

MISSISSIPPI VALLEY STATE UNIVERSITY



GASB
2011-2012

THE VALLEY RENAISSANCE
Soaring to New Heights



Mississippi Valley State University

September 12, 2012

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, 2012, prepared in accordance with Government Accounting Standards Board (GASB) principles, is hereby submitted for your review.

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, 2012 and 2011 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, 2012, with selected comparative information for the year ended June 30, 2011. 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.

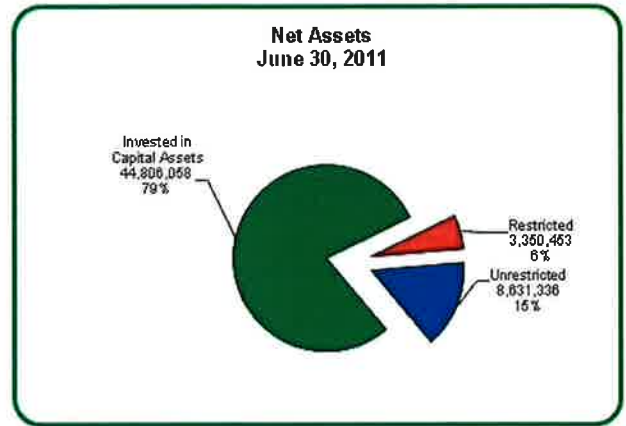
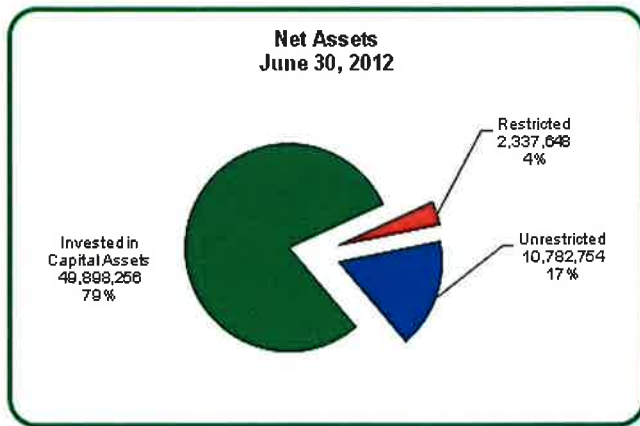
Assets and liabilities are generally measured using current values. One notable exception, however, is capital assets, which are stated at historical cost less an allowance for depreciation.

Net Assets are divided into three major categories; invested in capital, restricted and unrestricted assets. 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, 2012**

has been reserved for prepayments, inventories, auxiliaries operations, designated purposes and other purposes. The distribution of net assets for FY 2012 and FY 2011 are as follows:



The Statement of Net Assets for the years ended June 30, 2012 and 2011 is as follows:

Statement of Net Assets

	FY 2012	FY 2011	Difference	% (D)
Assets:				
Current Assets	\$ 14,795,141	\$ 10,548,833	\$ 4,246,308	9%
Non-current Assets	70,632,661	69,294,726	1,337,935	3%
Total Assets	\$ 85,427,802	\$ 79,843,559	\$ 5,584,243	12%
Liabilities:				
Current Liabilities	\$ 2,875,955	\$ 3,147,343	\$ (271,388)	-9%
Non-current Liabilities	19,533,189	19,908,369	(375,180)	-2%
Total Liabilities	\$ 22,409,144	\$ 23,055,712	\$ (646,568)	-3%
Net Assets:				
Invested in Capital Assets	\$ 49,898,256	\$ 44,806,058	\$ 5,092,198	11%
Restricted	2,337,648	3,350,453	(1,012,805)	-30%
Unrestricted	10,782,754	8,631,336	2,151,418	25%
Total Net Assets	\$ 63,018,658	\$ 56,787,847	\$ 6,230,811	11%

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.



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012**

The increase in current assets is primarily due to an increase in cash, investments and students receivables which was offset by lower grant awards due to timely collections, and a reduction in bookstore inventory. Non-current assets increased 3%.

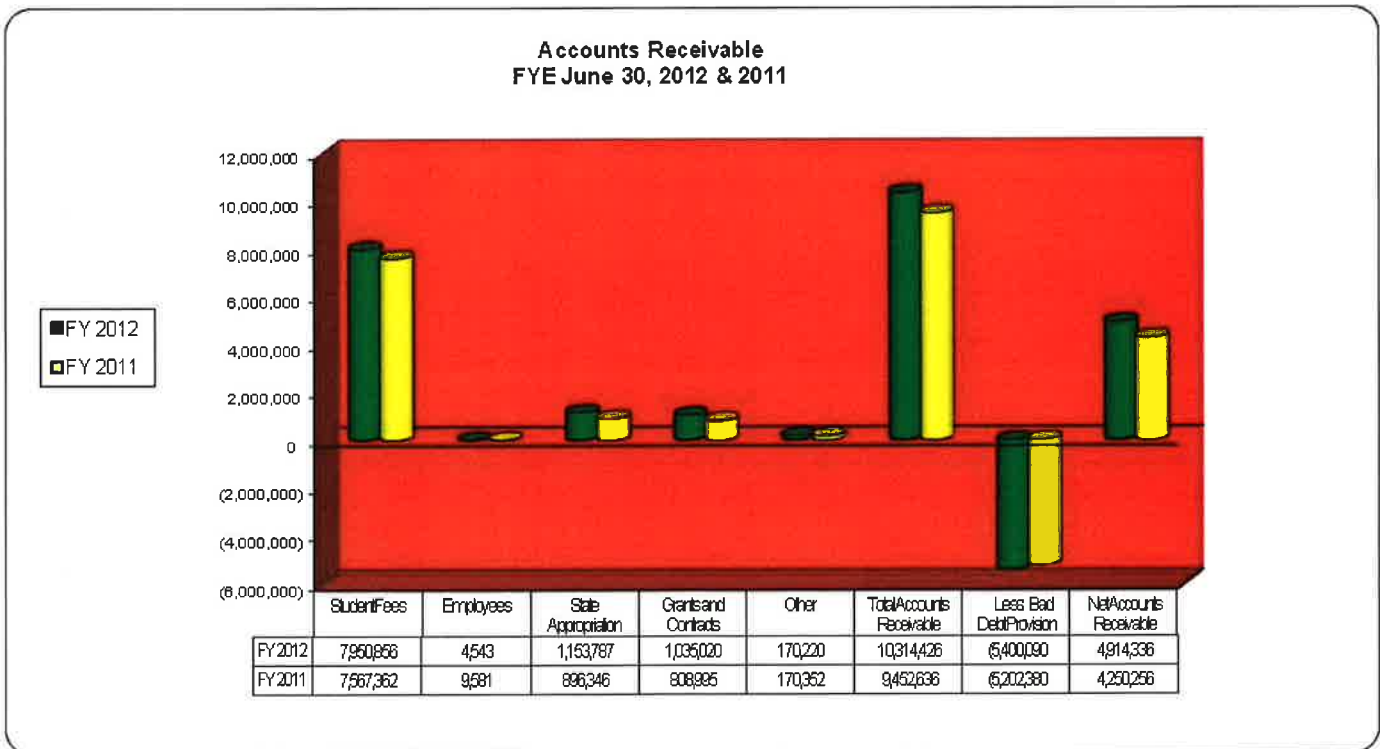
Current liabilities decreased by approximately 9% primarily due to a decline in amounts payable to vendors and employees.

Non-current liabilities include long-term debt, accrued leave liability and others. The decline in non-current liabilities can be attributed to principal payments on debt and accrued leave used by employees. Debt service payments were current and there were no debt covenant violations.

The restricted net assets declined 30% primarily due to the restriction on an endowment totaling \$1,007,256 which was released and reclassified to unrestricted net assets.

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, 2012 and 2011.





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012**

The following table shows the comparison of receivables at June 30, 2012 and 2011.

Type of Receivable	FY 2012	FY 2011	Difference	%
Student Fees	7,950,856	7,567,362	383,494	5%
Employees	4,543	9,581	(5,038)	-53%
State Appropriation	1,153,787	896,346	257,441	29%
Grants and Contracts	1,035,020	808,995	226,025	28%
Other	170,220	170,352	(132)	0%
Total Accounts Receivable	10,314,426	9,452,636	861,790	9%
Less: Bad Debt Provision	(5,400,090)	(5,202,380)	(197,710)	4%
Net Accounts Receivable	4,914,336	4,250,256	664,080	16%

The student fees receivable increase of 5% 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 53% decrease in employee receivable can be attributed to more timely billings and collections. The 28% increase in grants receivables was due to the timing of reimbursement requests from the granting agencies.

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, 2012**

The Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2012 and 2011 is as follows:

**Statement of Revenues, Expenses,
and Changes in Net Assets**

	FY 2012	FY 2011	Difference	%I(D)
Operating Revenues	\$ 27,244,985	\$ 27,343,165	\$ (98,180)	0%
Operating Expenses	64,050,005	63,562,475	487,530	1%
Operating Loss	(36,805,020)	(36,219,310)	(585,710)	2%
Non-operating Revenues and Expenses	29,744,305	30,050,836	(306,531)	-1%
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7,060,715)	(6,168,474)	(892,241)	14%
Other Revenues, Expenses, Gains or Losses	13,291,526	5,884,872	7,406,654	126%
Increase in Net Assets	6,230,811	(283,602)	6,514,413	-2297%
Net Assets - Beginning of Year	56,787,847	57,071,449	(283,602)	0%
Net Assets - End of Year	\$ 63,018,658	\$ 56,787,847	\$ 6,230,811	11%

Operating expenses are incurred as a result of normal operations of the University but also include depreciation on capital assets. Operating revenues which are primarily attributed to tuition and fees basically remained the same from year to year. Although there was a decline in enrollment there was an increase in the proportion of non-resident students. Operating expenses, including depreciation expense, reflect a stable operation.

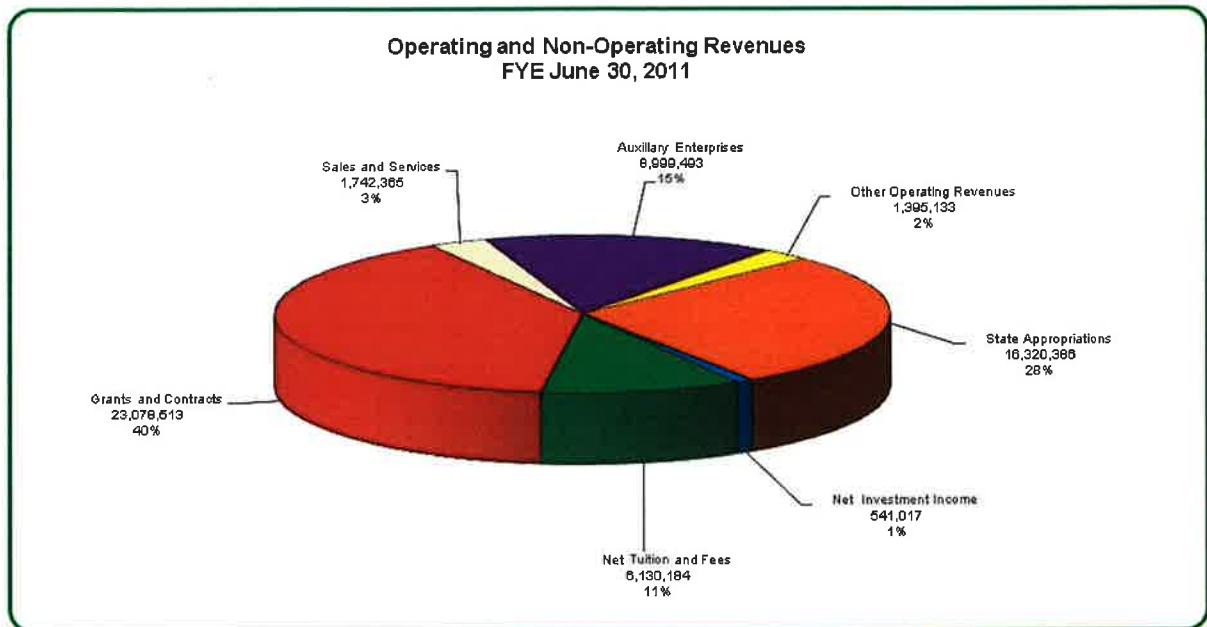
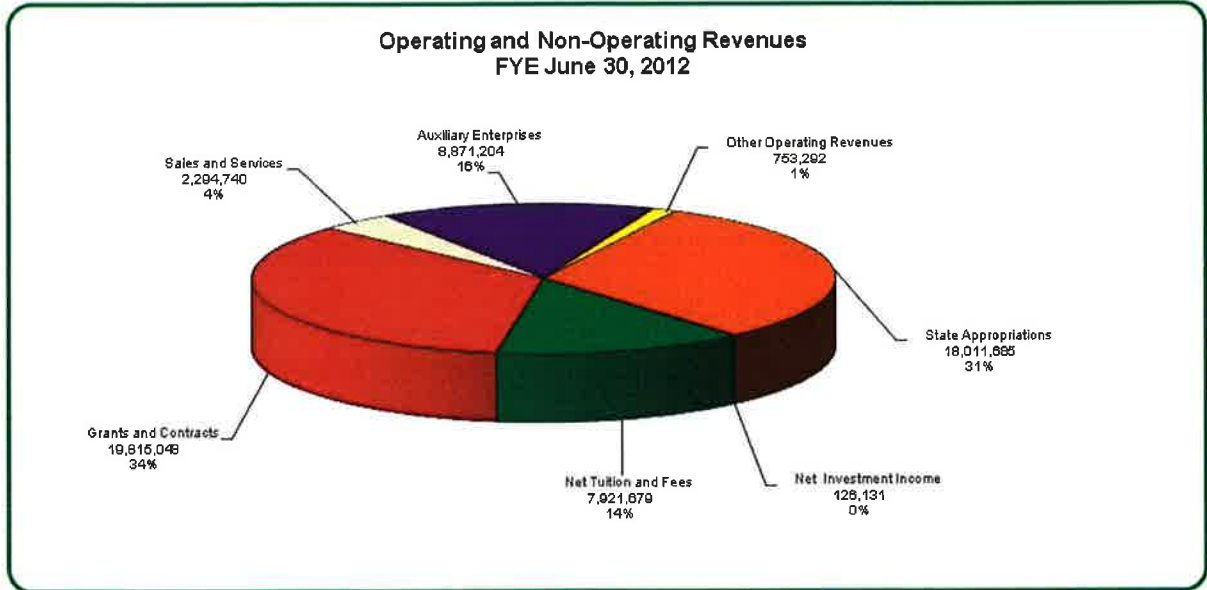
Non-operating revenues decreased by \$306,531. The decrease in federal stimulus grants was offset by an increase in state appropriations for special projects. The primary decrease was as a result of a decrease in investment income.

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, 2012

A graphical distribution of the operating and non-operating revenues for the years ended June 30, 2012 and 2011 is as follows:





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012**

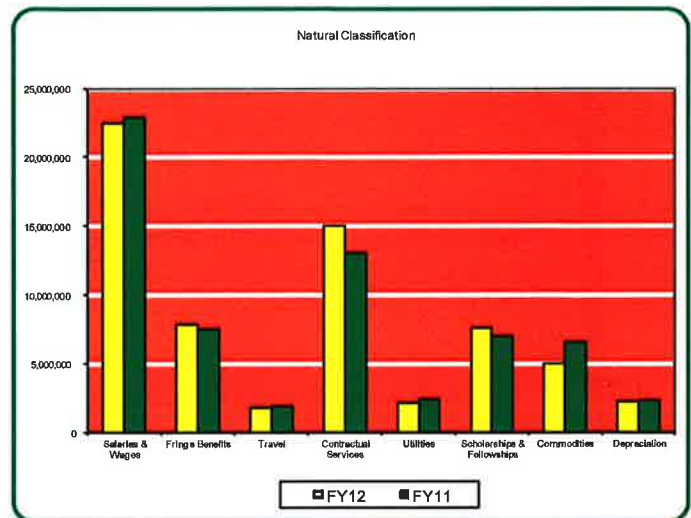
A comparison of operating and nonoperating revenues for the years ended June 30, 2012 and 2011 is as follows:

Revenues	FY 12	FY 11	I(D)	I(D) %
Net Tuition and Fees	7,921,679	6,130,184	1,791,495	29%
Grants and Contracts	19,815,048	23,078,513	(3,263,465)	-14%
Sales and Services	2,294,740	1,742,365	552,375	32%
Auxiliary Enterprises	8,871,204	8,999,493	(128,289)	-1%
Other Operating Revenues	753,292	1,395,133	(641,841)	-46%
State Appropriations	18,011,685	16,320,386	1,691,299	10%
Net Investment Income	126,131	541,017	(414,886)	-77%
Total Revenues	57,793,779	58,207,091	(413,312)	-1%

The net revenue decline primarily reflects fewer grant award expenditures, offset by increased Net Tuition and Fees and State Appropriations.

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, 2012 and 2011 is as follows:

	FY12	FY11	I (D)	% I (D)
Salaries & Wages	22,439,682	22,934,674	(494,992)	-2%
Fringe Benefits	7,833,154	7,467,843	365,311	5%
Travel	1,808,107	1,882,766	(74,659)	-4%
Contractual Services	14,994,337	13,036,228	1,958,109	15%
Utilities	2,130,519	2,361,938	(231,419)	-10%
Scholarships & Fellowship	7,551,586	7,004,374	547,212	8%
Commodities	5,032,420	6,532,236	(1,499,816)	-23%
Depreciation	2,260,200	2,342,416	(82,216)	-4%
Totals	64,050,005	63,562,476	487,530	1%



Downward economic trends reflect reduced grants awards, investment income 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 35.1% of total operating expenses in FY 2012, as well as in the areas of technology and ongoing maintenance of facilities and infrastructure.



Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012

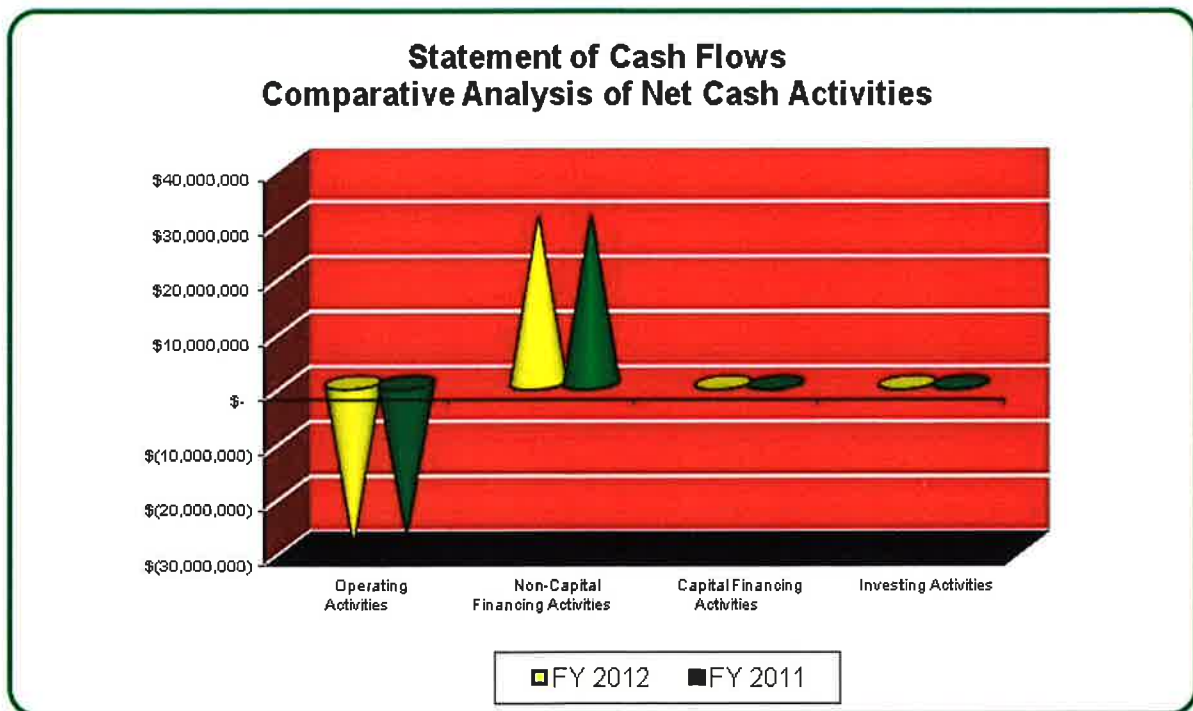
The increase in contractual expenses represents non-capital repair and maintenance expenses for campus infrastructure and campus academic buildings as well as increased scholarships.

In summary, the University achieved an increase in its unrestricted net assets of \$2,151,418 or 25%. 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, the 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, 2012 and 2011 is as follows:





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2012**

A summary of the net cash flows for the years ended June 30, 2012 and 2011 are as follows:

Statement of Cash Flows

Cash Provided (Used) By:	FY 2012	FY 2011	Difference	%I(D)
Operating Activities	\$ (29,097,619)	\$ (27,394,075)	\$ (1,703,544)	6%
Non-Capital Financing Activities	30,165,222	30,352,498	(187,276)	-1%
Capital Financing Activities	(1,129,505)	(1,366,961)	237,456	-17%
Investing Activities	174,826	797,535	(622,709)	-78%
Net Change in Cash	112,924	2,388,997	(2,276,073)	-95%
Cash, Beginning of Year	4,568,375	2,179,378	2,388,997	110%
Cash, End of Year	\$ 4,681,299	\$ 4,568,375	\$ 112,924	2%

The cash losses from operating activities primarily reflect an increase in student accounts receivable and a reduction in grants and contracts. The decrease 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 2012 with an increase in net assets. 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 negatively impact enrollment and cause increases in receivables.

The downward economic trend in the nation and state of Mississippi continues to present challenges for the University in maintaining its financial position. However 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

	June 30,	
	2012	2011
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 4,681,299	\$ 4,568,375
Short Term Investments (note #3)	4,814,973	1,289,999
Accounts Receivables, Net (note #4)	4,914,336	4,250,256
Student Notes Receivables (note #5)	-	-
Inventories	220,682	212,358
Prepaid Expenses	163,851	227,845
Total Current Assets	14,795,141	10,548,833
Non-Current Assets:		
Restricted Cash and Cash Equivalents	-	-
Restricted Short Term Investments (note #3)	63,153	132,573
Endowment Investments (note #3)	1,668,797	1,674,560
Other Long Term Investments (note #3)	697,455	4,181,536
Student Notes Receivable, net (note #5)	-	-
Capital Assets, Net of Accumulated Depreciation (note #6)	68,072,793	63,170,376
Other Non-Current Assets	130,463	135,681
Total Non-Current Assets	70,632,661	69,294,726
Total Assets	\$ 85,427,802	\$ 79,843,559
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,153,277	\$ 2,355,424
Accrued Leave Liabilities - Current Portion (note #7)	169,678	208,170
Long Term Liabilities - Current Portion (note #7)	230,000	195,000
Deferred Income	263,202	350,245
Other current liabilities	-	-
Funds Held in Trust for Others	59,798	38,504
Total Current Liabilities	2,875,955	3,147,343

Non-Current Liabilities:

Deposits Refundable (note #7)	32,896	39,010
Accrued Leave Liabilities (note #7)	1,425,293	1,564,359
Long Term Liabilities (note #7)	18,075,000	18,305,000
Other Non-Current Liabilities (note #7)	-	-
Total Non-Current Liabilities	19,533,189	19,908,369
Total Liabilities	22,409,144	23,055,712

Net Assets:

Invested in Capital Assets, Net of Related Debt	49,898,256	44,806,058
Restricted for:		
Nonexpendable -		
Scholarships and Fellowships	687,715	1,687,329
Expendable -		
Scholarships and Fellowships	974,706	969,084
Capital Projects	11,650	83,365
Debt Service	71,715	-
Loans	-	-
Other Purposes	591,862	610,675
Unrestricted	10,782,754	8,631,336
Total Net Assets	63,018,658	56,787,847
Total Liabilities and Net Assets	\$ 85,427,802	\$ 79,843,559

Summarized for Note Disclosure #1

-- Reserves held for Inventories	\$ 220,682	\$ 212,358
-- Reserves held for Prepaid Expenses	163,851	227,845
-- Auxiliary Operations	3,266,410	3,785,650
-- Designated	1,379,820	1,248,160
-- Remaining purposes	5,751,991	3,157,323
Totals	\$ 10,782,754	\$ 8,631,336

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

	June 30,	
	2012	2011
Operating Revenues:		
Tuition and Fees	\$ 16,510,382	\$ 15,797,272
Less: Scholarship Allowances	(8,376,207)	(8,324,913)
Less: Bad Debt Expenses	(212,496)	(1,342,175)
Net Tuition and Fees	7,921,679	6,130,184
Federal Appropriations	-	
Federal Grants and Contracts	7,363,029	9,018,612
State Grants and Contracts	41,041	57,378
Nongovernmental Grants and Contracts	-	
Sales and Services of Educational Departments	2,294,740	1,742,365
Auxiliary Enterprises:		
Student Housing	3,023,035	2,983,050
Food Services	2,438,415	2,370,868
Bookstore	1,742,740	1,874,506
Athletics		
Other Auxiliary Revenues	1,667,014	1,771,069
Less: Auxiliary Enterprise Scholarship Allowances	-	
Interest Earned on Loans to Students	-	
Patient Care Revenues		
Other Operating Revenues	753,292	1,395,133
Total Operating Revenues	\$ 27,244,985	\$ 27,343,165
Operating Expenses:		
Salaries and Wages	22,439,682	22,934,674
Fringe Benefits	7,833,154	7,467,843
Travel	1,808,107	1,882,766
Contractual Services	14,994,337	13,358,603
Utilities	2,130,519	2,361,938
Scholarships and Fellowships	7,551,586	7,004,374
Commodities	5,032,420	6,532,236
Depreciation/Amortization Expense	2,260,200	2,020,041
Other Operating Expense		
Total Operating Expenses	\$ 64,050,005	\$ 63,562,475
Operating Income (Loss)	(36,805,020)	(36,219,310)

Nonoperating Revenues (Expenses):

State Appropriations	18,011,685	16,320,386
Federal ARRA (SFSF) Revenues		1,794,515
Gifts and Grants	12,410,978	12,208,008
Investment Income, Net of Investment Expense	126,131	541,017
Interest Expense on Capital Asset---Related Debt	(804,498)	(813,090)
Other Nonoperating Revenues		
Other Nonoperating Expenses		
	<u>\$ 29,744,305</u>	<u>\$ 30,050,836</u>

Total Net Nonoperating Revenues (Expenses) (7,060,715) (6,168,474)

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

Capital Grants and Gifts		
State Appropriations Restricted for Capital Purposes	13,272,121	5,878,276
Additions to Permanent Endowments	14,405	6,596
Other Additions	-	
Other Deletions	-	
	<u>\$ 6,230,811</u>	<u>\$ (283,602)</u>

Increase in Net Assets**Net Assets**

Net Assets - Beginning of Year, as Originally Reported	56,787,847	57,071,449
Cumulative Effects of Changes in Accounting Principle		
Prior Period Adjustments		
	<u>56,787,847</u>	<u>57,071,449</u>
Net Assets - Beginning of Year, as Restated		
	<u>\$ 63,018,658</u>	<u>\$ 56,787,847</u>

MISSISSIPPI VALLEY STATE UNIVERSITY
STATEMENT OF CASH FLOWS

	June 30,	
	2012	2011
Cash Flows from Operating Activities:		
Tuition and Fees	\$ 7,642,739	\$ 6,823,543
Grants and Contracts	7,178,044	10,101,846
Sales and Services of Educational Departments	2,294,740	1,742,365
Payments to Suppliers	(15,801,586)	(16,494,720)
Payments to Employees for Salaries and Benefits	(30,354,093)	(30,563,160)
Payments for Utilities	(2,130,519)	(2,361,938)
Payments for Scholarships and Fellowships	(7,556,610)	(7,004,374)
Loans Issued to Students and Employees	-	-
Collection of Loans to Students and Employees	5,038	14,495
Auxiliary Enterprise Charges:	-	-
Student Housing	3,023,035	2,983,050
Food Services	2,438,415	2,370,868
Bookstore	1,742,740	1,874,506
Other Auxiliary Enterprises	1,667,014	1,771,069
Interest Earned on Loans to Students	-	-
Other Receipts	753,424	1,348,375
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	(29,097,619)	(27,394,075)
Cash Flows from Noncapital Financing Activities:		
State Appropriations	17,754,244	16,525,970
Federal ARRA (SFSF)	-	1,611,924
Gifts and Grants for Other Than Capital Purposes;	12,410,978	12,208,008
Private Gifts for Endowment Purposes	-	6,596
Federal Loan Program Receipts	22,552,447	22,046,567
Federal Loan Program Disbursements	(22,552,447)	(22,046,567)
Other Sources	0	0
Other Uses	0	0
Net Cash Provided by Noncapital Financing Activities	30,165,222	30,352,498
Cash Flows from Capital Financing Activities:		
Proceeds from Capital Debt	-	-
Cash Paid for Capital Assets	(135,234)	(414,066)
Capital Appropriations Received	-	-
Proceeds from Sale of Capital Assets	-	-
Principal Paid on Capital Debt and Leases	(195,000)	(165,000)

Cash Flows from Capital Financing Activities Continued:

Interest Paid on Capital Debt and Leases	(804,498)	(813,090)
Other Sources	5,218	25,195
Other Uses	0	0
Net Cash Used by Capital and Related Financing Activities	(1,129,505)	(1,366,961)

Cash Flows from Investing Activities:

Proceeds from Sales and Maturities of Investments	3,685,395	6,826,949
Interest Received on Investments	14,405	131,006
Purchases of Investments	(3,524,974)	(6,160,420)
Net Cash Provided by Investing Activities	174,826	797,535

Increase (Decrease) in Cash and Cash Equivalents **112,924** **2,388,997**

Cash and Cash Equivalents - Beginning of the Year **4,568,375** **2,179,378**

Cash and Cash Equivalents - End of the Year **\$ 4,681,299** **\$ 4,568,375**

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

Operating Income (Loss) **\$ (36,805,020)** **\$ (36,219,310)**

Adjustments to Reconcile Net Income (Loss) to Net

Depreciation Expense/Amortization Expenses 2,260,200 2,342,416
Other 6,249,738 4,757,908

Changes in Assets and Liabilities:

(Increase) Decrease in Assets:

Receivables, Net (406,639) 1,628,204
Inventories (8,324) 395,872
Prepaid Expenses 63,994 (32,706)

Increase (Decrease) in Liabilities:

Accounts Payables and Accrued Liabilities (202,147) (299,997)
Deferred Revenues (87,043) 155,715
Deposits Refundable (6,114) (111,461)
Accrued Leave Liability (177,558) (291)
Loans to Students and Employees 0 0
Other Liabilities 21,294 (10,425)

Total Adjustments: **7,707,401** **8,825,235**

Net Cash Provided (Used) by Operating Activities: \$ (29,097,619) \$ (27,394,075)

NON-CASH TRANSACTIONS:

1.) Cash and Cash Equivalents classified as current assets 4,681,299 4,568,375
2.) Cash and Cash Equivalents classified as non-current assets 0 0
4,681,299 4,568,375

Non-Cash Transactions Continued:

Non-Cash Capital Related

Financing and Investing Activities

Capital Assets Appropriated

	<u>\$ 13,277,121</u>	<u>\$ 5,878,276</u>
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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, 2012**

or business regularly carried on and not in furtherance of the purpose for which it was granted an exemption. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.

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

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

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

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

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

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



Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Accounts payable and accrued liabilities as of June 30, 2012 and 2011 are as follows:

	2012	2011
Payable to vendors and contractors	\$ 1,124,493	1,354,170
Accrued salaries, wages and employee withholdings	1,028,785	1,001,254
Other	59,798	38,504
Total	\$ 2,213,076	2,393,928



Note 1: Summary of Significant Accounting Policies (Continued)

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, 2012 and 2011, 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.

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



Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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



**Notes to Financial Statements
For Year Ended June 30, 2012**

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2012 and 2011 which follows:

	2012	2011
Reserves held for Inventories	\$ 220,682	\$ 212,358
Reserves held for Prepaid Expenses	163,851	227,845
Auxiliary Operations	3,266,410	3,785,650
Designated	1,379,820	1,248,160
Remaining Purposes	5,751,991	3,157,323
Totals	\$ 10,782,754	\$ 8,631,336

Note 2: Reclassifications

Certain amounts on the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows in FY 2012 were reclassified to be comparable to the FY 2011 presentations.

Note 3: Cash and Investments

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

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



**Notes to Financial Statements
For Year Ended June 30, 2012**

Note 3: Cash and Investments (Continued)

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, 2012 are as follows.

	Fair Value	Percentage
Regions	5,198,347	72%
Trustmark	1,235,906	17%
Ameriprise	656,439	9%
Various (no single issuer exceeds 5%)	153,686	2%
Total Investments	\$ 7,244,378	100%

The fair values of investments by type of the University at June 30, 2012 are as follows.

Classification summary	Fair value	Cost	Accumulated unrealized gain (loss)	Percentage of fair value
Cash	\$ 1,540	1,540	-	0.02%
Money market funds	173,541	165,604	7,937	2.40%
Domestic equity securities	448,849	340,622	108,227	6.20%
Domestic equity mutual funds	160,814	145,430	15,384	2.22%
Domestic mutual funds	572,509	525,656	46,853	7.90%
International mutual funds	9,150	9,060	90	0.13%
Domestic Bond mutual funds	140,704	139,306	1,398	1.94%
International Bond mutual funds	3,512	3,134	378	0.05%
Corporate bonds and Notes	184,279	176,674	7,605	2.54%
U S Government obligations	3,408,695	3,401,011	7,684	47.05%
U S Treasury obligations	64,070	60,378	3,692	0.88%
Repurchase agreement	1,210,000	1,210,000	-	16.70%
Certificate of deposit	866,715	866,715	-	11.96%
Grand total cash and investments	\$ 7,244,378	7,045,130	199,248	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, 2012 which are as follows:



**Notes to Financial Statements
For Year Ended June 30, 2012**

Note 3: Cash and Investments (continued)

	Fair value	Years to maturity			
		Less than 1	1 to 5	6 to 10	More than 10
U S Government Obligations	\$ 3,391,141	\$ 2,114,376	\$ -	\$ 105,566	\$ 1,171,199
U S Treasury Obligations	64,070	-	29,269	24,634	10,168
Corporate Bonds and Notes	86,998	-	-	71,901	15,097
Domestic Bond Mutual Funds	95,834	95,834	-	-	-
International Bond Mutual Funds	4,618	1,135	-	3,483	-
Sub-total	3,642,661	2,211,345	29,269	205,584	1,196,464
Investments Not Requiring Disclosure	3,601,717				
Grand Total	\$ 7,244,378	\$ 2,211,345	\$ 29,269	\$ 205,584	\$ 1,196,464

Credit Risk - The State of Mississippi Institutions of Higher Learning System does not have a formal investment policy that addresses credit risk. As of June 30, 2012, the University has the following investment credit profile:

Credit Ratings:	Fair Value	
	2012	2011
Aaa	81,624	1,895,237
Aa1	0	21,649
Aa2	11,171	36,211
Aa3	10,356	18,657
A1	28,484	17,773
A2	29,858	22,218
A3	33,231	9,178
Baa1	14,624	11,474
Baa2	38,269	28,621
Baa3	7,187	8,843
Not Rated	6,989,573	5,208,807
Total	\$ 7,244,378	\$ 7,278,668

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, 2012.

Issuer	Fair value	Percentage
Federal government obligation bond mutual fund	\$ 2,114,376	29%
Regions repurchase agreement	1,210,000	17%
Regions certificate of deposit	866,715	12%



Note 4: Accounts Receivable

Accounts receivable at June 30, 2012 and 2011 are as follows:

Type of Receivable	2012	2011
Student fees	\$ 7,950,856	\$ 7,567,362
State appropriation	1,153,787	896,346
Grants and contracts	1,035,020	808,995
Employees	4,543	9,581
Other	170,220	170,352
Total accounts receivable	10,314,426	9,452,636
Less: bad debt provision	(5,400,090)	(5,202,380)
Net accounts receivable	\$ 4,914,336	\$ 4,250,256

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, 2012 is as follows:

	Balance July 1, 2011	Additions	Deletions/ Transfers	Balance June 30, 2012
Non-Depreciable Assets				
Land	\$ 47,500	\$ -	\$ -	\$ 47,500
Construction in progress	1,161,567	8,128,161		9,289,728
Total non-depreciable capital assets	1,209,067	8,128,161	-	9,337,228
Depreciable Capital Assets				
Improvements other than buildings	13,873,875		(1,081,238)	12,792,637
Buildings	72,255,755	2,716		72,258,471
Equipment	8,520,251	120,084	(198,035)	8,442,300
Library books	6,518,039	15,149		6,533,188
Total depreciable assets	101,167,920	137,949	(1,279,273)	100,026,596
Total capital assets	102,376,987	8,266,110	(1,279,273)	109,363,824
Less: Accumulated Depreciation				
Improvements other than buildings	5,794,475	427,345		6,221,820
Buildings	20,925,968	1,207,908		22,133,876
Equipment	6,409,780	491,864	(175,780)	6,725,864
Library books	6,076,388	133,083		6,209,471
Total accumulated depreciation	39,206,611	2,260,200	(175,780)	41,291,031
Net capital assets	\$ 63,170,376	\$ 6,005,910	\$ (1,103,493)	\$ 68,072,793



**Notes to Financial Statements
For Year Ended June 30, 2012**

Note 6: Capital Assets (continued)

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

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

Note 7: Long-term Liabilities

Long-term liabilities of the University which consist of bonds payable and certain other liabilities that are expected to be liquidated at least one year from June 30, 2012, is presented as follows:

	Date of issue	Maturity date	Interest rate	Principal interest date	Original issue	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012	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	\$ 18,500,000	\$ -	\$ 195,000	\$ 18,305,000	\$ 230,000
Total Bond Debt					19,015,000	18,500,000	-	195,000	18,305,000	230,000
Other Long-term Liabilities:										
Accrued leave liability						1,772,529		(177,558)	1,594,971	169,678
Deposit refundable						39,010		6,114	32,896	-
Total other long-term liabilities						1,811,539	-	(171,444)	1,627,867	169,678
Total						\$ 20,311,539	\$ -	\$ 23,556	19,932,867	\$ 399,678
Due within one year									(399,678)	
Total long-term liabilities									\$ 19,533,189	



**Notes to Financial Statements
For Year Ended June 30, 2012**

Note 7: Long-term Liabilities (continued)

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

Fiscal year	Bonded debt	Interest	Total
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	375,000	745,625	1,120,625
2018-2022	2,545,000	3,468,925	6,013,925
2022-2027	2,875,000	2,929,869	5,804,869
2028-2032	4,550,000	2,182,075	6,732,075
2033-2037	6,840,000	970,650	7,810,650
Total	\$ 18,305,000	\$ 13,398,444	\$ 31,703,444

Note 8: Operating Leases

Lease expenses totaled \$108,106 and \$112,872 for the fiscal years ending June 30, 2012 and 2011, respectively.

Note 9: Natural Classifications with Functional Classifications

Operating expenses by functional classifications for the fiscal years ended June, 30, 2012 and 2011 are as follows:

Functional Classification	2012								Total
	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	
Instruction	\$ 9,480,857	\$ 3,279,823	\$ 328,576	\$ 851,090	\$ 7,841	\$ 369,158	\$ 889,170	\$ -	\$ 15,206,515
Research	141,379	46,380	7,011	11,061	-	-	1,499	-	207,330
Public Service	1,634,980	499,461	106,796	406,652	-	75,907	285,307	-	3,009,103
Academic Support	1,575,540	563,953	110,962	1,086,012	-	-	213,440	-	3,549,907
Student Services	2,364,763	838,981	1,018,723	861,438	2,450	154,774	641,409	-	5,882,538
Institutional Support	3,321,829	1,162,514	225,143	769,912	-	996	394,635	-	5,875,029
Physical Plant	2,156,243	904,271	3,272	8,181,897	1,366,866	-	689,015	-	13,301,564
Student Aid	512,461	-	-	-	-	6,950,752	193,802	-	7,657,015
Auxiliary Enterprises	1,251,630	537,771	7,624	2,826,278	753,362	-	1,724,143	-	7,100,808
Depreciation Exp	-	-	-	-	-	-	-	2,260,200	2,260,200
Total	\$ 22,439,682	\$ 7,833,154	\$ 1,808,107	\$ 14,994,337	\$ 2,130,519	\$ 7,551,586	\$ 5,032,420	\$ 2,260,200	\$ 64,050,005



Note 9: Natural Classifications with Functional Classifications (continued)

2011									
Functional Classification	Salaries and Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	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	5,651,797	1,497,394	-	1,038,437	-	11,232,604
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	-	-	-	-	-	-	-	2,342,416	2,342,416
Total	\$ 22,934,674	\$ 7,467,843	\$ 1,882,766	\$ 13,036,228	\$ 2,361,938	\$ 7,004,374	\$ 6,532,236	\$ 2,342,416	\$ 63,562,475

Note 10: Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2012. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Construction Projects	Cost to Complete	Funded by	
		State Sources	Institutional Funds
Harrison Gym Renovation (Wellness Center)	\$ 10,000,000	\$ 10,000,000	\$ -
Library Enhancements	4,500,000	4,500,000	-
President's Home	900,000	900,000	-
Total	\$ 15,400,000	\$ 15,400,000	\$ -

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



Notes to Financial Statements
For Year Ended June 30, 2012

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.

Note 11: Pension Plan (continued)

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

Funding Policy - PERS members are required to contribute 9% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate increased to 12.73% as of January 1, 2012 from 12%. 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, 2012, 2011 and 2010 were as follows:

Table with 4 columns: Institution's Contribution, Total, PERS, and ORP. Rows for FY 2012, FY 2011, and FY 2010.

Note 12: Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for appropriation for expenditure were \$687,715 and \$1,536,076 for the fiscal years ended June 30, 2012 and 2011, respectively. The restriction on an endowment totaling \$1,007,256 was released and accordingly has been reclassified to unrestricted net assets. These amounts are included in the accompanying statement of net assets in "net assets -expendable for other purposes", and "net assets - expendable for scholarships and fellowships".

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

Effective July 1, 2010, the FFEL Program was eliminated and the University began participating in the Federal Direct Loan Program. The University distributed \$22,552,447 and \$24,046,567 student loans for the fiscal years ended June 30, 2012 and 2011, respectively, from the U.S. Department of Education lending programs. These distributions and their related funding sources are included as "Non-capital Financing: distributions and receipts in the Cash Flow Statement."

Note 14: Foundations and Affiliated Parties

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

Note 15: Risk Management

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

The Workers' Compensation program provides a mechanism for the institutions to fund and budget for the costs of providing worker compensation benefits to eligible employees. The Program does not pay benefits directly to employees. Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. The payments by the University to the Workers' Compensation fund totaled \$724,030 and \$441,062 for the fiscal years ended June 30, 2012 and 2011, respectively.

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



Note 15: Risk Management (continued)

Unemployment Trust Fund totaled \$99,179 and \$142,891 for the fiscal years ended June 30, 2012 and 2011, 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 files 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 \$244,708 and \$236,931 for fiscal years ended June 30, 2012 and 2011, 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, 2012.

Note 18: Subsequent Events

There have been no events subsequent to June 30, 2012 which would materially affect the financial statements as presented.