



# GASB 2015 - 2016

MISSISSIPPI VALLEY  
STATE UNIVERSITY



**MISSISSIPPI VALLEY STATE**  
UNIVERSITY.

October 25, 2016

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, 2016 for your review.

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

Respectfully,

Joyce A. Dixon  
Vice President/CFO

OFFICE OF  
BUSINESS AND FINANCE



**MISSISSIPPI VALLEY STATE**  
UNIVERSITY<sup>TM</sup>

**FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2016**

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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, 2016 and 2015 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, 2016, with selected comparative information for the year ended June 30, 2015. 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 position is divided into three major categories; invested in capital assets, restricted and unrestricted.

<b>Net Position</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>% I(D)</b>
Invested in capital assets	\$ 84,260,935	80,310,956	3,949,979	5%
Restricted	3,075,451	3,028,724	46,727	2%
Unrestricted	(19,622,862)	(20,535,160)	912,298	-4%
Total	\$ 67,713,524	62,804,520	4,909,004	162%



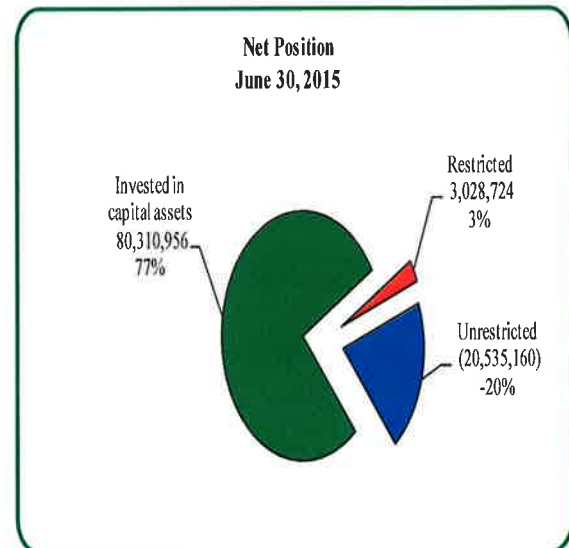
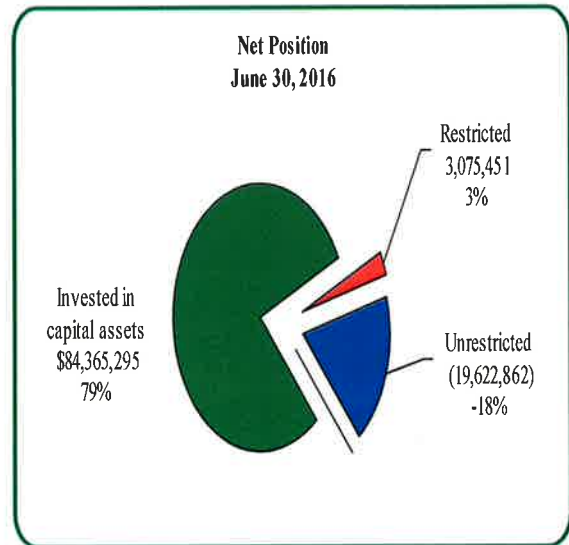
**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016**

Invested in capital assets, net of related debt, represents the equity in property, plant and equipment of the University.

Restricted net position is divided into two categories, nonexpendable and expendable. Nonexpendable restricted assets are composed of donor restricted endowment funds. Expendable restricted net position is 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 position of the University consists of funds utilized for scholarships and fellowships, capital projects, debt service, other purposes.

Unrestricted net position can be used for any lawful purpose deemed necessary to manage the operations of the University. A portion of the unrestricted net position of the University has been reserved for inventories, prepayments, auxiliary enterprises, designated, pension and other purposes. Unrestricted net position for June 30, 2016 includes \$13,804,976 for other purposes and \$33,427,838 pension deficit with the adoption of GASB 68, Accounting and Reporting of Pension.

The distribution of net position for FY 2016 and FY 2015 are as follows:





The Statement of Net Position for the years ended June 30, 2016 and 2015 is as follows:

<b>Statement of Net Position</b>				
	<b>FY 2016</b>	<b>FY 2015</b>	<b>Difference</b>	<b>%I(D)</b>
<b>Assets:</b>				
Current assets	\$ 17,839,219	\$ 15,915,805	\$ 1,923,414	2%
Non-current assets	106,281,640	100,881,562	5,400,078	7%
Total assets	<u>\$ 124,120,859</u>	<u>\$ 116,797,367</u>	<u>\$ 7,323,492</u>	9%
Deferred outflows of resources	\$ 6,765,624	2,999,447	3,766,177	
<b>Liabilities:</b>				
Current liabilities	\$ 2,803,970	\$ 2,813,012	\$ (9,042)	0%
Non-current liabilities	57,930,712	49,668,069	8,262,643	17%
Total liabilities	<u>\$ 60,734,682</u>	<u>\$ 52,481,081</u>	<u>\$ 8,253,601</u>	16%
Deferred inflows of resources	\$ 2,438,277	4,511,213	\$ (2,072,936)	
<b>Net Position:</b>				
Invested in capital assets	\$ 84,260,935	\$ 80,310,956	\$ 3,949,979	5%
Restricted	3,075,451	3,028,724	46,727	2%
Unrestricted	(19,622,862)	(20,535,160)	912,298	-4%
Total net position	<u>\$ 67,713,524</u>	<u>\$ 62,804,520</u>	<u>\$ 4,909,004</u>	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.

Non-current assets increased primarily due to \$4.7 million in construction and renovations projects.

Current liabilities were virtually unchanged from prior year.

Non-current liabilities include long-term debt, accrued leave liability and pension liability (GASB 68). On September 30, 2015, the University's Educational Building Corporation issued \$17,270,000 in bonds at discount of \$191,578 to refinance \$15,925,000 in callable bonds from Series 2007 bonds. Pension liability increased \$6.6 million to \$37.8 million in 2016 based on actuarial calculations. Other increases resulted from leave liability and a capital lease. Debt service payments were current and there were no debt covenant violations.

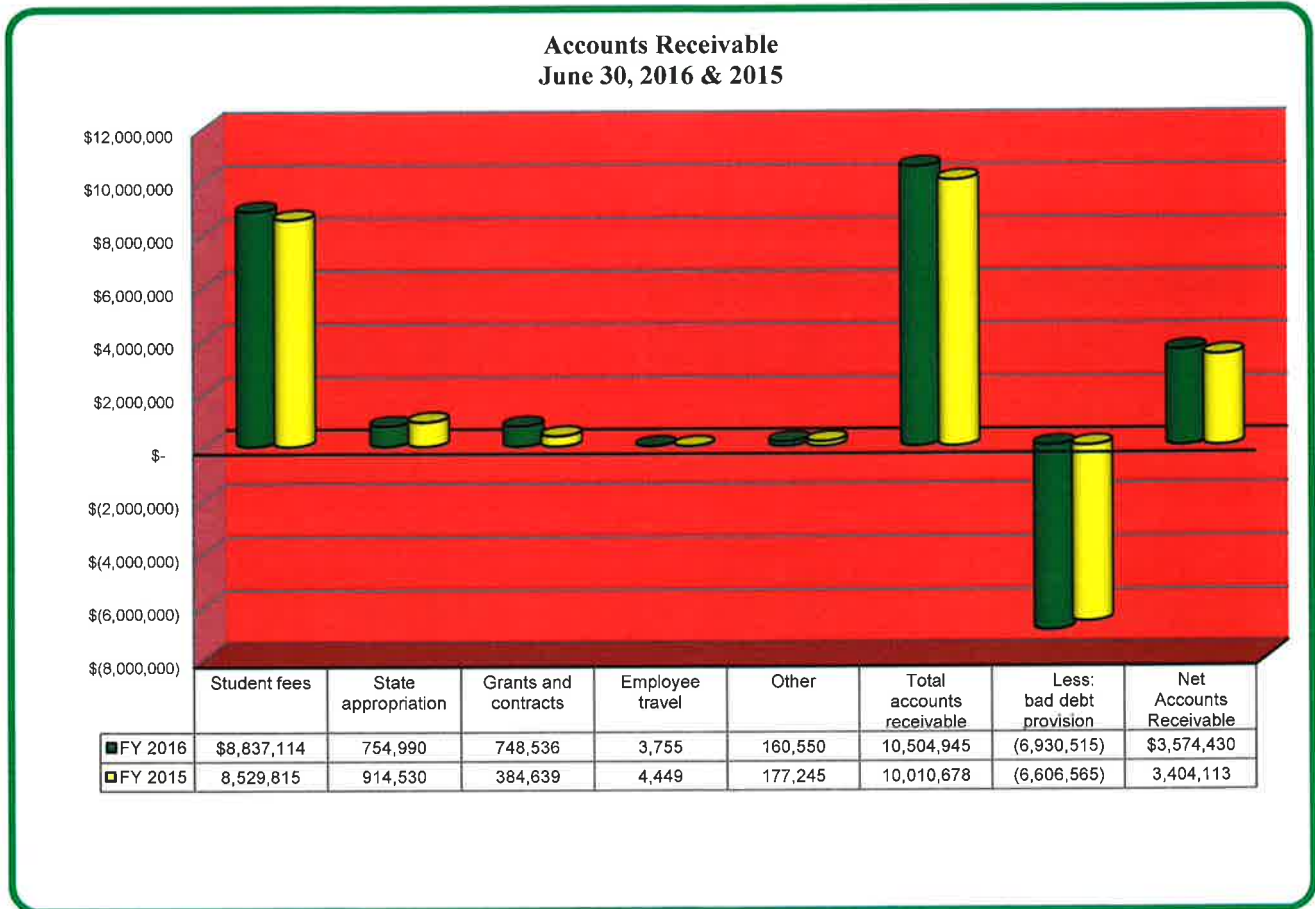
Deferred outflows and inflows of resources are related to the adoption of GASB 68 on pensions.





**Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

Receivables include student fee receivable, employee travel, state appropriations, grants and contracts and other sources. The following graph shows the comparison of receivable at June 30, 2016 and 2015.



A comparison of the accounts receivable at June 30, 2016 and 2015 are as follows:

Type of Receivable	FY 2016	FY 2015	Difference	%I(D)
Student fees	8,837,114	8,529,815	307,299	4%
State appropriation	754,990	914,530	(159,540)	-17%
Grants and contracts	748,536	384,639	363,897	95%
Employee travel	3,755	4,449	(694)	-16%
Other	160,550	177,245	(16,695)	-9%
Total accounts receivable	10,504,945	10,010,678	494,267	5%
Less: bad debt provision	(6,930,515)	(6,606,565)	(323,950)	5%
<b>Net Accounts Receivable</b>	<b>3,574,430</b>	<b>3,404,113</b>	<b>170,317</b>	<b>5%</b>



**Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

Student fee receivable, net of bad debts, decreased one percent which reflects improved collections. The change in state appropriation reflects the 2016 reduction in the annual appropriation. The grant receivable is proportional to the increase in total revenues for research and public service grants.

**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 students and constituencies of the University. Non-operating revenues, including state appropriations, are revenues without the delivery of goods and services. The State Legislature allocates funds to state Institutions of Higher Learning for the education of its citizens.

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2016 and 2015 is as follows:

<b>Statement of Revenues, Expenses, and Changes in Net Position</b>				
	<u>FY 2016</u>	<u>FY 2015</u>	<u>Difference</u>	<u>% I(D)</u>
Operating revenues	\$ 24,121,204	\$ 25,004,536	\$ (883,332)	-4%
Operating expenses	52,072,828	52,754,886	(682,058)	-1%
Operating loss	<u>(27,951,624)</u>	<u>(27,750,350)</u>	<u>(201,274)</u>	1%
Non-operating revenues and expenses	<u>26,408,589</u>	<u>27,381,027</u>	<u>(972,438)</u>	-4%
Income (loss) before other revenues, expenses, gains, or losses	(1,543,035)	(369,323)	(1,173,712)	318%
Other revenues, expenses, gains or losses	6,452,039	12,257,827	(5,805,788)	-47%
Increase in net position	<u>4,909,004</u>	<u>11,888,504</u>	<u>(6,979,500)</u>	-59%
Net Position - Beginning of Year	62,804,520	50,916,016	11,888,504	23%
Net Position - End of Year	<u>\$ 67,713,524</u>	<u>\$ 62,804,520</u>	<u>\$ 4,909,004</u>	8%

The decrease in operating revenues of \$883,332 is primarily attributable a slight decline in student fees and increases in tuition discounting and bad debt reflecting a downward trend in the parents' ability to pay user fees. The net decrease in student fees was also offset by increases of \$1.1 million in grants and contract revenues and \$479,000 in athletic game guarantees. Non-operating expenses were reduced to reflect declines in revenues.

Non-operating revenues, net of expenses, reflect a 1.4 percent decline in state appropriation and gifts offset by increased interest and financing cost associated with the issuance of Bond Series 2015.



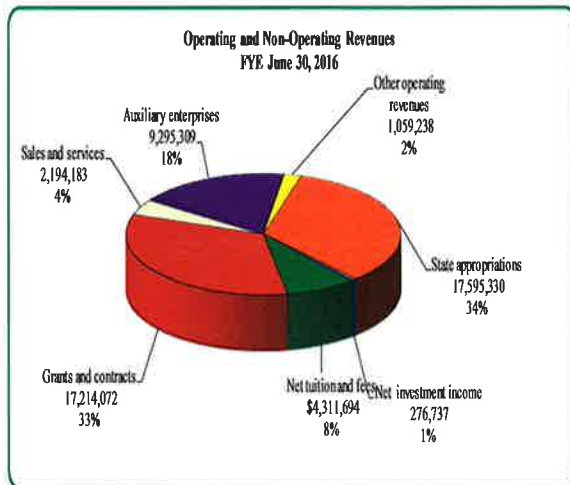


**Management’s Discussion and Analysis  
For Fiscal Year Ended June 30, 2016**

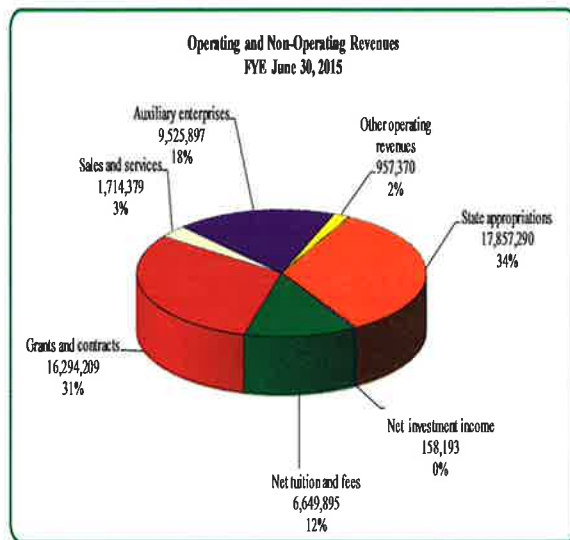
Other revenues, expenses, gains or losses are composed primarily of state appropriation for capital projects for planned projects nearing completion.

Breakdowns of operating and non-operating revenues for the years ended June 30, 2016 and 2015 are as follows:

Operating and non-operating revenues for the years ended June 30, 2016 and 2015 are as follows:



Revenues	FY 2016	FY 2015	I(D)	I(D) %
Net tuition and fees	\$ 4,311,694	6,649,895	(2,338,201)	-35%
Grants and contracts	17,214,072	16,294,209	919,863	6%
Sales and services	2,194,183	1,714,379	479,804	28%
Auxiliary enterprises	9,295,309	9,525,897	(230,588)	-2%
Other operating revenues	1,059,238	957,370	101,868	11%
State appropriations	17,595,330	17,857,290	(261,960)	-1%
Net investment income	276,737	158,193	118,544	75%
<b>Total revenues</b>	<b>\$ 51,946,563</b>	<b>53,157,233</b>	<b>(1,210,670)</b>	<b>-2%</b>



Total revenues decreased 2% for the reasons as follows:

- Net tuition and fees decline as a result of a 24% increase in tuition discounting and bad debt write-off. Tuition discounting reflects the dependence on Pell and other grants and scholarships aid to meet unmet financial need.
- Sales and services revenue includes increases in athletic game guarantees.
- Auxiliary enterprises revenues reflect a decline in students housed on campus and goods and services sold to students.
- Grants and contracts revenue increased as a result of the University’s research and public service efforts.
- Other operating revenues represent an increase in income from various sources.
- Net investment income reflects realized and unrealized gain on investments and invested proceeds from Bond Series 2015.

The graphs show that the University’s sources of funding are fairly consistent between years except net tuition which represented 8% of total revenue in 2016 compared to 12% in 2015.

Management continues to seek funding from sources consistent with its missions to supplement the loss in non-resident tuition and fees and to prudently manage the

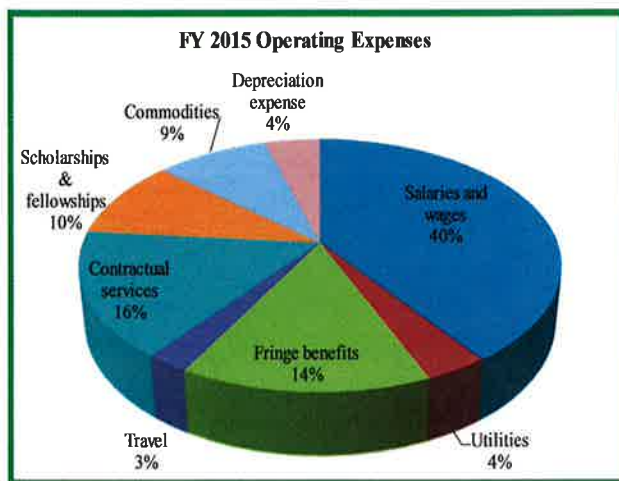
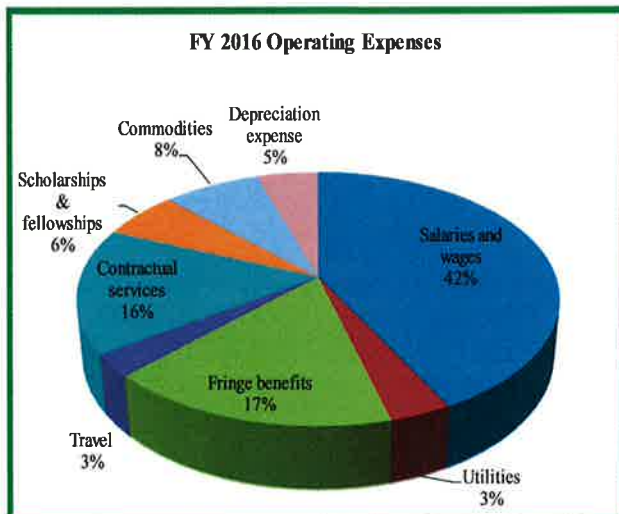


**Management’s Discussion and Analysis  
For the Year Ended June 30, 2016**

financial resources realized from these efforts to funds its operating activities. Management makes every effort to provide a quality education at the lowest cost to its students. The University’s operating results reflect the downward economic trends and the strong budgetary controls required to remain fiscally sound and to carry out its mission. Operating expenses include the procurement of goods and services required to generate operating and other non-operating revenues.

The following graph shows the comparison of expenses by natural classification for years ended June 30, 2016 and 2015.

A chart of expenses by natural classification for the years ended June 30, 2016 and 2015 is as follows:



Revenues	FY 2016	FY 2015	I(D)	I(D) %
Salaries and wages	\$ 22,026,869	\$ 21,175,332	\$ 851,537	4%
Utilities	1,870,151	1,908,192	(38,041)	-2%
Fringe benefits	8,706,979	7,504,209	1,202,770	16%
Travel	1,470,697	1,289,848	180,849	14%
Contractual services	8,332,636	8,497,646	(165,010)	-2%
Scholarships & fellowships	3,154,254	5,300,999	(2,146,745)	-40%
Commodities	3,992,579	4,749,360	(756,781)	-16%
Depreciation expense	2,518,663	2,329,300	189,363	8%
<b>Total revenues</b>	<b>\$ 52,072,828</b>	<b>\$ 52,754,886</b>	<b>\$ (682,058)</b>	<b>-1%</b>

Operating expenses were strategically reduced to reflect revenue expectations. Some significant variances are as follows:

- The University continues to face significant financial pressure as total compensation rose to 59% of the operating budget in 2016 from 54% in 2015. Statutory pension contributions and actuarial expense for GASB 68 represent most of the benefit increase.
- Travel increases result from athletic games funded with game guarantees.
- Scholarships and fellowships declined. However, the allocation to tuition discounting for students was far greater in 2016 to meet increasing student need.
- Commodities were strategically reduced as a result of declining revenue expectations.
- Depreciation expense increased as a result of completed capital projects placed in service.

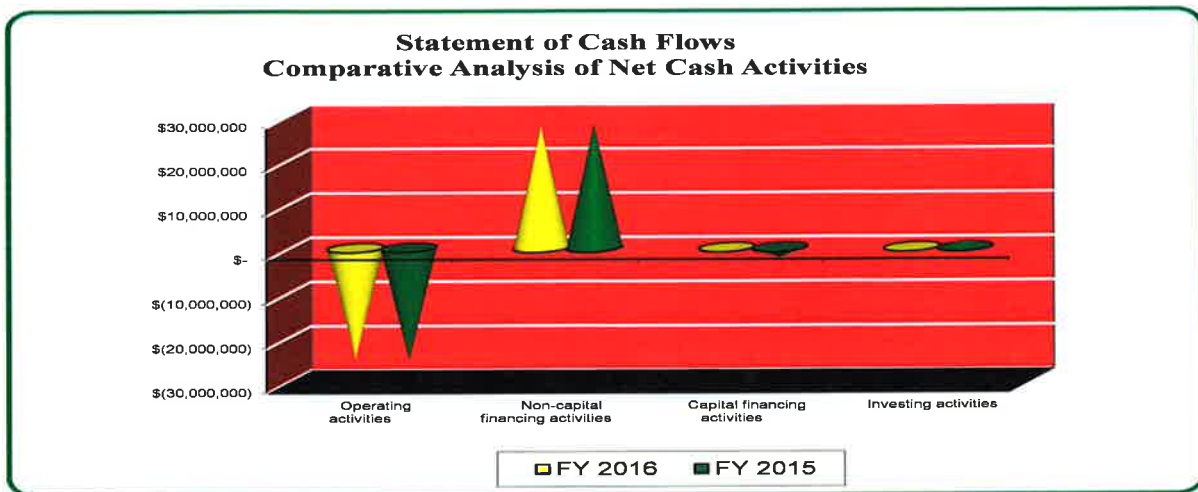


**Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

**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, 2016 and 2015 is as follows:



A summary of the net cash flows for the years ended June 30, 2016 and 2015 are as follows:

Statement of Cash Flows				
	FY 2016	FY 2015	Difference	%I(D)
<b>Cash provided (used) by:</b>				
Operating activities	\$ (24,913,922)	(24,940,320)	26,398	0%
Non-capital financing activities	27,708,162	27,800,553	(92,391)	0%
Capital financing activities	(558,818)	(2,118,443)	1,559,625	-74%
Investing activities	(462,066)	1,521,116	(1,983,182)	-130%
Net change in cash	<b>1,773,356</b>	<b>2,262,906</b>	(489,550)	-22%
Cash, Beginning of Year	8,873,461	6,610,555	2,262,906	34%
Cash, End of Year	\$ 10,646,817	8,873,461	1,773,356	20%



**Management's Discussion and Analysis  
For the Year Ended June 30, 2016**

Cash increased 20% primarily from a timing difference with investments and paying operating expenditures including interest expense. The University's investments in 2016 was approximately 12% higher than 2015.

**Financial Summary and Outlook**

Management continues to face many challenges with fiscal impact including competition for students and a decline in the Mississippi Delta population. Despite tough economic times, the University ended the fiscal year with an increase in net position and a 3.9% fall 2015 enrollment increase. The overall financial position is stable. The economic uncertainty 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.

Impending support from the State of Mississippi will be crucial as the University strives to provide a quality education while maintaining a moderate tuition. Management continues to expand recruiting efforts to offset the loss of non-resident fees and to seek funding from possible sources consistent with its missions to ensure that the University remains fiscally sound. Management is also prepared to revise resource allocations for all positive or negative financial eventualities.

The Management is not aware of any other issues, decisions or conditions that would adversely affect its financial operations. The University remains focused on its vision of ONE GOAL. ONE TEAM. ONE VALLEY.



**MISSISSIPPI VALLEY STATE**  
UNIVERSITY

**STATEMENT OF NET POSITION**

	<b>Year ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 10,646,817	\$ 8,873,461
Short term investments	3,117,530	3,016,582
Accounts receivables, net	3,574,430	3,404,113
Inventories	474,213	553,853
Prepaid expenses	26,229	67,796
<b>Total current assets</b>	<b>17,839,219</b>	<b>15,915,805</b>
<b>Non-Current Assets:</b>		
Restricted cash and cash equivalents		161,930
Restricted short-term investments	670,367	1,642,359
Endowment investments	1,805,321	1,246,317
Other long term investments	1,217,411	97,716,149
Capital assets, net	102,398,265	114,807
Other noncurrent assets	190,276	
<b>Total noncurrent assets</b>	<b>106,281,640</b>	<b>100,881,562</b>
<b>Total assets</b>	<b>\$ 124,120,859</b>	<b>\$ 116,797,367</b>
<b>Deferred outflows of resources:</b>		
Difference between expected and actual experience	406,400	485,477
Changes in proportionate share	1,665,014	129,325
Contributions subsequent to the measurement date	4,694,210	2,384,645
<b>Total deferred outflows of resources</b>	<b>6,765,624</b>	<b>2,999,447</b>
<b>Total assets and deferred outflows of resources</b>	<b>130,886,483</b>	<b>119,796,814</b>
<b>Liabilities and Net Position</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,889,409	\$ 2,003,551
Unearned revenues	157,624	140,604
Accrued leave liabilities-current portion	251,037	267,096
Long term liabilities-current portion	375,000	335,000
Other current liabilities	130,900	66,761
<b>Total Current liabilities</b>	<b>2,803,970</b>	<b>2,813,012</b>



**STATEMENT OF NET POSITION**

	<b>Year ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>Non-current liabilities:</b>		
Net pension liability	37,755,185	31,120,964
Deposits refundable	30,689	31,651
Accrued leave liabilities	1,661,024	1,330,454
Long term liabilities	18,155,000	17,185,000
Other non-current liabilities	328,814	
<b>Total non-current liabilities</b>	<b>57,930,712</b>	<b>49,668,069</b>
<b>Total liabilities</b>	<b>\$ 60,734,682</b>	<b>\$ 52,481,081</b>
<b>Deferred inflows of resources:</b>		
Difference between projected and actual earnings on pension plan	2,438,277	4,511,213
<b>Total liabilities and deferred inflows of resources</b>	<b>63,172,959</b>	<b>56,992,294</b>
<b>Net Position:</b>		
Net Invested in Capital Assets	\$ 84,260,935	\$ 80,310,956
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	804,071	799,432
Research		
Other purposes		
Expendable:		
Scholarships and fellowships	1,355,369	1,195,486
Research		
Capital projects	85,650	85,650
Debt service	129,511	71,715
Loans		
Other purposes	700,850	876,441
Unrestricted	(19,622,862)	(20,535,160)
<b>Total net position</b>	<b>\$ 67,713,524</b>	<b>\$ 62,804,520</b>





STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year ended June 30	
	2016	2015
<b>Operating revenues:</b>		
Tuition and fees:	\$ 13,301,470	\$ 13,690,396
Less scholarship allowances	(8,648,401)	(8,969,381)
Less bad debt expense	(341,375)	(71,120)
Net tuition and fees	4,311,694	6,649,895
Federal appropriations		
Federal grants and contracts	7,249,679	6,140,345
State grants and contracts	11,101	16,650
Sales and services of educational departments	2,194,183	1,714,379
Auxiliary enterprises:		
Student housing	3,626,829	3,716,948
Food services	2,875,280	3,022,817
Bookstore	1,297,403	1,330,962
Other auxiliary revenues	1,495,797	1,455,170
Less auxiliary enterprise scholarship allowances		
Interest earned on loans to students		
Other operating revenues, net	1,059,238	957,370
<b>Total operating revenues</b>	<b>24,121,204</b>	<b>25,004,536</b>
<b>Operating expenses:</b>		
Salaries and wages	22,026,869	21,175,332
Fringe benefits	8,706,979	7,504,209
Travel	1,470,697	1,289,848
Contractual services	8,332,636	8,497,646
Utilities	1,870,151	1,908,192
Scholarships and fellowships	3,154,254	5,300,999
Commodities	3,992,579	4,749,360
Depreciation	2,518,663	2,329,300
Other operating expenses		
<b>Total operating expenses</b>	<b>52,072,828</b>	<b>52,754,886</b>
<b>Operating income (loss)</b>	<b>(27,951,624)</b>	<b>(27,750,350)</b>
<b>Nonoperating revenues (expenses):</b>		
State appropriations	17,595,330	17,857,290
Federal ARRA (SFSP) revenues		
Gifts and grants	9,953,292	10,137,214
Investment income	276,737	158,193
Interest expense on capital asset-related debt	(1,416,770)	(771,670)
Other nonoperating revenues		
Other nonoperating expenses		
<b>Total nonoperating revenues (expenses), net</b>	<b>26,408,589</b>	<b>27,381,027</b>
<b>Income (loss) before other revenues, expenses, gains and losses</b>	<b>(1,543,035)</b>	<b>(369,323)</b>
<b>Other revenues, expenses, gains and losses:</b>		
Capital grants and gifts		
State appropriations restricted for capital purposes	6,447,400	12,194,838
Additions to permanent endowments	4,639	62,989
Other additions		
Other deletions		
<b>Change in net position</b>	<b>4,909,004</b>	<b>11,888,504</b>
<b>Net position - beginning of year, as adjusted (note 1cc)</b>	<b>62,804,520</b>	<b>50,916,016</b>
<b>Net position - end of year</b>	<b>67,713,524</b>	<b>62,804,520</b>



STATEMENT OF CASH FLOWS

	Year ended June 30	
	2016	2015
<b>Cash Flows from Operating Activities:</b>		
Operating activities:		
Tuition and Fees	4,344,403	6,646,205
Grants and Contracts	6,871,283	6,347,568
Sales and Services of Educational Departments	2,194,183	1,714,379
Payments to Suppliers	(13,825,170)	(14,239,605)
Payments to Employees for Salaries and Benefits	(29,871,754)	(28,951,155)
Payments for Utilities	(1,870,151)	(1,886,516)
Payments for Scholarships and Fellowships	(3,154,254)	(5,300,999)
Loans Issued to Students and Employees		
Collection of Loans to Students and Employees	694	669
Auxiliary Enterprise Charges:		
Student Housing	3,626,829	3,716,948
Food Services	2,875,280	3,022,817
Bookstore	1,297,403	1,330,962
Athletics		
Other Auxiliary Enterprises	1,392,057	1,455,170
Patient Care Services		
Interest Earned on Loans to Students		
Other Receipts	1,205,275	1,203,237
Other Payments		
<b>Net cash used by operating activities</b>	<b>(24,913,922)</b>	<b>(24,940,320)</b>
<b>Noncapital financing activities:</b>		
State Appropriations	17,754,870	17,663,338
Gifts and Grants for Other Than Capital Purposes;	9,953,292	10,137,215
Private Gifts for Endowment Purposes		
Federal Loan Program Receipts	18,096,687	19,433,083
Federal Loan Program Disbursements	(18,096,687)	(19,433,083)
Other Sources		
Other Uses		
<b>Net cash provided by noncapital financing activities</b>	<b>27,708,162</b>	<b>27,800,553</b>
<b>Capital and related financing activities:</b>		
Proceeds from Capital Debt	17,598,814	
Cash Paid for Capital Assets	(392,407)	(1,061,992)
Capital Appropriations Received		
Capital Grants and Contracts Received		
Proceeds from Sales of Capital Assets		
Principal Paid on Capital Debt and Leases	(16,260,000)	(290,000)
Interest Paid on Capital Debt and Leases	(1,167,278)	(771,670)
Other Source	(337,947)	5,219
Other Uses		
<b>Net cash used by capital and related financing activities</b>	<b>(558,818)</b>	<b>(2,118,443)</b>



**STATEMENT OF CASH FLOWS**

	Year ended June 30	
	<u>2016</u>	<u>2015</u>
<b>Investing activities:</b>		
Proceeds from Sales and Maturities of Investments	611,685	1,514,265
Interest Received on Investments	17,902	62,989
Purchases of Investments	<u>(1,091,653)</u>	<u>(56,138)</u>
<b>Net cash used by investing activities</b>	<b><u>(462,066)</u></b>	<b><u>1,521,116</u></b>
<b>Net change in cash and cash equivalents</b>	<b>1,773,356</b>	<b>2,262,906</b>
<b>Cash and cash equivalents - beginning of year</b>	<b><u>8,873,461</u></b>	<b><u>6,610,555</u></b>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 10,646,817</u></b>	<b><u>\$ 8,873,461</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (27,951,624)	\$ (27,750,350)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	2,518,663	2,329,300
Self-insured claims expense		
Bad debt expense	341,375	71,120
Other	(432,056)	258,223
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(511,692)	250,933
Inventories	79,640	(209,113)
Prepaid Expenses	41,567	(48,296)
Other Assets	(2,148,405)	3,127,499
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	(3,880,319)	13,211
Deferred Revenue	17,020	(10,829)
Deposits Refundable	(962)	1,393
Accrued Leave Liability	314,511	43,074
Loans to Students and Employees		
Other Liabilities	6,698,360	(3,016,485)
<b>Total Adjustments</b>	<b><u>3,037,702</u></b>	<b><u>2,810,030</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (24,913,922)</u></b>	<b><u>\$ (24,940,320)</u></b>
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	10,646,817	8,873,461
Noncurrent assets - restricted cash and cash equivalents		
Cash and cash equivalents - end of year	<b><u>\$ 10,646,817</u></b>	<b><u>\$ 8,873,461</u></b>



**STATEMENT OF CASH FLOWS**

	<b>Year ended June 30</b>	
	<b>2016</b>	<b>2015</b>
<b>ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9)</b>		
1) State Appropriations Restricted for Capital Purposes	\$ 6,447,400	\$ 12,194,838
2) Unrealized Gain/(Loss) on Fair Value of Investments	116,894	2,543
3) Donation of Capital Assets		
4) Bureau of Buildings and Grounds Construction-in-Progress	23,667,655	17,758,293
5) Capital Assets Transferred from another Mississippi State Agency		
6) New Capital Leases		
7) Provision for Bad Debts	341,375	71,120
8) Capital Assets Acquired from Capital Leases	407,504	



**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



**Note 1: Summary of Significant Accounting Policies (Continued)**

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.





**Note 1: Summary of Significant Accounting Policies (Continued)**

**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.

**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 expenses are 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.



**Note 1: Summary of Significant Accounting Policies (Continued)**

**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, 2016 and 2015 are as follows:

	2016	2015
Payable to vendors and contractors	\$ 926,157	\$ 1,107,285
Accrued salaries, wages and employee withholdings	963,252	896,266
Total	\$ 1,889,409	\$ 2,003,551

**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 \$157,624 and \$140,604 as of June 30, 2016 and 2015, 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.

**Pensions** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement.



**Note 1: Summary of Significant Accounting Policies (Continued)**

System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

**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, pension, 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, (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.



**Notes to Financial Statements**  
**For Year Ended June 30, 2016**

**Note 1: Summary of Significant Accounting Policies (Continued)**

**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 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, 2016 and 2015 which follows:

	2016	2015
Reserves held for inventories	\$ 474,213	\$ 553,853
Reserves held for prepaid expenses	26,229	67,796
Auxiliary operations	5,753,425	4,577,351
Designated	1,311,718	982,949
Pension	(33,427,837)	(32,632,730)
Remaining purposes	6,239,390	5,915,621
Totals	\$ (19,622,862)	\$ (20,535,160)



**Note 2: Reclassifications**

Certain amounts on the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows in FY 2014 were reclassified due to the adoption of GASB 68.

**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 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.

**Fair Value Measurement-**Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories – Level 1, Level 2 and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:



**Notes to Financial Statements**  
**For Year Ended June 30, 2016**

**Note 3: Cash and Investments (continued)**

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that the government has the ability to access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2016 and 2015:

	2016			Total
	Level 1	Level 2	Level 3	
Investment strategy:				
Fixed income:				
U.S. Government securities	\$ 4,087,040			\$ 4,087,040
Corporate bonds	160,902			160,902
Certificates of deposit	869,439			869,439
Other fixed income securities	341,346			341,346
Total fixed income	<u>5,458,727</u>	<u>-</u>	<u>-</u>	<u>5,458,727</u>
Equities:				
Common stocks	284,341			284,341
Common stock funds				-
Mutual funds	932,686			932,686
Index funds				-
Total equities	<u>1,217,027</u>	<u>-</u>	<u>-</u>	<u>1,217,027</u>
Hedge funds				
Venture capital				
Other short-term investments	134,875			134,875
Total investments	<u>\$ 6,810,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,810,629</u>





**Note 3: Cash and Investments (continued)**

	2015			Total
	Level 1	Level 2	Level 3	
Investment strategy:				
Fixed income:				
U.S. Government securities	\$ 3,376,175			\$ 3,376,175
Corporate bonds	179,267			179,267
Certificates of deposit	869,005			869,005
Other fixed income securities	114,124			114,124
Total fixed income	<u>4,538,571</u>	<u>-</u>	<u>-</u>	<u>4,538,571</u>
Equities:				
Common stocks	306,372			306,372
Common stock funds				-
Mutual funds	1,004,364			1,004,364
Index funds				-
Total equities	<u>1,310,736</u>	<u>-</u>	<u>-</u>	<u>1,310,736</u>
Hedge funds				
Venture capital				
Other short-term investments	217,881			217,881
Total investments	<u>\$ 6,067,188</u>	<u>-</u>	<u>-</u>	<u>\$ 6,067,188</u>

**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, 2016 which are as follows:

	Fair value	Years to maturity			
		Less than 1	1 to 5	6 to 10	More than 10
U S Government obligations	\$ 4,087,040	\$ 609,898	\$ 2,178,640	\$ 252,245	\$ 1,046,257
U S Treasury obligations					
Corporate bonds and notes	160,902	160,902			
Domestic bond mutual funds	48,184	48,184			
International bond mutual funds	68,425	68,425			
Total	<u>\$ 4,364,551</u>	<u>\$ 887,409</u>	<u>\$ 2,178,640</u>	<u>\$ 252,245</u>	<u>\$ 1,046,257</u>



**Notes to Financial Statements**  
**For Year Ended June 30, 2016**

**Note 3: Cash and Investments (continued)**

**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, 2016, the University had the following investment credit profile:

	<b>Credit Risk Ratings</b>						Rating not available
	Fair value	Aa1	Aaa	A1	A2	A3	
Domestic bond mutual funds	\$ 48,184						\$ 48,184
International bond mutual funds	68,425						68,425
Corporate bonds and notes	160,902	\$ 16,086		\$ 8,048	\$ 60,321	\$ 24,068	52,379
U. S. Government obligations	4,087,040		\$ 2,181,829				1,905,211
Total	\$ 4,364,551	\$ 16,086	\$ 2,181,829	\$ 8,048	\$ 60,321	\$ 24,068	\$ 2,074,199

**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, 2016.

<b>Issuer</b>	<b>Fair value</b>	<b>Percentage</b>
Federal government obligation bond mutual fund	\$ 4,087,070	60%
Domestic mutual funds	1,255,938	16%
Regions certificate of deposit	869,439	13%

**Note 4: Accounts Receivable**

Accounts receivable at June 30, 2016 and 2015 are as follows:

<b>Type of Receivable</b>	<b>2016</b>	<b>2015</b>
Student fees	\$ 8,837,114	\$ 8,529,815
State appropriation	754,990	914,530
Grants and contracts	748,536	384,639
Employees	3,755	4,449
Other	160,550	177,245
Total accounts receivable	10,504,945	10,010,678
Less: bad debt provision	(6,930,515)	(6,606,565)
Net accounts receivable	\$ 3,574,430	\$ 3,404,113



**Notes to Financial Statements  
For Year Ended June 30, 2016**

**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, 2016 is as follows:

	Balance July 1, 2015	Additions	Deletions/ Transfers	Balance June 30, 2016
<b>Non-Depreciable Assets</b>				
Land	\$ 47,500	-	-	47,500
Construction in progress	17,758,293	6,334,069	424,707	23,667,655
Total non-depreciable capital assets	<u>17,805,793</u>	<u>6,334,069</u>	<u>424,707</u>	<u>23,715,155</u>
<b>Depreciable Capital Assets</b>				
Improvements other than buildings	19,492,305	778,545		20,270,850
Buildings	92,801,058	140,000	378,659	92,562,399
Equipment	8,358,305	437,184	341,689	8,453,800
Library books	6,645,460	15,496		6,660,956
Total depreciable assets	<u>127,297,128</u>	<u>1,371,225</u>	<u>720,348</u>	<u>127,948,005</u>
Total capital assets	<u>\$ 145,102,921</u>	<u>7,705,294</u>	<u>1,145,055</u>	<u>151,663,160</u>
<b>Less: Accumulated Depreciation</b>				
Improvements other than buildings	\$ 7,828,838	693,199		8,522,037
Buildings	25,705,200	1,523,803	302,927	26,926,076
Equipment	7,376,398	239,339	337,613	7,278,124
Library books	6,476,336	62,322		6,538,658
Total accumulated depreciation	<u>47,386,772</u>	<u>2,518,663</u>	<u>640,540</u>	<u>49,264,895</u>
Net capital assets	<u>\$ 97,716,149</u>	<u>5,186,631</u>	<u>504,515</u>	<u>102,398,265</u>

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



**Notes to Financial Statements**  
**For Year Ended June 30, 2016**

**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, 2016 are as follows:

	Date of issue	Maturity date	Interest rate	Principal interest date	Original issue	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016	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	\$ 17,520,000		16,260,000	1,260,000	375,000
Education Building Corporation '15	9/30/2016	6/30/2037	2.0%	July 1/Jun 30	\$ 17,270,000		\$ 17,270,000		17,270,000	
<b>Total Bond Debt</b>					<b>36,285,000</b>	<b>17,520,000</b>	<b>17,270,000</b>	<b>16,260,000</b>	<b>18,530,000</b>	<b>375,000</b>
Other Long-term Liabilities:										
Accrued leave liability						1,597,550	\$ 314,511		1,912,061	251,037
Deposit refundable						31,651		962	30,689	-
Other non-current liabilities (capital lease)						-	407,504		407,504	78,690
<b>Total other long-term liabilities</b>						<b>1,629,201</b>	<b>722,015</b>	<b>962</b>	<b>2,350,254</b>	<b>329,727</b>
<b>Total</b>						<b>\$ 19,149,201</b>	<b>\$ 17,992,015</b>	<b>16,260,962</b>	<b>20,880,254</b>	<b>704,727</b>
Due within one year									(704,727)	
<b>Total long-term liabilities</b>									<b>\$ 20,175,527</b>	

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

<b>Fiscal year</b>	<b>Bonded debt principal</b>	<b>Total interest</b>	<b>Total principal and interest</b>
2017	\$ 375,000	985,106	1,360,106
2018	255,000	850,106	1,105,106
2019	585,000	1,171,606	1,756,606
2020	625,000	1,196,306	1,821,306
2021	675,000	1,230,206	1,905,206
2022-2026	3,325,000	5,821,055	9,146,055
2027-2031	4,570,000	6,519,387	11,089,387
2032-2036	6,525,000	7,566,088	14,091,088
2037	1,595,000	1,654,813	3,249,813
	<b>\$ 18,530,000</b>	<b>26,994,673</b>	<b>45,524,673</b>

<b>Fiscal year</b>	<b>Capital Lease principal</b>	<b>Total interest</b>	<b>Total principal and interest</b>
2017	\$ 78,690	7,730	86,419
2018	79,466	6,954	86,419
2019	81,264	5,156	86,419
2020	83,102	3,317	86,419
2021	84,983	1,437	86,419
	<b>\$ 407,504</b>	<b>24,593</b>	<b>432,097</b>



**Notes to Financial Statements**  
**For Year Ended June 30, 2016**

**Note 7: Long-term Liabilities (continued)**

On September 30, 2015, the University finalized Education Building Corporation Bond Series 2015 for \$17,270,000 to retire \$15,925,000 in callable Education Building Corporation Bond Series 2007. On May 19, 2016, the University also finalized the Series 2016A Master Lease Purchase Agreement.

**Note 8: Operating Leases**

Lease expenses totaled \$68,571 for the fiscal years ending June 30, 2016.

**Note 9: Natural Classifications with Functional Classifications**

Operating expenses by functional classifications for the fiscal years ended June 30, 2016 and 2015 are as follows:

2016									
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
Instruction	\$ 8,993,977	3,639,879	274,114	1,129,294	4,782	87,535	409,912	-	14,539,493
Research	11,250	1,401	122	2,111	-	-	2,640	-	17,524
Public service	1,541,151	598,619	122,213	673,042	-	15,588	413,507	-	3,364,120
Academic support	1,347,075	557,853	80,010	1,166,951	-	-	163,330	-	3,315,219
Student services	2,673,518	1,055,968	744,625	993,875	2,450	6,034	512,521	-	5,988,991
Institutional support	3,625,491	1,401,008	242,641	715,691	5,500	8,772	380,429	-	6,379,532
Physical plant	1,980,583	888,432	2,921	928,966	1,194,166	-	729,285	-	5,724,353
Student aid	638,066	-	-	65,932	-	3,036,325	122,491	-	3,862,814
Auxiliary enterprises	1,215,758	563,819	4,051	2,656,774	663,253	-	1,258,464	-	6,362,119
Depreciation expense								2,518,663	2,518,663
<b>Total</b>	<b>\$22,026,869</b>	<b>8,706,979</b>	<b>1,470,697</b>	<b>8,332,636</b>	<b>1,870,151</b>	<b>3,154,254</b>	<b>3,992,579</b>	<b>2,518,663</b>	<b>52,072,828</b>

2015									
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
Instruction	\$ 8,928,909	3,233,688	237,423	1,047,142	1,249	171,754	434,477	-	14,054,642
Research	3,752	543	91	6,543	-	-	57	-	10,986
Public service	1,308,446	433,557	130,324	391,087	-	22,910	247,830	-	2,534,154
Academic support	1,358,087	512,488	71,250	1,109,795	-	-	183,415	-	3,235,035
Student services	2,630,755	926,295	617,574	918,433	3,260	23,519	595,943	-	5,715,779
Institutional support	3,337,991	1,155,283	224,703	817,785	137	7,517	276,689	-	5,820,105
Physical plant	1,971,341	782,967	2,038	1,364,392	1,229,757	-	621,495	-	5,971,990
Student aid	498,690	-	-	55,432	-	5,075,299	142,792	-	5,772,213
Auxiliary enterprises	1,137,361	457,358	6,445	2,787,037	673,789	-	2,246,662	-	7,308,652
Depreciation expense								2,329,300	2,329,300
<b>Total</b>	<b>\$21,175,332</b>	<b>7,502,179</b>	<b>1,289,848</b>	<b>8,497,646</b>	<b>1,908,192</b>	<b>5,300,999</b>	<b>4,749,360</b>	<b>2,329,300</b>	<b>52,752,856</b>



**Note 10: Construction Commitments and Financing**

The University has contracted for various construction projects as of June 30, 2016. 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	Other (private)
Harrison Gym renovation (wellness center)	\$ 1,915,274	1,915,274	-	-
Edna Horton	8,476,080	8,476,080		
College hall I	6,386,800	6,386,800		
Academic skills parlor	2,750,000	2,750,000		
<b>Total</b>	<b>\$ 19,528,154</b>	<b>19,528,154</b>	<b>-</b>	<b>-</b>

**Note 11: Pension Plan**

**(a) PERS Defined Benefit Plan**

**Plan Description**

The IHL System participates in either the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan or the Optional Retirement Plan (ORP), a multiple-employer defined contribution plan established in 1990. 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 issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement IHL System, 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 IHL System after July 1, 2007. A member who entered the IHL System prior to July 1, 2007 is still subject to the four year vesting period provided that the member does not subsequently refund their account balance.



**Note 11: Pension Plan (Continued)**

**Funding Policy**

PERS members are required to contribute 9.0% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 15.75% of annual covered payroll at June 30, 2016 and 2015. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The University's contributions to PERS for the years ended June 30, 2016, 2015, and 2014, were \$2,522,492, \$2,403,278, and \$2,467,507, respectively. Such contributions equaled the required contributions for each respective year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the University reported a liability of \$37.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The University's proportion of the net pension liability was based on a projection of the University's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The University's proportionate share of the net pension liability as of June 30, 2015 and 2014 was 0.24 and 0.26, respectively.

For the year ended June 30, 2016, the University recognized pension expense of \$3,317,600. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources				Deferred inflows of resources				
	Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between Employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Differences between expected and actual experience	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
Mississippi Valley State University	891,877	3,252,479	129,325	2,491,943	6,765,624	-	2,438,277	-	2,438,277

\$2,491,943 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a decrease to the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:





**Notes to Financial Statements  
For Year Ended June 30, 2016**

**Note 11: Pension Plan (Continued)**

Deferred outflow of resources year ended June 30						
	2017	2018	2019	2020		Total
Mississippi Valley State University	1,148,839	1,148,839	1,148,839	827,164		4,273,681

Deferred inflow of resources year ended June 30						
	2017	2018	2019	2020	2021	Total
Mississippi Valley State University	487,655	487,655	487,655	487,655	487,657	2,438,277

**Actuarial assumptions** – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2015
Actuarial cost method	Entry age
Actuarial assumptions:	
Discount rate	7.75%
Inflation	3.00%
Payroll growth	3.75%
Projected salary increase	3.75-19.00% (1)
Investment rate of return	7.75% (2)

- (1) Depending on age, service, and type of employment, including inflation
- (2) Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2016 with male rates set forward one year. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

**Discount rate** – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future



**Note 11: Pension Plan (Continued)**

benefit payments of current plan members. 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.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
U.S. Broad	34.00%	5.20%
International equity	19.00%	5.00%
Emerging markets equity	8.00%	5.45%
Fixed income	20.00%	0.25%
Real assets	10.00%	4.00%
Private equity	8.00%	6.15%
Cash	1.00%	-0.50%
	100.00%	

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the University’s proportionate share of the net pension liability, calculated using the discount rate of 7.75%, as well as what the IHL System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Mississippi Valley State University	1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
Net pension liability	49,764,748	37,755,185	27,789,431



**Note 11: Pension Plan (Continued)**

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

**(b) ORP Defined Contribution Plan**

The Optional Retirement Plan (ORP) was established by the Mississippi Legislature in 1990 to help attract qualified and talented institutions of higher learning faculty. The membership of the ORP is composed of teachers and administrators appointed or employed on or after July 1, 1990, who elect to participate in ORP and reject membership in PERS. The ORP provides funds at retirement for employees and in the event of death, provides funds for their beneficiaries, through an arrangement by which contributions are made to this plan. The current contribution rate of both the employee and the university are identical to that of the PERS defined contribution plan.

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University’s contributions to the ORP for the year ended June 30, 2016 and 2015 were \$124,420 and \$124,213, respectively, which equaled its required contribution for the period.



**Note 11: Pension Plan (Continued)**

Required Supplementary Information (Unaudited)  
Schedule of Proportionate Share of Net Pension Liability  
For the years ended June 30, 2016 and 2015

	Proportionate share of the net pension liability	Proportionate share of the net pension liability	FY 2015 Covered-employee payroll	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	PERS fiduciary net position as a percentage of the total pension liability
Mississippi Valley State University:					
2016	0.24%	37,755,185	15,258,908	247.43%	61.70%
2015	0.26%	31,120,964	15,666,711	199.00%	67.00%

Schedule of Proportionate Share of Contributions  
For the years ended June 30, 2016 and 2015

	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	FY 2016 Covered-employee payroll	Contribution as a percentage of covered-employee payroll
Mississippi Valley State University:					
2016	2,491,943	(2,491,943)	-	15,821,863	15.75%
2015	2,384,644	(2,384,644)	-	15,140,597	15.75%

Notes to Required Supplementary Information  
June 30, 2016

**(1) Schedule of Proportionate Share of Net Pension Liability**

This schedule presents historical trend information about the University's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Information related to years prior to 2015 is not available, therefore, trend information will be accumulated to display a ten-year presentation.

**(2) Schedule of Proportionate Share of the University's Contributions**

The required contributions and percentage of those contributions actually made are presented in the schedule. Information related to years prior to 2015 is not available, therefore, trend information will be accumulated to display a ten-year presentation.



**Note 11: Pension Plan (Continued)**

**(3) Changes in Assumptions and Benefit Terms**

*Changes of assumptions:* Amounts reported for fiscal year 2016 reflect changes in assumptions since the last Measurement Date based on an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience study report is dated May 4, 2015. The change in TPL due to changes in actuarial assumptions is spread over the remaining service life of the entire PERS membership just like Plan experience.

*Change of benefit terms:* Amounts reported for fiscal year 2016 reflect no changes in benefit terms.

**Note 12: Donor Restricted Endowments**

Donor restricted endowments were \$804,071 for the fiscal years ended June 30, 2016 is reported in the accompanying statement of net position as "net assets – non-expendable for scholarships and fellowships". During fiscal year 2016 the restriction on a donor restricted endowments totaling \$891,921 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 \$18,096,687 and \$19,433,083 student loans for the fiscal years ended June 30, 2016 and 2015 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 \$391,209 and \$484,601 for the fiscal years ended June 30, 2016 and 2015.

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 \$164,846 and \$169,656 for the fiscal years ended June 30, 2016 and 2015, 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 \$168,944 and \$243,532 for fiscal years ended June 30, 2016 and 2015, 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, 2016.

**Note 18: Subsequent Events**

There have been no events subsequent to June 30, 2016 which would materially affect the financial statements as presented.