,328	21,804,315
Fringe Benefits	7,825,296	7,671,948
Travel	1,354,884	1,643,286
Contractual Services	10,239,196	9,095,907
Utilities	1,953,486	1,873,558
Scholarships and Fellowships	5,287,224	6,137,259
Commodities	5,009,740	4,791,256
Depreciation/Amortization Expense	2,057,221	2,054,923
Other Operating Expense	-	-
Total Operating Expenses	\$ 54,886,375	\$ 55,072,452
Operating Income (Loss)	(30,970,616)	(29,706,352)



Nonoperating Revenues (Expenses):

State Appropriations	17,695,973	18,219,304
Federal ARRA (SFSF) Revenues		
Gifts and Grants	9,589,165	10,564,720
Investment Income, (Loss)	462,019	166,244
Interest Expense on Capital Asset---Related Debt	(787,489)	(796,689)
Other Nonoperating Revenues		
Other Nonoperating Expenses		
Total Net Nonoperating Revenues (Expenses)	\$ 26,959,668	\$ 28,153,579
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(4,010,948)	(1,552,773)
Capital Grants and Gifts		
State Appropriations Restricted for Capital Purposes	9,824,349	11,074,474
Additions to Permanent Endowments	49,235	71,050
Other Additions	-	
Other Deletions	-	
Net Increase in Net Assets	\$ 5,862,636	\$ 9,592,751
Net Position		
Net Position - Beginning of Year, as Originally Reported	77,933,137	68,340,386
Cumulative Effects of Changes in Accounting Principle		
Prior Period Adjustments		
Net Assets - Beginning of Year, as Restated	77,933,137	68,340,386
Net Assets - End of Year	\$ 83,795,773	\$ 77,933,137



STATEMENT OF CASH FLOWS

	June 30,	
	2014	2013
Cash Flows from Operating Activities:		
Tuition and Fees	\$ 5,857,687	\$ 6,860,093
Grants and Contracts	6,689,223	6,870,954
Sales and Services of Educational Departments	2,220,511	1,992,135
Payments to Suppliers	(14,295,864)	(14,445,018)
Payments to Employees for Salaries and Benefits	(29,160,731)	(29,405,509)
Payments for Utilities	(1,953,735)	(1,873,558)
Payments for Scholarships and Fellowships	(5,665,878)	(6,137,259)
Loans Issued to Students and Employees		
Collection of Loans to Students and Employees		
Auxiliary Enterprise Charges:		
Student Housing	3,304,392	3,068,930
Food Services	2,738,223	2,465,305
Bookstore	1,531,606	1,750,281
Athletics		
Other Auxiliary Enterprises	1,682,480	1,642,276
Patient Care Services		
Interest Earned on Loans to Students	-	-
Other Receipts	682,448	639,017
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	(26,369,638)	(26,572,353)
Cash Flows from Noncapital Financing Activities:		
State Appropriations	17,901,766	18,446,720
Gifts and Grants for Other Than Capital Purposes;	9,589,165	10,564,720
Private Gifts for Endowment Purposes		
Federal Loan Program Receipts	18,189,786	20,398,646
Federal Loan Program Disbursements	(18,189,786)	(20,398,646)
Other Sources		
Other Uses		
Net Cash Provided by Noncapital Financing Activities	27,490,931	29,011,440
Cash Flows from Capital Financing Activities:		
Proceeds from Capital Debt		
Cash Paid for Capital Assets	(124,762)	(63,425)
Capital Appropriations Received		



Cash Flows from Capital Financing Activities Continued:

Capital Grants and Contracts Received		
Proceeds from Sale of Capital Assets		
Principal Paid on Capital Debt and Leases	(265,000)	(230,000)
Interest Paid on Capital Debt and Leases	(787,489)	(796,689)
Other Sources	5,218	5,219
Other Uses		
Net Cash Used by Capital and Related Financing Activities	(1,172,033)	(1,084,895)

Cash Flows from Investing Activities:

Proceeds from Sales and Maturities of Investments	986,904	3,339,053
Interest Received on Investments	49,235	71,050
Purchases of Investments	(275,071)	(3,545,367)
Net Cash Provided by Investing Activities	761,068	(135,264)

Net Increase (Decrease) in Cash and Cash Equivalents	710,328	1,218,928
Cash and Cash Equivalents - Beginning of the Year	5,900,227	4,681,299
Cash and Cash Equivalents - End of the Year	\$ 6,610,555	\$ 5,900,227

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (30,970,616)	\$ (29,706,352)
Adjustments to Reconcile Net Income (Loss) to Net Cash (Used) by Operating Activities:		
Depreciation Expense/Amortization Expenses	2,057,221	2,054,923
Other	2,001,733	1,068,565
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	883,701	(57,620)
Inventories	(26,464)	(97,594)
Prepaid Expenses	48,511	95,840
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	(200,739)	37,802
Deferred Revenues	(94,919)	(16,850)
Deposits Refundable	2,029	(2,638)
Accrued Leave Liability	(76,699)	36,204
Loans to Students and Employees		
Other Liabilities	6,604	15,367
Total Adjustments:	4,600,978	3,133,999
Net Cash Provided (Used) by Operating Activities:	\$ (26,369,638)	\$ (26,572,353)



**ENTER NON-CASH TRANSACTIONS BELOW: See GASB #9,
Paragraph 37) (examples)**

1.) State Appropriations Restricted for Capital Purposes	9,824,349	11,074,474
2.) Unrealized Gain/(Loss) on Fair Value of Investments	175,489	39,198
3.) Donation of Capital Assets		
4.) Bureau of Buildings and Grounds Construction-in-Progress	19,248,142	23,374,334
5.) Capital Assets Transferred from another Mississippi State Agency		
6.) New Capital Leases		
7.) Capital Lease Payments from Lapsed Funds		
8.) Provision for Bad Debts	679,837	482,870
9.) Capital Assets Acquired from Capital Leases		



Note 1: Summary of Significant Accounting Policies

Nature of Operations - Mississippi Valley State University, as a Carnegie Classified Master's University, provides comprehensive undergraduate and graduate programs in education, the arts and sciences, and professional studies. The University is driven by its commitment to excellence in teaching, learning, service, and research – a commitment resulting in a learner-centered environment that prepares critical thinkers, exceptional communicators, and service-oriented, engaged, and productive citizens. MVSU is fundamentally committed to positively impacting the quality of life and creating extraordinary educational opportunities for the Mississippi Delta and beyond.

Reporting Entity - Established by the Mississippi Legislature as Mississippi Vocational College in 1946, the initial mission was to train teachers for rural and elementary schools and to provide vocational training to inhabitants of the Mississippi Delta. Groundbreaking ceremonies were held on February 19, 1950 and the college opened that summer. The name of the institution was changed to Mississippi Valley State College in 1964 and Mississippi Valley State University in 1974.

Mississippi Valley State University is a component unit of the State of Mississippi and is included in the general purpose financial statements of the State of Mississippi Institutions of Higher Learning.

Mississippi Valley State University has established its own educational building corporation (a nonprofit corporation incorporated in the State of Mississippi) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of this corporation is for the acquisition, construction, and equipping of facilities and land for the University. In accordance with Governmental Accounting Standards Board Statement Number 14, this educational building corporation is deemed a component unit of the State of Mississippi Institutions of Higher Learning and is included as a blended component unit in the general purpose financial statements.

Auxiliary Enterprise Activities - The University operates auxiliary enterprises to provide goods and services primarily for the benefit of its students, faculty and staff. Auxiliary enterprises are managed as self-supporting business activities. Auxiliary enterprises include residence halls, food services, bookstore, convenience store, laundry and faculty and staff housing. Sales and services to the general public are minimal.

Income Taxes - Each Mississippi public institution of higher learning is considered an agency of the State and is treated as a governmental entity for tax purposes. As such, they are generally not subject to federal and state income taxes. However, these



**Notes to Financial Statements
For Year Ended June 30, 2014**

institutions do remain subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted an exemption. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.

Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*, issued in June and November 1999, respectively. The University now follows the "business-type activities" reporting requirements of GASB Statement 34 that provides a comprehensive one-line look at the financial activities of the University.

Basis of Accounting - The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or a contractual obligation to pay. All significant intra-agency transactions have been eliminated.

Cash Equivalents - For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. Investments for which there are no quoted market prices are not material.

Accounts Receivable, Net - Accounts receivable consist of tuition and fee charges to students. Accounts receivable also include amounts due from federal and state governments and nongovernmental sources in connection with reimbursement of allowable expenses made pursuant to the grants and contracts of the University. Accounts receivable are recorded net of an allowance for doubtful accounts.

Inventories - Inventories consist of items stocked for bookstore, physical plant and central stores. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.



Note 1: Summary of Significant Accounting Policies (Continued)

Prepaid Expenses - Consist of expenditures that are related to projects, programs, activities or revenues of future fiscal periods.

Non-current Cash and Investments - Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the statement of net assets.

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 6 for additional details concerning useful lives, salvage values, and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Art Objects and Collections – Occasionally the University may obtain collections of art or historical treasures (usually as private donations to the institution). These may be held for public exhibition, education or research. Gift values of such donations are determined based on reports from certified appraisers, cost or some other recognized methods, as appropriate. The University is not required to capitalize these collections and, as such, the value of such art objects and collections are not included in these financial statements.

Accounts Payable and Accrued Liabilities - Consist of amounts owed to vendors, contractors, or accrued items such as interest, wages, and salaries.

Accounts payable and accrued liabilities as of June 30, 2014 and 2013 are as follows:

	2014	2013
Payable to vendors and contractors	\$ 1,026,413	\$ 1,127,744
Accrued salaries, wages and employee withholdings	963,927	1,063,335
Total	\$ 1,990,340	\$ 2,191,079



Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenues – Deferred revenues include amounts received that have not been earned under the terms of the agreement. Unearned summer school tuition and other revenue totaled \$151,433 and \$246,352 as of June 30, 2014 and 2013, respectively. All amounts should be considered current and thus the revenue will be fully recognized within one year.

Deposits Refundable – The University collects good faith deposits from faculty and staff that reside in on campus housing. Refunds, net of damage and cleaning fees, are refunded to faculty and staff when campus housing is vacated.

Compensated Absences - Twelve-month employees earn annual personal leave at a rate of 12 hours per month for zero to three years of service; 14 hours per month for three to eight years of service; 16 hours per month for eight to fifteen years of service; and from fifteen years of service and over, 18 hours per month are earned. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, employees are paid for up to 240 hours of accumulated leave.

Nine-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to fifteen years of service; and from fifteen years of service and over, 16 hours per month are earned. There is no limit on the accumulation of major medical leave. At retirement, employees are paid for up to 240 hours of accumulated major medical leave.

Noncurrent Liabilities - Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Classification of Revenues - The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances and bad debt expense, (2) sales and services education services and auxiliary enterprises (net of scholarship discounts and allowances), (3) Federal, state and local grants and contracts (non-Title IV financial aid) and Federal appropriations, if any,



Note 1: Summary of Significant Accounting Policies (Continued)

(4) interest on institutional student loans and other revenues. Gifts (pledges) that are received on an installment basis are recorded at net present value. Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies) and contractual services; (4) professional fees; and (5) depreciation expenses related to certain capital assets.

Non-operating revenues and expenses: Non-operating revenues have the characteristics of non-exchange transactions. Non-operating revenues include activities that have the characteristics of non-exchange transactions, including state appropriation for operations and capital uses, federal grants for financial aid, gifts, investment income, and other revenue sources that are defined as non-operating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Interest expense is reported as non-operating.

Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues.

The amount reported as operating expenses represents the portion of aid that was provided to students in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. Under the alternative method, these amounts are computed on a university basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

Net Assets - GASB No. 34 reports equity as "Net Assets" rather than "Fund Balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes



**Notes to Financial Statements
For Year Ended June 30, 2014**

Note 1: Summary of Significant Accounting Policies (Continued)

and funds held in Federal loan programs.

The Unrestricted Net Assets of the University include certain amounts which have been designated for financial resource utilization in future periods. Unrestricted net assets include designations as of June 30, 2014 and 2013 which follows:

	2014	2013
Reserves held for inventories	\$ 344,740	\$ 318,276
Reserves held for prepaid expenses	19,500	68,011
Auxiliary operations	4,220,647	3,755,902
Designated	1,169,379	1,332,070
Remaining purposes	5,830,244	6,534,106
Totals	\$ 11,584,510	\$ 12,008,365

Note 2: Reclassifications

Certain amounts on the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows in FY 2014 were reclassified to be comparable to the FY 2013 presentations.

Note 3: Cash and Investments

Policies - Cash and Short-term Investments - Investment policies for cash and short-term investments as set forth by IHL Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of endowment of the University are included in non-current investments.

The collateral for public entities deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the funds of the University are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. Investment policies, as set forth



Notes to Financial Statements
For Year Ended June 30, 2014

Note 3: Cash and Investments (Continued)

by the Board of Trustees policy, and state statute also authorize the University to invest in equity securities, bonds, and other securities. Investments are reported at fair market value.

The fair values of investments of the University at June 30, 2014 are as follows.

	Fair value	Percentage
Ameriprise	\$ 1,050,237	14%
Merrill Lynch	194,730	3%
Morgan Keegan Endowments	2,498,720	34%
Trustmark	1,244,865	17%
Regions Repurchase	2,378,570	32%
Total Investments	\$ 7,367,122	100%

The fair values of University investments by type at June 30, 2014 are as follows.

Classification summary	Fair value	Cost	Accumulated unrealized gain (loss)	Percentage of total fair value
Cash	\$ 879	\$ 879	\$ -	0%
Money market funds	180,666	180,665	1	2.45%
Domestic equity securities	311,452	202,609	108,843	4.23%
Domestic equity mutual funds	20,004	19,914	90	0.27%
International equity mutual funds	6,613	6,228	385	0.09%
Domestic mutual funds	819,812	909,881	(90,069)	11.13%
International mutual funds	80,279	15,713	64,566	1.09%
Domestic bond mutual funds	61,564	36,293	25,271	0.84%
International bond mutual funds	39,810	6,473	33,337	0.54%
Corporate bonds and notes	174,105	172,635	1,470	2.36%
U. S. Government obligations	3,293,369	3,328,084	(34,715)	44.70%
Repurchase agreement	1,510,000	1,510,000	-	20.50%
Regions CD's	868,569	868,569	-	11.79%
Total	\$ 7,367,122	\$ 7,257,943	\$ 109,179	100.00%

Interest Rate Risk - Per GASB Statement No. 40, interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses interest rate risk. The University had investments with interest rate risk as of June 30, 2014 which are as follows:



Notes to Financial Statements
For Year Ended June 30, 2014

Note 3: Cash and Investments (continued)

	Fair value	Years to maturity			
		Less than 1	1 to 5	6 to 10	More than 10
U S Government Obligations	\$ 3,391,141	2,114,376	-	105,566	1,171,199
U S Treasury Obligations	64,070	-	29,269	24,634	10,168
Corporate bonds and notes	86,998	-	-	71,901	15,097
Domestic bond mutual funds	95,834	95,834	-	-	-
International bond mutual funds	4,618	1,135	-	3,483	-
Sub-total	3,642,661	2,211,345	29,269	205,584	1,196,464
Investments not requiring disclosure	3,724,461				
Total	\$ 7,367,122	2,211,345	29,269	205,584	1,196,464

Credit Risk - The State of Mississippi Institutions of Higher Learning System does not have a formal investment policy that addresses credit risk. As of June 30, 2014, the University has the following investment credit profile:

Credit Rating	Fair Value	
	2014	2013
Aaa	\$ 64,070	\$ -
Aa1		6,789
Aa2	4,081	10,148
Aa3	3,155	85,173
A1	14,051	30,055
A2	14,509	24,992
A3	18,798	28,964
Baa1	7,524	12,514
Baa2	24,594	48,506
Baa3	3,769	-
Not Rated	7,212,571	7,369,795
Total	\$ 7,367,122	\$ 7,616,936

Concentration of Credit Risk - Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University had the following investments that represent more than 5 percent of net investments as of June 30, 2014.

Issuer	Fair value	Percentage
Federal government obligation bond mutual fund	\$ 2,124,565	29%
Regions repurchase agreement	1,510,000	20%
Regions certificate of deposit	868,569	12%



Notes to Financial Statements
For Year Ended June 30, 2014

Note 4: Accounts Receivable

Accounts receivable at June 30, 2014 and 2013 are as follows:

Type of Receivable	2014	2013
Student fees	\$ 8,479,890	\$ 8,572,971
State appropriation	720,578	926,371
Grants and contracts	575,212	815,916
Employees	5,118	4,586
Other	423,113	297,778
Total accounts receivable	10,203,911	10,617,622
Less: bad debt provision	(6,548,865)	(5,873,082)
Net accounts receivable	\$ 3,655,046	\$ 4,744,540

Note 5: Note Receivable from Students

The Perkins Loan Program was liquidated during FY 2010.

Note 6: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Additions	Deletions/ Transfers	Balance June 30, 2014
Non-Depreciable Assets				
Land	\$ 47,500	-	-	47,500
Construction in progress	23,374,334	9,740,542	(13,866,734)	19,248,142
Total non-depreciable capital assets	23,421,834	9,740,542	(13,866,734)	19,295,642
Depreciable Capital Assets				
Improvements other than buildings	14,035,669	4,291,259		18,326,928
Buildings	72,258,472	7,573,741		79,832,213
Equipment	8,476,050	196,148	(318,123)	8,354,075
Library books	6,563,797	44,960		6,608,757
Total depreciable assets	101,333,988	12,106,108	(318,123)	113,121,973
Total capital assets	124,755,822	21,846,650	(14,184,857)	132,417,615
Less: Accumulated Depreciation				
Improvements other than buildings	6,702,118	476,225		7,178,343
Buildings	23,326,464	1,121,069		24,447,533
Equipment	6,997,066	377,645	(285,585)	7,089,126
Library books	6,321,242	82,282		6,403,524
Total accumulated depreciation	43,346,890	2,057,221	(285,585)	45,118,526
Net capital assets	\$ 81,408,932	\$ 19,789,429	(13,899,272)	87,299,089



**Notes to Financial Statements
For Year Ended June 30, 2014**

Note 6: Capital Assets (continued)

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful life, salvage values, and capitalization thresholds are used to compute depreciation.

Capital assets	Estimated	Salvage value	Capitalization
Buildings	40 Years	20%	\$ 50,000
Improvements other than buildings	20 Years	20%	25,000
Equipment	3 - 15 Years	1 - 10%	5,000
Library books	10 Years	0%	0

Note 7: Long-term Liabilities

Long-term liabilities of the University which consist of bonds payable and certain other liabilities expected to be liquidated within one year from June 30, 2014, is as follows:

	Date of issue	Maturity date	Interest rate	Principal interest date	Original issue	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014	Due within 1 year
Bonded debt:										
Education Building Corporation '07	3/1/2007	3/1/2037	4.0%	Mar 1/Sept 1	\$ 19,015,000	\$ 18,075,000		265,000	17,810,000	290,000
Total Bond Debt					19,015,000	18,075,000	-	265,000	17,810,000	290,000
Other Long-term Liabilities:										
Accrued leave liability						1,631,175		(76,699)	1,554,476	180,256
Deposit refundable						32,287		-	32,287	-
Total other long-term liabilities						1,663,462	-	(76,699)	1,586,763	180,256
Total						\$ 19,738,462	\$ -	188,301	19,396,763	470,256
Due within one year									(470,256)	
Total long-term liabilities									\$ 18,926,507	

Annual requirements to amortize outstanding long-term liabilities are as follows:

Fiscal year	Bonded debt	Interest	Total
2015	\$ 290,000	\$ 770,625	\$ 1,060,625
2016	335,000	759,025	1,094,025
2017	375,000	745,625	1,120,625
2018	415,000	730,625	1,145,625
2019	460,000	714,025	1,174,025
2020-2024	2,650,000	3,262,744	5,912,744
2025-2029	3,485,000	2,676,250	6,161,250
2030-2034	5,385,000	1,760,400	7,145,400
2035-2037	4,415,000	407,475	4,822,475
	\$ 17,810,000	11,826,794	29,636,794



**Notes to Financial Statements
For Year Ended June 30, 2014**

Note 8: Operating Leases

Lease expenses totaled \$99,858 and \$80,921 for the fiscal years ending June 30, 2014 and 2013, respectively.

Note 9: Natural Classifications with Functional Classifications

Operating expenses by functional classifications for the fiscal years ended June 30, 2014 and 2013 are as follows:

2014									
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
Instruction	\$ 9,462,218	3,473,776	279,600	1,093,467	-	167,020	439,223	-	14,915,304
Research	21,000	6,275	2,961	-	-	-	1,565	-	31,801
Public service	1,209,652	402,701	92,259	324,941	-	8,524	239,043	-	2,277,120
Academic support	1,205,017	469,280	63,155	1,035,497	-	-	279,398	-	3,052,347
Student services	2,544,346	949,996	718,697	953,157	2,450	22,553	569,447	-	5,760,646
Institutional support	3,090,762	1,142,974	190,400	1,189,211	-	13,043	291,055	-	5,917,445
Physical plant	1,983,499	856,154	3,732	2,722,088	1,249,359	-	1,310,520	-	8,125,352
Student aid	477,521	-	-	233,632	-	5,076,084	133,463	-	5,920,700
Auxiliary enterprises	1,165,313	524,140	4,080	2,687,203	701,677	-	1,746,026	-	6,828,439
Depreciation expense								2,057,221	2,057,221
Total	\$21,159,328	7,825,296	1,354,884	10,239,196	1,953,486	5,287,224	5,009,740	2,057,221	54,886,375

2013									
Functional classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
Instruction	\$ 10,084,571	3,468,752	432,348	713,226	-	287,388	679,844	-	15,666,129
Research	60,000	17,670	6,958	1,866	-	-	2,243	-	88,737
Public service	1,484,031	462,512	115,748	361,003	-	45,907	241,276	-	2,710,477
Academic support	1,258,286	490,149	115,118	1,311,240	-	2,361	175,925	-	3,353,079
Student services	2,326,197	875,353	788,177	1,157,580	2,450	101,912	578,589	-	5,830,258
Institutional support	2,954,338	1,057,559	167,926	865,496	-	3,216	229,510	-	5,278,045
Physical plant	1,983,541	823,921	8,401	1,910,530	1,194,856	172	679,048	-	6,600,469
Student aid	515,257	-	1,692	-	-	5,696,303	197,055	-	6,410,307
Auxiliary enterprises	1,138,094	476,032	6,918	2,774,966	676,252	-	2,007,766	-	7,080,028
Depreciation exp								2,054,923	2,054,923
Total	\$21,804,315	7,671,948	1,643,286	9,095,907	1,873,558	6,137,259	4,791,256	2,054,923	55,072,452



Note 10: Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2014. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Construction Projects	Cost to Complete	Funded by	
		State Sources	Institutional Funds
Harrison Gym Renovation (Wellness Center)	\$ 17,500,000	\$ 17,500,000	\$ -
President's Home	1,300,000	1,300,000	-
Total	\$ 18,800,000	\$ 18,800,000	\$ -

Note 11: Pension Plan

Plan Description - The State of Mississippi Institutions of Higher Learning participates in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Vesting Period - In 2007, The Mississippi Legislature amended the PERS Plan to change the vesting period from four to eight years for members who entered the System after July 1, 2007. A member who entered the System prior to July 1, 2007 is still subject to the four year vesting period provided that the member does not subsequently refund his/her account balance.

Funding Policy - PERS members are required to contribute 9% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate increased to 15.75% in FY 2014 from 14.26%. The contribution requirement of PERS members is established and may be amended only by the State of Mississippi Legislature. The contributions to PERS which equaled the required contributions for each year and Optional Retirement Plan by the University for the years ending June 30, 2014, 2013 and 2012 were as follows:



Note 11: Pension Plan (continued)

Institution's Contribution	Total	PERS	ORP
FY 2014	\$ 2,578,222	\$ 2,467,507	\$ 110,715
FY 2013	2,352,856	2,233,529	119,327
FY 2012	2,067,491	1,926,744	140,747

Note 12: Donor Restricted Endowments

Donor restricted endowments were \$763,507 and \$726,913 for the fiscal years ended June 30, 2014 and 2013, respectively and is reported in the accompanying statement of net assets as "net assets – non-expendable for scholarships and fellowships". During fiscal year 2014 the restriction on a donor restricted endowments totaling \$1,385,439 were released and accordingly reclassified to "net assets – unrestricted".

Most endowments operate on the total-return concept as permitted by the Uniform Management of Institutional Funds Act (Sections 79-11-601 through 79-11-617, MS Code, Ann. 1972) as enacted in 1998. The annual spending rate for these endowments is 5% of the three-year moving average market value.

Note 13: Federal Direct Lending and FFEL Programs

In 2013, the University began participating in the Federal Direct Loan Program. The University distributed \$18,189,786 and \$20,398,646 student loans for the fiscal years ended June 30, 2014 and 2013, respectively, from the U.S. Department of Education lending programs. These distributions and their related funding sources are included as "Non-capital Financing: distributions and receipts in the Cash Flow Statement."

Note 14: Foundations and Affiliated Parties

The Mississippi Valley State University Foundation, Inc. is a private non-profit organization dedicated to the growth, development, and enhancement of the University, its faculty, staff, and students with special emphasis on academic quality, through the solicitation, professional management, and prudent distribution of invested funds and other gifts derived from private sources. The foundation is separately audited and has not been included in these financial statements.



Note 15: Risk Management

Several types of risk are inherent in the operation of an institution of higher learning. There are several methods in which the institution can handle the risks. One of these methods is the pooling of resources among the institutions. Mississippi Valley State University and the remaining seven public universities, as well as the Executive Office of the Mississippi Board of Trustees have pooled their resources to establish professional and general liability trust funds. Funds have been established for Workers' Compensation, Unemployment, and Tort Liability.

The Workers' Compensation program provides a mechanism for the institutions to fund and budget for the costs of providing worker compensation benefits to eligible employees. The Program does not pay benefits directly to employees. Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. The payments by the University to the Workers' Compensation fund totaled \$622,516 and \$758,671 for the fiscal years ended June 30, 2014 and 2013, respectively.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Fund. The Fund does not pay benefits directly to former employees. The Fund reimburses the Mississippi Employment Security Commission for benefits that the Commission pays directly to former employees. The payments by the University to the

Unemployment Trust Fund totaled \$124,060 and \$124,013 for the fiscal years ended June 30, 2014 and 2013, respectively.

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self-insure certain portion of its liability under the Mississippi Tort Claims Act. Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public institutions. A maximum liability limit of \$500,000 per occurrence is currently permissible. The IHL Board has authorized the Tort Liability fund to acquire an educator's legal liability policy with a deductible of \$1,000,000. Further, the IHL Board has designated that \$1,000,000 be reserved from the IHL Tort Liability Fund Net Assets to be used towards any future payment of this insurance deductible. The IHL Tort Liability claims pool also purchases insurance premiums for fleet automobile policies and blanket public officials bond annually. The share of the annual payments to the Fund and the various insurance premiums by the University totaled \$300,377 and \$117,209 for fiscal years ended June 30, 2014 and 2013, respectively.



Note 16: Contingent Liabilities

The University is party to various lawsuits arising out of the normal course of operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse impact on the financial position of the University.

Note 17: Sub-Recipients

The University did not provide federal awards to sub-recipients for the fiscal year ended June 30, 2014.

Note 18: Subsequent Events

There have been no events subsequent to June 30, 2014 which would materially affect the financial statements as presented.