

MISSISSIPPI VALLEY STATE UNIVERSITY



**GASB
2010-2011**

THE VALLEY RENAISSANCE

Soaring to New Heights

STO 20

STOP



Mississippi Valley State University

September 14, 2011

Dr. Donna H. Oliver
President
Mississippi Valley State University
Itta Bena, MS 38941

Madam President Oliver:

Financial Report of Mississippi Valley State University for the year ending June 30, 2011, prepared in accordance with Government Accounting Standards Board (GASB) principles, is hereby submitted for your review. Ms. Joyce Dixon, Assistant Vice President for Business and Finance, has contributed substantially in preparation of this report.

We stand ready to provide any additional information needed.

Sincerely,

A handwritten signature in blue ink, appearing to read "James B. Washburn".

James B. Washburn
VPBF/CFO

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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, 2011 and 2010 in accordance with GASB Statements Nos. 34 and 35.

The financial report of the University includes three financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; 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, 2011, with selected comparative information for the year ended June 30, 2010. 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 Assets

The Statement of Net Assets 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.

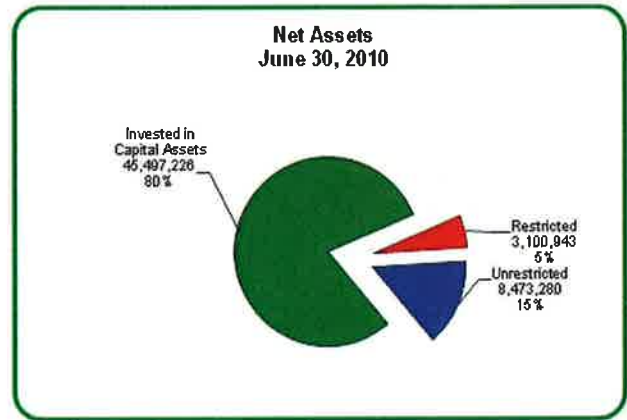
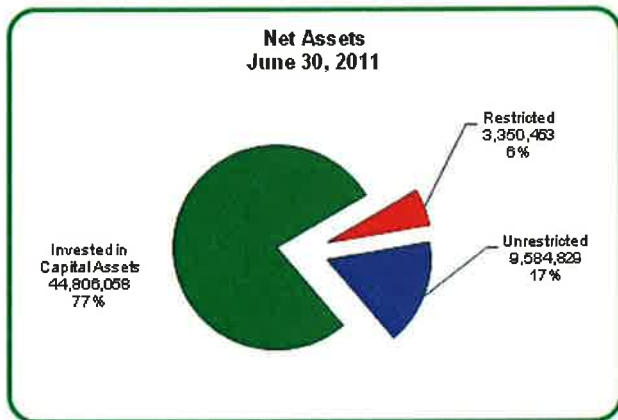
Assets and liabilities are generally measured using current values. One notable exception, however, is capital assets, which are stated at historical cost less an allowance for depreciation.

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



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

has been reserved for prepayments, inventories, auxiliaries operations, designated purposes and other purposes. The distribution of net assets for FY 2011 and FY 2010 are as follows:



The Statement of Net Assets for the years ended June 30, 2011 and 2010 is as follows:

Statement of Net Assets				
	FY 2011	FY 2010	Difference	%I(D)
Assets:				
Current Assets	\$ 11,433,558	\$ 10,016,624	\$ 1,416,934	3%
Non-current Assets	69,294,726	70,541,996	(1,247,270)	-3%
Total Assets	\$ 80,728,284	\$ 80,558,620	\$ 169,664	0%
Liabilities:				
Current Liabilities	\$ 3,078,575	\$ 3,279,084	\$ (200,509)	-6%
Non-current Liabilities	19,908,369	20,208,087	(299,718)	-1%
Total Liabilities	\$ 22,986,944	\$ 23,487,171	\$ (500,227)	-2%
Net Assets:				
Invested in Capital Assets	\$ 44,806,058	\$ 45,497,226	\$ (691,168)	-2%
Restricted	3,350,453	3,100,943	249,510	8%
Unrestricted	9,584,829	8,473,280	1,111,549	13%
Total Net Assets	\$ 57,741,340	\$ 57,071,449	\$ 669,891	1%



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

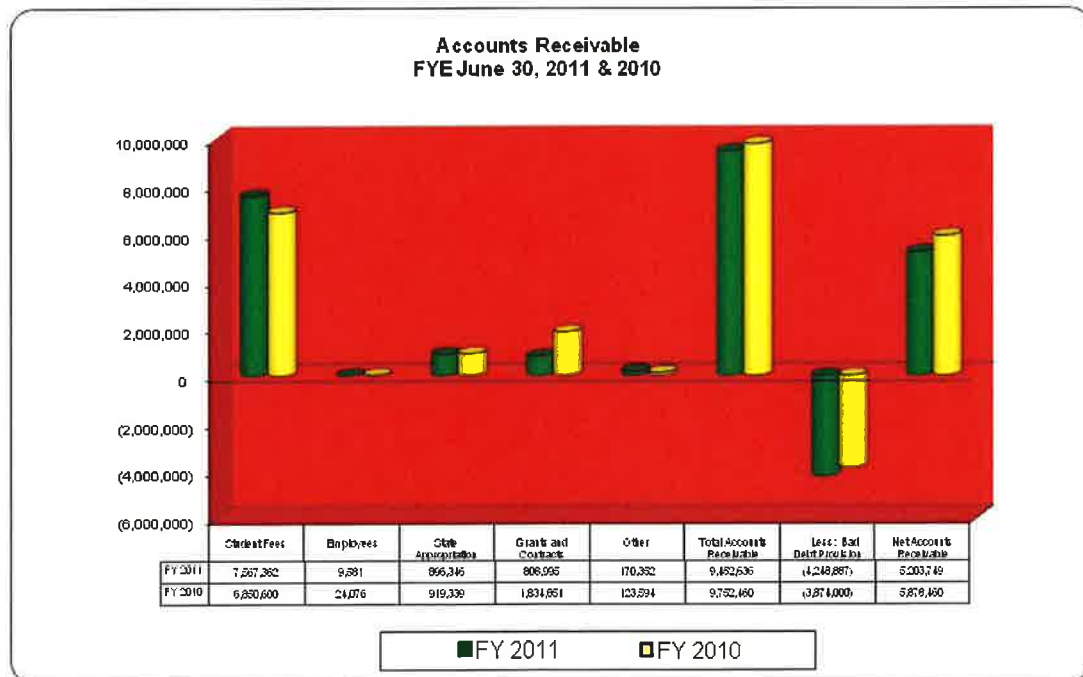
The University continues to maintain and protect its financial position with cost controls, conservative investments, strategic use of debt and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

The increase in current assets is primarily due to an increase in cash, investments and student receivables which was offset by lower grant awards due to timely collections, and a reduction in bookstore inventory. Non-current assets decreased 3%, primarily due to the expensing of certain completed construction-in-progress projects.

Current liabilities decreased by approximately 6% primarily due to a decline in amounts payable to vendors and employees offset by an increase in deferred income due to the accrual of summer tuition for the summer term ending after fiscal year end.

Receivables due to the University include student fee receivables, employee travel, state appropriations, grants and contracts, and other sources.

The following is graphical comparison of receivables at June 30, 2011 and 2010.





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

The following table shows the comparison of receivables at June 30, 2011 and 2010.

Type of Receivable	FY 2011	FY 2010	Difference	%
Student Fees	\$ 7,567,362	\$ 6,850,600	\$ 716,762	10%
Employees	9,581	24,076	(14,495)	-60%
State Appropriation	896,346	919,339	(22,993)	-3%
Grants and Contracts	808,995	1,834,851	(1,025,856)	-56%
Other	170,352	123,594	46,758	38%
Total Accounts Receivable	9,452,636	9,752,460	(299,824)	-3%
Less: Bad Debt Provision	(4,248,887)	(3,874,000)	(374,887)	10%
Net Accounts Receivable	\$ 5,203,749	\$ 5,878,460	\$ (674,711)	-11%

The student fees receivable increase of 10% is primarily due to an increase in tuition, room and board charges net of the allowance for doubtful accounts in conjunction with the downturn in the economy. Consequently, students and parents were unable to pay fees and federal financial aid did not keep pace with the cost of attendance. The 56% decrease in grants and contracts receivable can be attributed to more timely billings and collections.

Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the results of operations of the University. 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.

One of the greatest strengths of the University is the diverse stream of revenues that supplement its student tuition and fees, along with government and other sponsored programs, state appropriations and investment income. As in the past, the University continues to aggressively seek funding from all possible sources consistent with its missions to supplement student tuition, and to prudently manage the financial resources realized from these efforts to fund its operating activities.



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

The Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2011 and 2010 is as follows:

Statement of Revenues, Expenses and Changes in Net Assets				
	FY 2011	FY 2010	Difference	% I(D)
Operating Revenues	\$ 28,296,658	\$ 29,744,480	\$ (1,447,822)	-5%
Operating Expenses	63,562,475	63,694,607	(132,132)	0%
Operating Loss	<u>(35,265,817)</u>	<u>(33,950,127)</u>	<u>(1,315,690)</u>	4%
Nonoperating Revenues	30,050,836	29,896,234	154,602	1%
Income (Loss) Before Other Revenues, Gains or Losses	<u>(5,214,981)</u>	<u>(4,053,893)</u>	<u>(1,161,088)</u>	29%
Other Revenues, Gains or Losses	5,884,872	4,495,252	1,389,620	31%
Increase in Net Assets	<u>669,891</u>	<u>441,359</u>	<u>228,532</u>	52%
Net Assets - Beginning of Year	57,071,449	56,630,090	441,359	1%
Net Assets - End of Year	<u>\$ 57,741,340</u>	<u>\$ 57,071,449</u>	<u>\$ 669,891</u>	1%

Operating expenses are incurred as a result of normal operations of the University but also include depreciation on capital assets. The decline in operating revenues is primarily attributed to tuition and fees reflecting a decline in enrollment and fewer grant and contract expenditures. Operating expenses, including depreciation expense, reflect a stable operation.

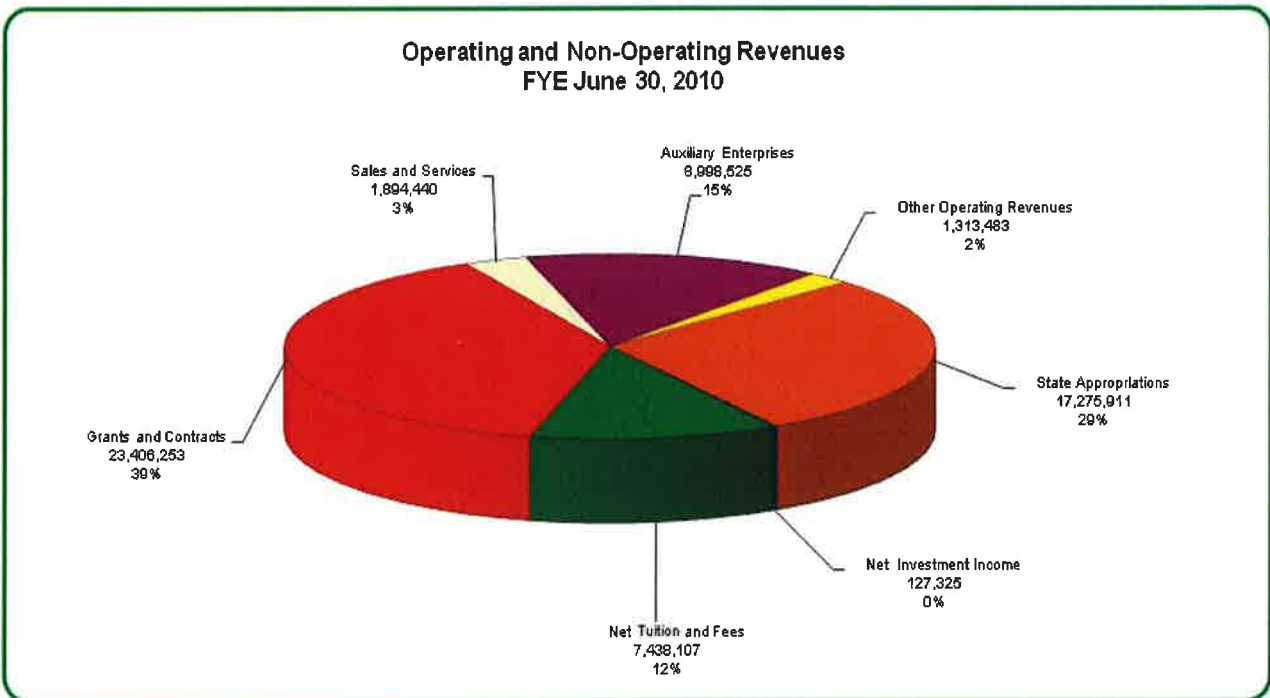
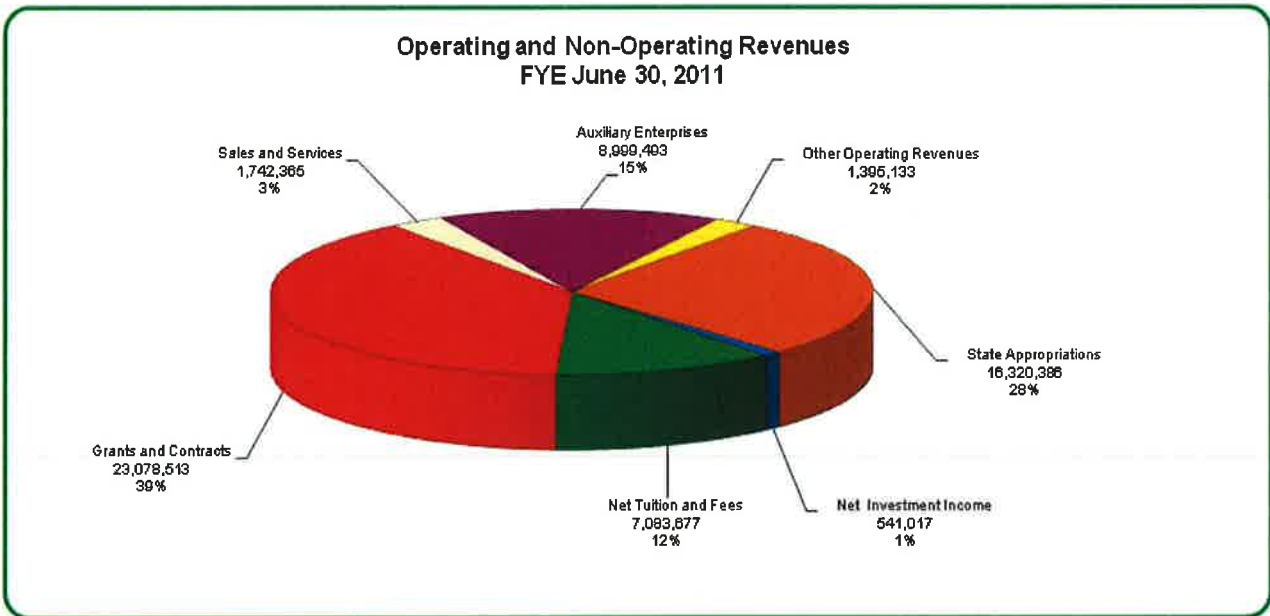
Non-operating revenues increased \$154,602 as a result of increases in federal stimulus grants and investment income offset by \$955,525 decline in state appropriation.

Other revenues, expenses, gains or losses are composed primarily of state appropriation for capital projects and reflects increased funding over the prior year for library enhancements, academic building renovations, infrastructure improvements and stadium renovations.



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2011

A graphical distribution of the operating and non-operating revenues for the years ended June 30, 2011 and 2010 is as follows:





**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

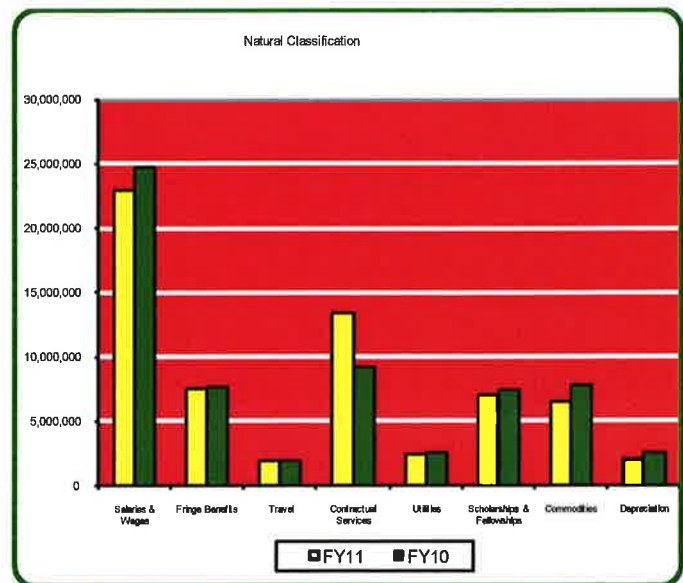
A comparison of operating and nonoperating revenues for the years ended June 30, 2011 and 2010 is as follows:

Operating and Nonoperating Revenues				
	FY 2011	FY 2010	Difference	%I(D)
Net Tuition and Fees	\$ 7,083,677	\$ 7,438,107	\$ (354,430)	-5%
Grants and Contracts	23,078,513	23,406,253	(327,740)	-1%
Sales and Services	1,742,365	1,894,440	(152,075)	-8%
Auxiliary	8,999,493	8,998,525	968	0%
Other Revenues	1,395,133	1,313,483	81,650	6%
State Appropriations	16,320,386	17,275,911	(955,525)	-6%
Net Investment Income	541,017	127,325	413,692	325%
Total	\$ 59,160,584	\$ 60,454,044	\$ (1,293,460)	-2%

The net revenue decline primarily reflects a decline in enrollment, fewer grant award expenditures, reduced athletic game guarantees included in sales and services, a reduction in state appropriations for operation offset by increased investment returns.

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. A comparison of expenses by natural classification for the years ended June 30, 2011 and 2010 is as follows:

	FY11	FY10	I (D)	% I (D)
Salaries & Wages	22,934,674	24,708,105	(1,773,431)	-7%
Fringe Benefits	7,467,843	7,635,857	(168,014)	-2%
Travel	1,882,766	1,880,514	2,252	0%
Contractual Services	13,358,603	9,230,751	4,127,852	45%
Utilities	2,361,938	2,541,845	(179,907)	-7%
Scholarships & Fellowship	7,004,374	7,443,686	(439,312)	-6%
Commodities	6,532,236	7,737,755	(1,205,519)	-16%
Depreciation	2,020,041	2,592,527	(572,486)	-22%
Other	0	855	(855)	-100%
Totals	63,562,475	63,771,895	(209,420)	0%





**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

Downward economic trends reflect reduced state appropriation, grants awards, and enrollment due to a lack of available financial aid and require on-going cost containment as reflected above. This is necessary as the University continues to face significant financial pressure, particularly in the areas of compensation and benefits, which represent approximately 47.8% of total operating expenses in FY 2011, as well as in the areas of technology and ongoing maintenance of facilities and infrastructure.

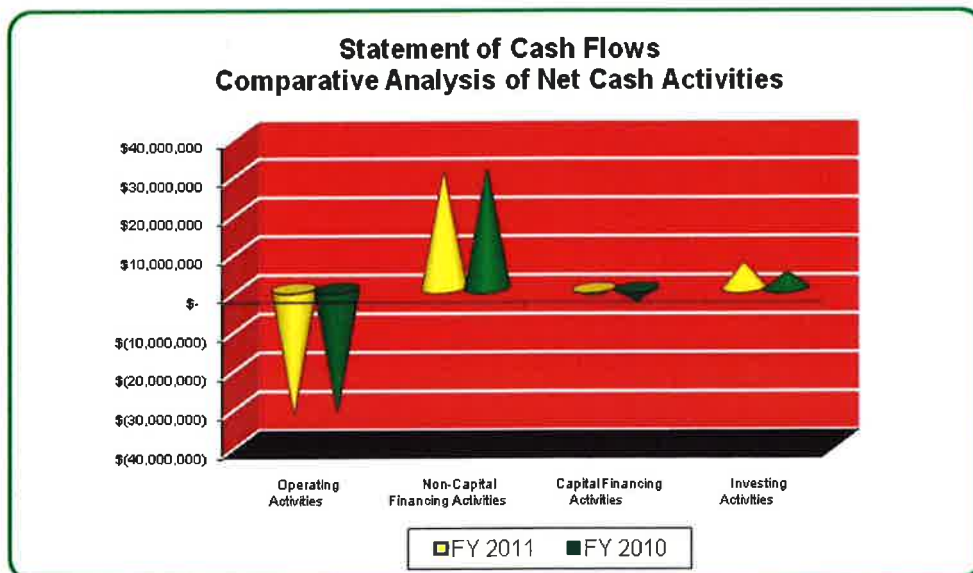
The increase in contractual expenses represents non-capital repair and maintenance expenses for campus infrastructure and campus academic buildings. The 22% decline in depreciation expense reflects fully depreciated assets.

In summary, the Statement of Revenues, Expenses, and Changes in Net Assets reflect the prudent use of the University’s 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 ability to generate net cash flows, its ability of the University to meet its obligations as they come due, and its need for external financing.

A graphical analysis of net cash activities for the years ended June 30, 2011 and 2010 is as follows:





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2011**

A summary of the net cash flows for the years ended June 30, 2011 and 2010 are as follows:

Statement of Cash Flows				
	FY 2011	FY 2010	Difference	%I(D)
Cash Provided (Used) By:				
Operating Activities	\$ (32,566,119)	\$ (32,056,256)	\$ (509,863)	2%
Non-Capital Financing Activities	30,352,498	31,203,489	(850,991)	-3%
Capital Financing Activities	(2,141,961)	(3,316,699)	1,174,738	-35%
Investing Activities	6,675,811	4,155,329	2,520,482	61%
Net Change in Cash	2,320,229	(14,137)	2,334,366	-16512%
Cash, Beginning of Year	2,179,378	2,193,515	(14,137)	-1%
Cash, End of Year	\$ 4,499,607	\$ 2,179,378	\$ 2,320,229	106%

The cash losses from operating activities primarily reflect a decline in enrollment and an increase in student accounts receivable. The decline in cash available from non-capital financing activities reflects a \$955,525 decline in state appropriations for operation. The decline in capital financing activities can be attributed to the decline in capital projects expenditures. The increase in cash for investing activities reflects the expenditure of bond proceeds held by the University and the state for approved projects.

Financial Summary and Outlook

Despite tough economic times, the University ended the FY 2011 with an increase in net assets. 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 reduction in household income limit the funds available for payment of educational expenses will continue to cause enrollment declines and increased receivables.

The University continues to aggressively seek funding from all possible sources consistent with its missions to supplement student fees, and to prudently manage the financial resources realized from these efforts. Management will also continue to adapt to these circumstances and realities through revenue enhancement and cost containment.

The University is not aware of any other current issues, decisions or conditions that would adversely affect its financial operations. The overall financial position of the University is good and stable.

MISSISSIPPI VALLEY STATE UNIVERSITY
STATEMENT OF NET ASSETS

Assets	June 30,	
	2011	2010
Current Assets:		
Cash and Cash Equivalents	\$ 4,499,607	\$ 2,179,378
Short Term Investments (note #3)	1,289,999	1,155,417
Accounts Receivables, Net (note #4)	5,203,749	5,878,460
Student Notes Receivables (note #5)	-	-
Inventories	212,358	608,230
Prepaid Expenses	227,845	195,139
Total Current Assets	11,433,558	10,016,624
Non-Current Assets:		
Restricted Cash and Cash Equivalents	-	-
Restricted Short Term Investments (note #3)	132,573	113,229
Endowment Investments (note #3)	1,674,560	1,218,574
Other Long Term Investments (note #3)	4,181,536	5,047,966
Student Notes Receivable, net (note #5)	-	-
Capital Assets, Net of Accumulated Depreciation (note #6)	63,170,376	64,021,327
Other Non-Current Assets	135,681	140,900
Total Non-Current Assets	69,294,726	70,541,996
Total Assets	\$ 80,728,284	\$ 80,558,620

Liabilities and Net Assets

Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,286,656	\$ 2,655,421
Accrued Leave Liabilities - Current Portion (note #7)	208,170	215,204
Long Term Liabilities - Current Portion (note #7)	195,000	165,000
Deferred Income	350,245	194,530
Other current liabilities	-	-
Funds Held in Trust for Others	38,504	48,929
Total Current Liabilities	3,078,575	3,279,084

Non-Current Liabilities:

Deposits Refundable (note #7)	39,010	150,471
Accrued Leave Liabilities (note #7)	1,564,359	1,557,616
Long Term Liabilities (note #7)	18,305,000	18,500,000
Other Non-Current Liabilities (note #7)	-	-
Total Non-Current Liabilities	19,908,369	20,208,087

Total Liabilities	22,986,944	23,487,171
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Net Assets:

Invested in Capital Assets, Net of Related Debt	44,806,058	45,497,226
Restricted for:		
Nonexpendable -		
Scholarships and Fellowships	1,687,329	1,227,442
Expendable -		
Scholarships and Fellowships	969,084	1,149,981
Capital Projects	83,365	83,366
Debt Service	-	1
Loans	-	-
Other Purposes	610,675	640,154
Unrestricted	9,584,829	8,473,280
Total Net Assets	57,741,340	57,071,449

Total Liabilities and Net Assets	\$ 80,728,284	\$ 80,558,620
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Summarized for Note Disclosure #1

-- Reserves held for Inventories	\$ 212,358	\$ 608,230
-- Reserves held for Prepaid Expenses	227,845	195,139
-- Auxiliary Operations	3,785,650	3,975,991
-- Designated	1,248,160	1,007,449
-- Remaining purposes	4,110,816	2,686,471
Totals	\$ 9,584,829	\$ 8,473,280

MISSISSIPPI VALLEY STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2011	2010
Operating Revenues:		
Tuition and Fees	\$ 15,797,272	\$ 16,331,877
Less: Scholarship Allowances	(8,324,913)	(8,610,116)
Less: Bad Debt Expenses	(388,682)	(283,654)
Net Tuition and Fees	7,083,677	7,438,107
Federal Appropriations	-	
Federal Grants and Contracts	9,018,612	9,994,314
State Grants and Contracts	57,378	105,611
Nongovernmental Grants and Contracts	-	
Sales and Services of Educational Departments	1,742,365	1,894,440
Auxiliary Enterprises:		
Student Housing	2,983,050	2,706,492
Food Services	2,370,868	2,302,232
Bookstore	1,874,506	2,167,494
Athletics		
Other Auxiliary Revenues	1,771,069	1,822,307
Less: Auxiliary Enterprise Scholarship Allowances	-	
Interest Earned on Loans to Students	-	
Patient Care Revenues		
Other Operating Revenues	1,395,133	1,313,483
Total Operating Revenues	\$ 28,296,658	\$ 29,744,480
 Operating Expenses:		
Salaries and Wages	22,934,674	24,708,105
Fringe Benefits	7,467,843	7,635,857
Travel	1,882,766	1,880,514
Contractual Services	13,358,603	9,230,751
Utilities	2,361,938	2,541,845
Scholarships and Fellowships	7,004,374	7,443,686
Commodities	6,532,236	7,737,755
Depreciation/Amortization Expense	2,020,041	2,515,239
Other Operating Expense		855
Total Operating Expenses	\$ 63,562,475	\$ 63,694,607
Operating Income (Loss)	(35,265,817)	(33,950,127)

Nonoperating Revenues (Expenses):

State Appropriations	16,320,386	17,275,911
Federal ARRA (SFSF) Revenues	1,794,515	1,163,781
Gifts and Grants	12,208,008	12,142,547
Investment Income, Net of Investment Expense	541,017	127,325
Interest Expense on Capital Asset---Related Debt	(813,090)	(813,330)
Other Nonoperating Revenues		
Other Nonoperating Expenses		
	\$ 30,050,836	\$ 29,896,234

Total Net Nonoperating Revenues (Expenses) **(5,214,981)** **(4,053,893)**

Income (Loss) Before Other Revenues, Expenses, Gains and Losses

Capital Grants and Gifts		
State Appropriations Restricted for Capital Purposes	5,878,276	4,479,122
Additions to Permanent Endowments	6,596	16,130
Other Additions	-	
Other Deletions	-	
	\$ 669,891	\$ 441,359

Increase in Net Assets**Net Assets**

Net Assets - Beginning of Year, as Originally Reported	57,071,449	56,630,090
Cumulative Effects of Changes in Accounting Principle		
Prior Period Adjustments		
	57,071,449	56,630,090
Net Assets - Beginning of Year, as Restated		
	\$ 57,741,340	\$ 57,071,449

MISSISSIPPI VALLEY STATE UNIVERSITY
STATEMENT OF CASH FLOWS

	June 30,	
	2011	2010
Cash Flows from Operating Activities:		
Tuition and Fees	\$ 4,215,979	\$ 7,155,765
Grants and Contracts	10,101,846	9,225,832
Sales and Services of Educational Departments	1,742,365	1,894,440
Payments to Suppliers	(21,740,737)	(18,775,302)
Payments to Employees for Salaries and Benefits	(30,563,160)	(32,381,418)
Payments for Utilities	(2,361,938)	(2,541,845)
Payments for Scholarships and Fellowships	(4,322,837)	(7,443,686)
Loans Issued to Students and Employees	-	
Collection of Loans to Students and Employees	14,495	(13,198)
Auxiliary Enterprise Charges:	-	
Student Housing	2,983,050	2,706,492
Food Services	2,370,868	2,302,232
Bookstore	1,874,506	2,167,494
Other Auxiliary Enterprises	1,771,069	1,822,307
Interest Earned on Loans to Students	-	-
Other Receipts	1,348,375	1,824,631
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	(32,566,119)	(32,056,256)
Cash Flows from Noncapital Financing Activities:		
State Appropriations	16,525,970	17,881,031
Federal ARRA (SFSF)	1,611,924	1,163,781
Gifts and Grants for Other Than Capital Purposes;	12,208,008	12,142,547
Private Gifts for Endowment Purposes	6,596	16,130
Federal Loan Program Receipts	22,046,567	24,672,782
Federal Loan Program Disbursements	(22,046,567)	(24,672,782)
Other Sources	0	0
Other Uses	0	0
Net Cash Provided by Noncapital Financing Activities	30,352,498	31,203,489
Cash Flows from Capital Financing Activities:		
Proceeds from Capital Debt		
Cash Paid for Capital Assets	(1,169,090)	(2,373,587)
Capital Appropriations Received		
Proceeds from Sale of Capital Assets	-	
Principal Paid on Capital Debt and Leases	(165,000)	(135,000)

Cash Flows from Capital Financing Activities Continued:

Interest Paid on Capital Debt and Leases	(813,090)	(813,330)
Other Sources	5,219	5,218
Other Uses	0	0
Net Cash Used by Capital and Related Financing Activities	(2,141,961)	(3,316,699)

Cash Flows from Investing Activities:

Proceeds from Sales and Maturities of Investments	6,744,706	4,715,198
Interest Received on Investments	541,017	127,325
Purchases of Investments	(609,912)	(687,194)
Net Cash Provided by Investing Activities	6,675,811	4,155,329

Net Increase (Decrease) in Cash and Cash Equivalents **2,320,229** **(14,137)**

Cash and Cash Equivalents - Beginning of the Year **2,179,378** **2,193,515**

Cash and Cash Equivalents - End of the Year **\$ 4,499,607** **\$ 2,179,378**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

Operating Income (Loss) **\$ (35,265,817)** **\$ (33,950,127)**

Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used):

Depreciation Expense/Amortization Expenses 2,020,041 2,515,239
Other 854

Changes in Assets and Liabilities:

(Increase) Decrease in Assets:

Receivables, Net 637,223 (608,458)
Increase in Due To/From Other Funds 0 0
Inventories 395,872 87,916
Prepaid Expenses (32,706) (131,892)

Increase (Decrease) in Liabilities:

Accounts Payables and Accrued Liabilities (368,765) 268,657
Deferred Revenues 155,715 (36,829)
Deposits Refundable (111,461) (43,417)
Accrued Leave Liability (291) (124,459)
Loans to Students and Employees 14,495 (13,198)
Other Liabilities (10,425) (20,542)

Total Adjustments: **2,699,698** **1,893,871**

Net Cash Provided (Used) by Operating Activities: \$ (32,566,119) \$ (32,056,256)

NON-CASH TRANSACTIONS:

1.) Cash and Cash Equivalents classified as current assets 4,499,607 2,179,378
2.) Cash and Cash Equivalents classified as non-current assets 0 0
4,499,607 2,179,378

Non-Cash Transactions Continued:

Non-Cash Capital Related

Financing and Investing Activities

Capital Assets Appropriated

\$ 5,878,276 \$ 4,479,122



Note 1: Summary of Significant Accounting Policies

Nature of Operations - Mississippi Valley State University is a medium-sized Master's S (small) university that serves the state, regional, and national communities by providing its students with the information, support, and opportunities needed to become effective communicators, critical thinkers, leaders, and socially responsible citizens; enhancing the quality of life within the Mississippi Delta and beyond; and meeting current and emerging workforce needs resulting from the opportunities and challenges of living in an increasingly interconnected world.

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 institutions do remain subject to income taxes on any income that is derived from a trade



**Notes to Financial Statements
For Year Ended June 30, 2011**

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.



**Notes to Financial Statements
For Year Ended June 30, 2011**

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts payable and accrued liabilities as of June 30, 2011 and 2010 are as follows:

	2011	2010
Payable to vendors and contractors	\$ 1,354,170	\$ 1,551,797
Accrued salaries, wages and employee	932,486	1,092,839
Other	38,504	10,785
Total	\$ 2,325,160	\$ 2,655,421

Deferred 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 \$350,245 and \$194,530 as of June 30, 2011 and 2010, 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 students to reserve housing assignments and keys. Refunds, net of damage and breakage fees, are paid to students when they leave the university.

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.



Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.



Note 1: Summary of Significant Accounting Policies (Continued)

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, 2011 and 2010 which follows:

	2011	2010
Reserves held for Inventories	\$ 212,358	\$ 608,230
Reserves held for Prepaid Expenses	227,845	195,139
Auxiliary Operations	3,785,650	3,975,991
Designated	1,248,160	1,007,449
Remaining Purposes	4,110,816	2,686,471
Totals	\$ 9,584,829	\$ 8,473,280

Note 2: Reclassifications

Certain amounts on the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows in FY 2011 were reclassified to be comparable to the FY 2010 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



**Notes to Financial Statements
For Year Ended June 30, 2011**

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.

The fair values of investments of the University at June 30, 2011 are as follows.

Issuer	Fair Value	Percentage
Regions Bank	\$ 5,270,204	72.41%
Trustmark	1,213,343	16.67%
Ameriprise	657,271	9.03%
Various (no single issuer exceeds 5%)	137,850	1.89%
Total Government Obligations	\$ 7,278,668	100.00%



**Notes to Financial Statements
For Year Ended June 30, 2011**

The fair values of investments by type of the University at June 30, 2011 are as follows.

Classification Summary	Market Value	Cost	Unrealized Gain (Loss)	Percentage
Cash	\$ 2,127	\$ 2,127	\$ -	0.03%
Money Market Funds	162,781	162,782	-	2.24%
Domestic Equity Securities	420,378	315,374	105,004	5.78%
Domestic Equity Mutual Funds	167,661	139,660	28,001	2.30%
International Equity Mutual Funds	10,984	12,992	(2,008)	0.15%
Domestic Mutual Funds	571,107	504,903	66,204	7.85%
International Mutual Funds	11,038	9,981	1,057	0.15%
Domestic Bond Mutual Funds	155,064	154,972	92	2.13%
International Bond Mutual Funds	5,460	4,350	1,110	0.08%
Corporate Bonds and Notes	199,233	195,172	4,061	2.74%
U S Government Obligations	3,343,272	3,344,569	(1,297)	45.93%
U S Treasury Obligations	74,042	72,752	1,290	1.02%
Regions Certificates of Deposit	865,522	865,522	-	11.89%
Regions Repurchase Agreement	1,289,999	1,289,999	-	17.72%
Grand Total Investments	\$ 7,278,668	\$ 7,075,155	\$ 203,514	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, 2011 which are as follows:

Investment Type	Fair Value	Years to Maturity			
		Less than 1	1 to 5	6 to 10	More than 10
US Government Obligations	\$ 3,035,207	\$ -	\$ 1,802,577	\$ 15,262	\$ 1,217,367
Mutual Funds	760,790	760,790	-	-	-
US Treasury Obligations	82,085	33,089	8,042	30,805	10,149
Corporate Bonds & Notes	191,189	21,854	67,119	86,142	16,074
Bond Mutual Funds	160,523	51,039	-	-	109,484
Sub-total	4,229,794	866,772	1,877,738	132,209	1,353,074
Investments Not Requiring Disclosure	3,048,874	-	-	-	-
Total	\$ 7,278,668	\$ 866,772	\$ 1,877,738	\$ 132,209	\$ 1,353,074

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, 2011, the University has the following investment credit profile:



**Notes to Financial Statements
For Year Ended June 30, 2011**

Note 3: Cash and Investments (continued)

Credit Ratings:	2011	2010
	Fair Value	Fair Value
Aaa	\$ 1,895,237	\$ 1,565,361
Aa1	21,649	3,280
Aa2	36,211	5,362
Aa3	18,657	9,004
A1	17,773	17,773
A2	22,218	22,218
A3	9,178	9,178
Baa1	11,474	6,319
Baa2	28,621	13,618
Baa3	8,843	6,631
Not Rated	5,208,807	5,876,442
Total	\$ 7,278,668	\$ 7,535,186

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, 2011.

Issuer	Fair Value	Percentage
Regions Bank	\$ 5,270,204	72.41%
Trustmark	1,213,343	16.67%
Ameriprise	657,271	9.03%
Various (no single issuer exceeds 5%)	137,850	1.89%
Total Government Obligations	\$ 7,278,668	100.00%

Note 4: Accounts Receivable

Accounts receivable at June 30, 2011 and 2010 are as follows:

Type of Receivable	2011	2010
Student Fees	\$ 7,567,362	\$ 6,850,600
Employees	9,581	24,076
State Appropriation	896,346	919,339
Grants and Contracts	808,995	1,834,851
Other	170,352	123,594
Total Accounts Receivable	9,452,636	9,752,460
Less: Bad Debt Provision	(4,248,887)	(3,874,000)
Net Accounts Receivable	\$ 5,203,749	\$ 5,878,460



**Notes to Financial Statements
For Year Ended June 30, 2011**

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, 2011 is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Non-Depreciable Assets				
Land	\$ 47,500	\$ -	\$ -	\$ 47,500
Construction in Progress	2,563,443	1,120,367	(2,522,243)	1,161,567
Total Non-Depreciable Capital Assets	2,610,943	1,120,367	(2,522,243)	1,209,067
Depreciable Capital Assets				
Improvements Other Than Buildings	11,508,037	2,365,838		13,873,875
Buildings	72,175,172	80,583		72,255,755
Equipment	8,399,066	121,185		8,520,251
Library Books	6,514,679	3,360		6,518,039
Total Depreciable Assets	98,596,954	2,570,966	-	101,167,920
Total Capital Assets	101,207,897	3,691,333	(2,522,243)	102,376,987
Less: Accumulated Depreciation				
Improvements Other Than Buildings	5,417,826	376,649		5,794,475
Buildings	19,715,919	1,210,049		20,925,968
Equipment	6,131,298	278,482		6,409,780
Library Books	5,921,527	154,861		6,076,388
Total Accumulated Depreciation	37,186,570	2,020,041	-	39,206,611
Net Capital Assets	\$ 64,021,327	\$ 1,671,292	\$ (2,522,243)	\$ 63,170,376

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 Useful Life	Salvage Value	Capitalization Threshold
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, 2011**

Note 7: Long-term Liabilities

Long-term liabilities of the University which consist of bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2011, is presented as follows:

	Date of Issue	Maturity Date	Interest Rate	Principal Interest Date	Original Issue	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011	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	\$ 18,665,000		\$ 165,000	\$ 18,500,000	\$ 195,000
Total Bond Debt					<u>19,015,000</u>	<u>18,665,000</u>	<u>-</u>	<u>165,000</u>	<u>18,500,000</u>	<u>195,000</u>
Other Long-term Liabilities										
Accrued Leave Liability						1,772,820		-291.00	1,772,529	208,170
Deposit Refundable						150,471		111,461	39,010	
Total Other Long-term Liabilities						<u>1,923,291</u>	<u>-</u>	<u>111,170</u>	<u>1,811,539</u>	<u>208,170</u>
Total						<u>\$ 20,588,291</u>	<u>\$ -</u>	<u>\$ 276,170</u>	<u>20,311,539</u>	<u>\$ 403,170</u>
Due within One year									(403,170)	
Total Long-term Liabilities									<u>\$ 19,908,369</u>	

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

Fiscal Year	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2012	\$ 195,000	\$ -	\$ -	\$ 798,225	\$ 993,225
2013	230,000			790,425	1,020,425
2014	265,000			781,225	1,046,225
2015	290,000			770,625	1,060,625
2016	335,000			759,025	1,094,025
2017-2021	2,310,000			3,561,325	5,871,325
2022-2026	2,790,000			3,044,981	5,834,981
2027-2031	4,175,000			2,364,238	6,539,238
2032-2036	6,325,000			1,255,275	7,580,275
2037	1,585,000			71,325	1,656,325
Total	\$ 18,500,000	\$ -	\$ -	\$ 14,196,669	\$ 32,696,669

Note 8: Operating Leases

Lease expenses totaled \$112,872 and \$137,231 for the fiscal years ending June 30, 2011 and 2010, respectively.



**Notes to Financial Statements
For Year Ended June 30, 2011**

Note 9: Natural Classifications with Functional Classifications

Operating expenses by functional classifications for the fiscal years ended June, 30, 2011 and 2010 are as follows:

2011										
Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 9,397,375	\$ 3,045,120	\$ 398,560	\$ 1,461,919	\$ 9,456	\$ 549,882	\$ 1,451,319			\$16,313,631
Research	251,726	77,967	17,874	12,517			8,656			368,740
Public Service	1,838,693	523,312	94,171	533,053	698	142,659	225,716			3,358,302
Academic Support	1,650,893	565,322	141,962	1,004,930		10	384,929			3,748,046
Student Services	2,458,839	807,338	1,019,930	944,820	599	240,532	630,136			6,102,194
Institutional Support	3,404,101	1,110,237	191,209	1,065,938		33,872	276,062			6,081,419
Physical Plant	2,192,668	839,805	12,503	5,974,172	1,497,394		1,038,437			11,554,979
Student Aid	506,834			117,621		6,037,419	126,899			6,788,773
Auxiliary Enterprises	1,233,545	498,742	6,557	2,243,633	853,791		2,390,082			7,226,350
Depreciation Exp								\$2,020,041		2,020,041
Total	\$ 22,934,674	\$ 7,467,843	\$ 1,882,766	\$ 13,358,603	\$ 2,361,938	\$ 7,004,374	\$ 6,532,236	\$ 2,020,041	\$ -	\$63,562,475

2010										
Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Other	Total
Instruction	\$ 10,274,815	\$ 3,120,705	\$ 406,620	\$ 948,981	\$ 7,736	\$ 646,288	\$ 946,810			\$16,351,955
Research	203,085	60,184	13,794	19,887			8,940			305,890
Public Service	2,050,347	522,032	183,906	425,533		157,269	270,108			3,609,195
Academic Support	1,755,930	564,023	132,854	1,288,039			363,474			4,104,320
Student Services	2,541,269	825,378	927,939	940,858		267,556	625,715			6,128,715
Institutional Support	3,780,436	1,184,128	196,833	1,328,154		33,898	402,495			6,925,944
Physical Plant	2,326,179	860,058	14,817	1,558,767	1,621,940		5,150,926		\$ 855	11,533,542
Student Aid	422,218			14,875		6,338,675	189,822			6,965,590
Auxiliary Enterprises	1,353,826	499,349	3,751	2,705,657	912,169		(220,535)			5,254,217
Depreciation Exp								\$2,515,239		2,515,239
Total	\$ 24,708,105	\$ 7,635,857	\$ 1,880,514	\$ 9,230,751	\$ 2,541,845	\$ 7,443,686	\$ 7,737,755	\$ 2,515,239	\$ 855	\$63,694,607

Note 10: Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2011. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:



**Notes to Financial Statements
For Year Ended June 30, 2011**

Construction Projects	Cost to Complete	Funded by	
		State Sources	Institutional Funds
Harrison Gym Renovation (Wellness Center)	\$ 10,000,000	\$ 10,000,000	\$ -
Library Enhancements	4,500,000	4,500,000	-
President's Home	900,000	900,000	-
Waste Water Treatment Plant	7,500,000	7,500,000	-
Academic Skill Redesign	1,589,104	2,716	-
Stadium Seating Replacement	6,400,000	607,271	-
Edna Horton Hall Shower Renovation	1,000,000	-	1,000,000
Total	\$ 31,889,104	\$ 23,509,987	\$ 1,000,000

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 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate increased to 12% as of July 1, 2011 from 11.85%. 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, 2011, 2010 and 2009 were as follows:



**Notes to Financial Statements
For Year Ended June 30, 2011**

Institution's Contribution	Total	PERS	ORP
FY 2011	\$ 2,058,968	\$ 1,923,784	\$ 135,184
FY 2010	2,209,812	2,065,287	144,525
FY 2009	2,240,705	2,109,332	131,373

Note 12: Donor Restricted Endowments

The Statement of Net Assets includes non-current endowment investments totaling \$1,536,076 and \$1,218,574 for the fiscal years ended June 30, 2011 and 2010, respectively. These funds are invested primarily in U.S. Government agency obligations; therefore, there is no appreciation on the amount invested. 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 100% of the interest earned.

Note 13: Federal Direct Lending and FFEL Programs

Effective July 1, 2011, the FFEL Program was eliminated and the University began participating in the Federal Direct Loan Program. The University distributed \$22,046,567 and \$24,672,782 student loans for the fiscal years ended June 30, 2011 and 2010, 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



**Notes to Financial Statements
For Year Ended June 30, 2011**

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 \$441,602 and \$208,472 for the fiscal years ended June 30, 2011 and 2010, respectively.

Note 15: Risk Management (continued)

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 \$142,891 and \$88,838 for the fiscal years ended June 30, 2011 and 2010, 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 \$236,931 and \$328,438 for fiscal years ended June 30, 2011 and 2010, 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.



**Notes to Financial Statements
For Year Ended June 30, 2011**

Note 17: Sub-Recipients

The University did not provide federal awards to sub-recipients for the fiscal year ended June 30, 2011.

Note 18: Subsequent Events

There have been no events subsequent to June 30, 2011 which would materially affect the financial statements as presented.