



MISSISSIPPI VALLEY STATE UNIVERSITY

GASB 2014 - 2015

ONE GOAL
TEAM
VALLEY



Mississippi Valley State University

September 25, 2015

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

Dear Dr. Bynum:

We are submitting the Annual GASB Financial Report of Mississippi Valley State University for the year ending June 30, 2015 for your review.

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

Respectfully,

A handwritten signature in blue ink that reads "Joyce A. Dixon".

Joyce A. Dixon
Vice President/CFO



MISSISSIPPI VALLEY STATE
UNIVERSITY

FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015

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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, 2015 and 2014 in accordance with GASB Statements Nos. 34 and 35.

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

The following discussion and analyses provide an overview of the financial position and activities of Mississippi Valley State University for the year ended June 30, 2015, with selected comparative information for the year ended June 30, 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Statement of Net Position

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

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

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

Net Position	2015	2014	Change	% I(D)
Invested in Capital Assets	\$ 80,310,956	69,693,329	10,617,627	15%
Restricted	3,028,724	2,517,934	510,790	20%
Unrestricted	(20,535,159)	11,584,510	(32,119,669)	-277%
Total	\$ 62,804,521	83,795,773	(20,991,252)	-834%



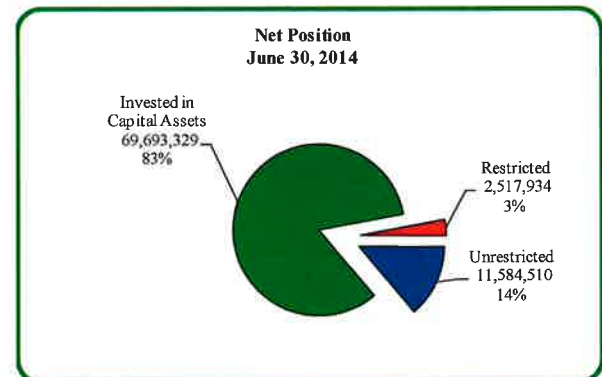
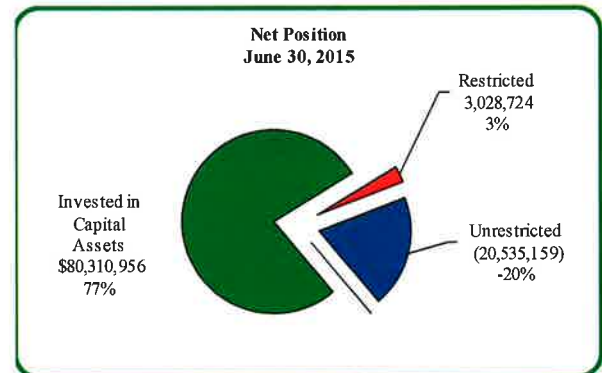
**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

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

Restricted net position is divided into two categories, nonexpendable and expendable. Nonexpendable restricted assets are composed of donor restricted endowment funds. Expendable restricted net position is available for expenditure by the University, but must be expended for purposes intended by the donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The expendable restricted net position of the University consists of funds utilized for scholarships and fellowships, capital projects, debt service, other purposes.

Unrestricted net position can be used for any lawful purpose deemed necessary to manage the operations of the University. A portion of the unrestricted net position of the University has been reserved for inventories, prepayments, auxiliary enterprises, designated, pension and other purposes. Unrestricted net position includes \$12,097,570 for other purposes and \$32,632,729 pension deficit with the adoption of GASB 68, Accounting and Reporting of Pension.

The distribution of net position for FY 2015 and FY 2014 are as follows:





The Statement of Net Position for the years ended June 30, 2015 and 2014 is as follows:

Statement of Net Position				
	FY 2015	FY 2014	Difference	%I(D)
Assets:				
Current Assets	\$ 15,915,805	\$ 15,299,037	\$ 616,768	1%
Non-current Assets	100,881,562	90,117,041	10,764,521	15%
Total Assets	\$ 116,797,367	\$ 105,416,078	\$ 11,381,289	16%
Deferred Outflows of Resources	\$ 2,999,448		2,999,448	
Liabilities:				
Current Liabilities	\$ 2,813,012	\$ 2,693,798	\$ 119,214	4%
Non-current Liabilities	49,668,069	18,926,507	30,741,562	162%
Total Liabilities	\$ 52,481,081	\$ 21,620,305	\$ 30,860,776	143%
Deferred Inflows of Resources	\$ 4,511,213		\$ 4,511,213	
Net Position:				
Invested in Capital Assets	\$ 80,310,956	\$ 69,693,329	\$ 10,617,627	15%
Restricted	3,028,724	2,517,934	510,790	20%
Unrestricted	(20,535,159)	11,584,510	(32,119,669)	-277%
Total Net Position	\$ 62,804,521	\$ 83,795,773	\$ (20,991,252)	-25%

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

Current assets increased slightly primarily due timing difference of non-student related receivables and payment of current liabilities. Non-current assets increased 15% primarily due to construction and renovations.

Current liabilities increased 4% due increases in the current portion of accrued leave and long-term debt.

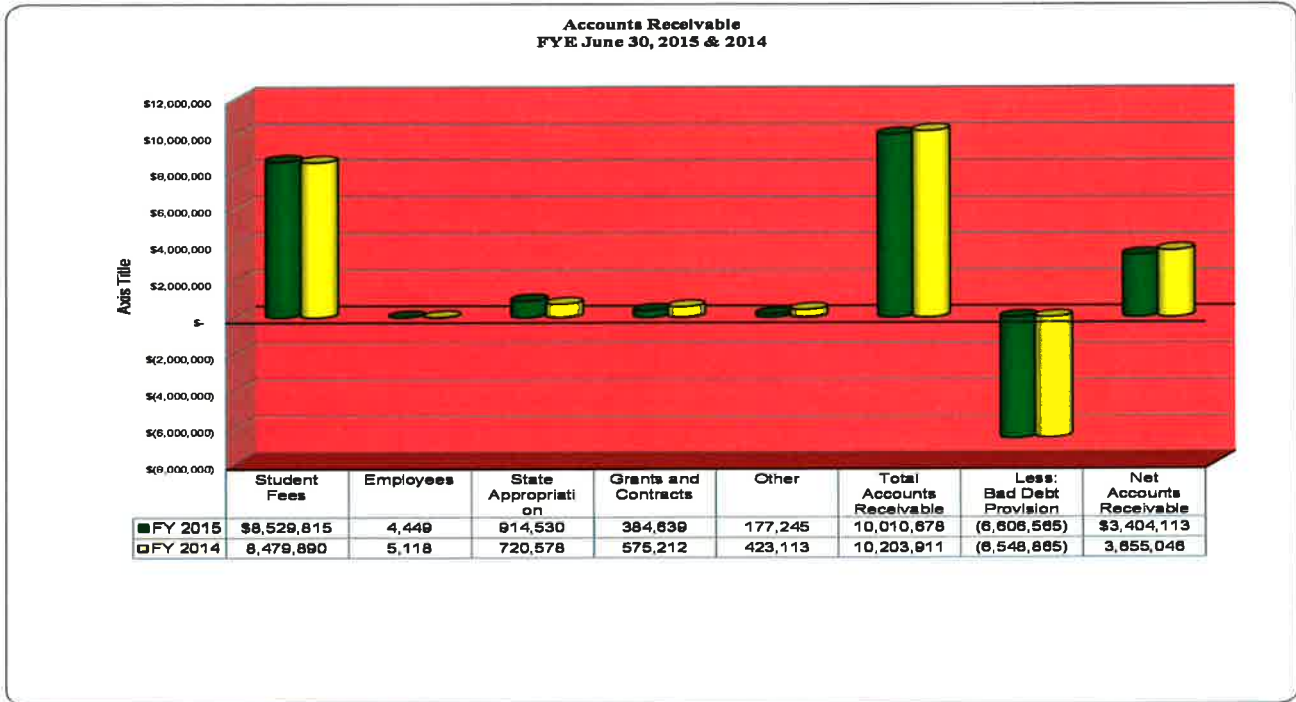
Non-current liabilities, including long-term debt, accrued leave liability and pension liability increased 162% primarily due to the adoption of GASB 68 which required pension liability of \$31,120,964 to be recorded. GASB 68 Accounting and Financial Reporting of Pension was adopted and reported in FY 2015. Debt service payments were current and there were no debt covenant violations.

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



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

Receivables include student fee receivable, employee travel, state appropriations, grants and contracts and other sources. The following graph shows the comparison of receivable at June 30, 2015 and 2014.



A comparison of the accounts receivable at June 30, 2015 and 2014 is as follows:

Type of Receivable	FY 2015	FY 2014	Difference	%I(D)
Student Fees	\$ 8,529,815	8,479,890	49,925	1%
Employees	4,449	5,118	(669)	-13%
State Appropriation	914,530	720,578	193,952	27%
Grants and Contracts	384,639	575,212	(190,573)	-33%
Other	177,245	423,113	(245,868)	-58%
Total Accounts Receivable	10,010,678	10,203,911	(193,233)	-2%
Less: Bad Debt Provision	(6,606,565)	(6,548,865)	(57,700)	1%
Net Accounts Receivable	\$ 3,404,113	3,655,046	(250,933)	-7%

Student fee receivable and bad debts one percent increases resulted from improved collections. Changes in state appropriation and grants and contracts receivable are the result of timing differences in billings and receipts.



Statement of Revenues, Expenses and Changes in Net Position

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

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

The Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2015 and 2014 is as follows:

Statement of Revenues, Expenses, and Changes in Net Position				
	<u>FY 2015</u>	<u>FY 2014</u>	<u>Difference</u>	<u>%I(D)</u>
Operating Revenues	\$ 25,000,758	\$ 23,915,608	\$ 1,085,150	5%
Operating Expenses	52,749,078	54,886,224	(2,137,146)	-4%
Operating Loss	(27,748,320)	(30,970,616)	3,222,296	-10%
Non-operating Revenues and Expenses	27,381,027	26,959,668	421,359	2%
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(367,293)	(4,010,948)	3,643,655	-91%
Other Revenues, Expenses, Gains or Losses	12,257,827	9,873,584	2,384,243	24%
Increase in Net Assets	11,890,534	5,862,636	6,027,898	103%
Net Position - Beginning of Year	83,795,773	77,933,137	5,862,636	8%
Cumulative Effects of Changes in Accounting Principle Prior Period Adjustment	(32,881,786)		(32,881,786)	
Net Position - Beginning of Year, as Restated	50,913,987	77,933,137	(27,019,150)	
Net Position - End of Year	\$ 62,804,521	\$ 83,795,773	\$ (20,991,252)	-25%

The increase in operating revenues of \$1,089,000 (5%) is primarily attributable to increased student charges for tuition and fees, room and board (\$1,961,000) offset by declines in grants and contracts (\$292,000), sales and services of educational departments (\$506,000) and other revenues (\$78,000).

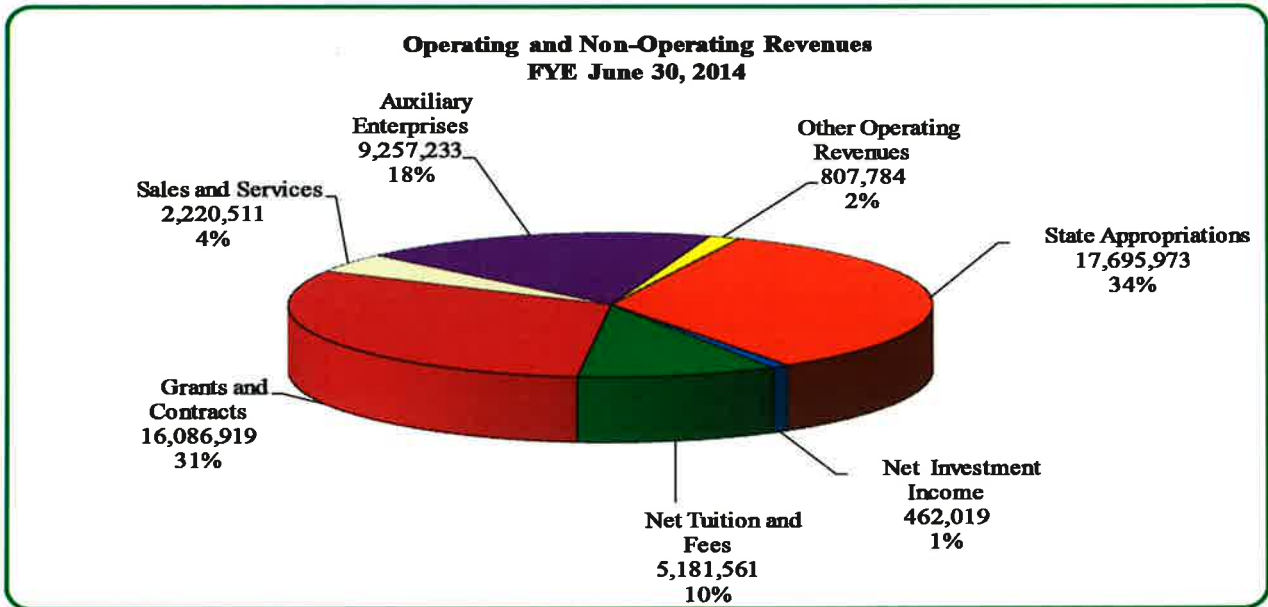
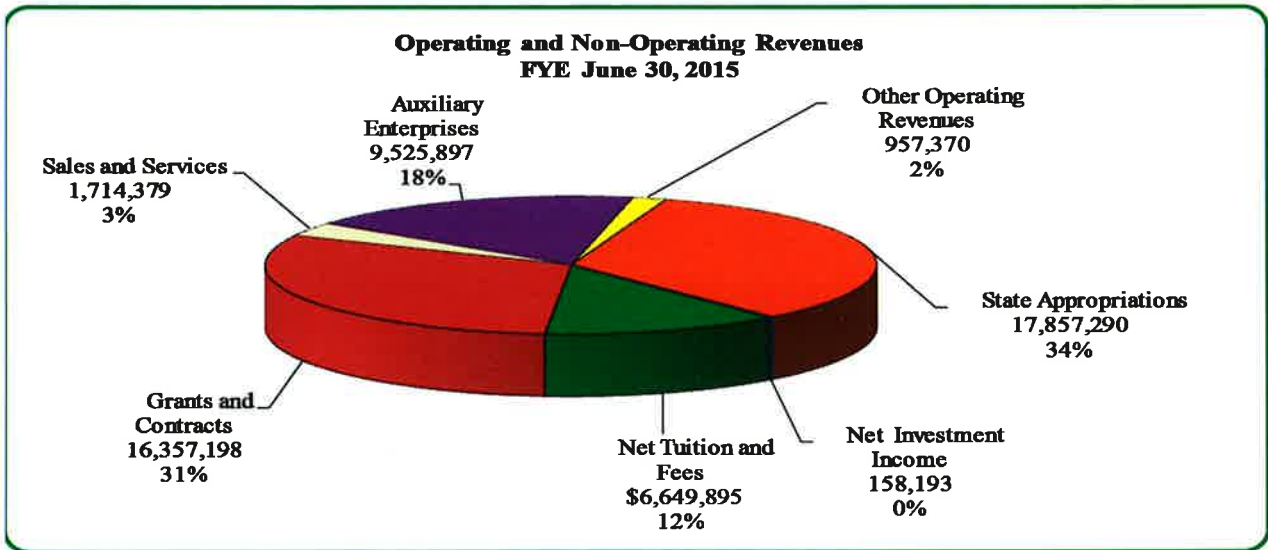


**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

Non-operating revenue increased \$421,000 (2%) due to increases in state appropriations and foundation gifts and offset by a reduction in interest income due to lower rates.

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

Graphical presentations of the operating and non-operating revenues for the years ended June 30, 2015 and 2014 are as follows:





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

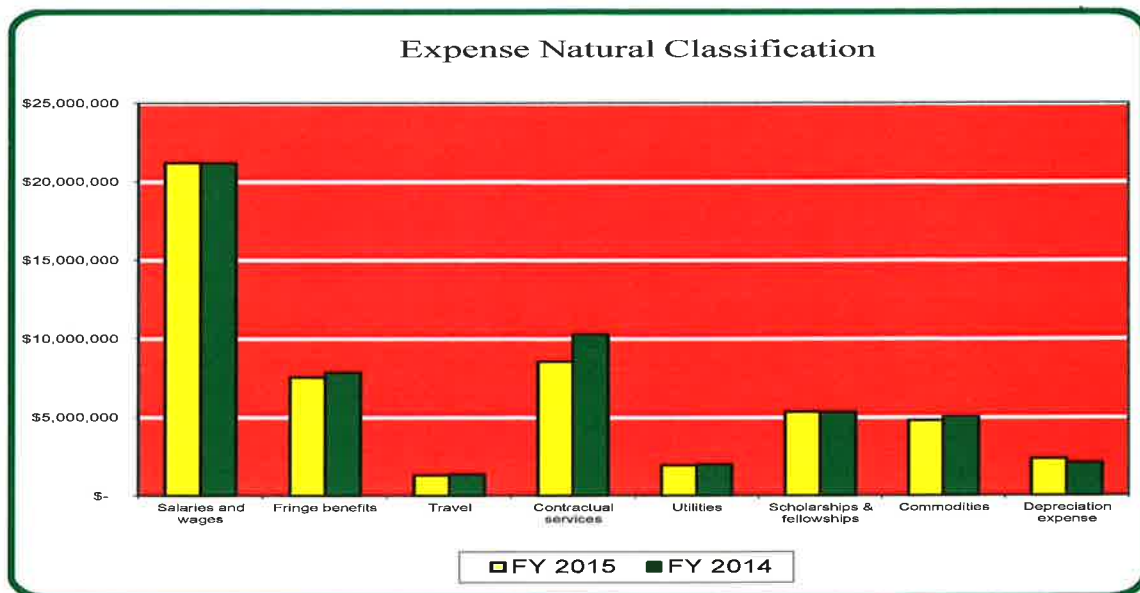
Operating and non-operating revenues for the years ended June 30, 2015 and 2014 are as follows:

Revenues		FY 2015	FY 2014	I(D)	I(D) %
Net Tuition and Fees	\$	6,649,895	5,181,561	1,468,334	28%
Grants and Contracts		16,357,198	16,086,919	270,279	2%
Sales and Services		1,714,379	2,220,511	(506,132)	-23%
Auxiliary Enterprises		9,525,897	9,257,233	268,664	3%
Other Operating Revenues		957,370	807,784	149,586	19%
State Appropriations		17,857,290	17,695,973	161,317	1%
Net Investment Income		158,193	462,019	(303,826)	-66%
Total Revenues	\$	53,220,222	51,712,000	1,508,222	3%

Total revenues increased 3% primarily due to a reduction of tuition discounting (scholarships & fellowships). Sales and services revenue reflects a decrease in athletic game guarantees. Auxiliary enterprises revenues increase reflects growth in students housed and fed on campus. Other operating revenues represent an increase in income from various sources. Net investment income reflects interest rate reduction on investments.

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

The following graph shows the comparison of expenses by natural classification for years ended June 30, 2015 and 2014.





**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2015**

A comparison of expenses by natural classification for the years ended June 30, 2015 and 2014 is as follows:

	FY 2015	FY 2014	Difference	% I (D)
Salaries and Wages	\$ 21,175,332	21,159,328	16,004	0%
Fringe Benefits	7,502,179	7,825,296	(323,117)	-4%
Travel	1,289,848	1,354,884	(65,036)	-5%
Contractual Services	8,497,646	10,239,196	(1,741,550)	-17%
Utilities	1,908,192	1,953,486	(45,294)	-2%
Scholarships & Fellowships	5,300,999	5,287,073	13,926	0%
Commodities	4,749,360	5,009,740	(260,380)	-5%
Depreciation Expense	2,329,300	2,057,221	272,079	13%
Total	\$ 52,752,856	54,886,224	(2,133,368)	-4%

Downward economic trends are reflected in grants awards and enrollment due to lack of available financial aid. The University continues to face significant financial pressure where compensation represents 54.4% of total operating expenses in FY 2015. The decline in fringe benefits includes \$249,057 reduction due to the adoption of GASB 68. Contractual services declined primarily due to reduced un-capitalized remodeling and renovations expense as planned projects near completion. Commodities decrease due to decrease in merchandise purchased for resale and fuel cost offset by increases in other supplies. Depreciation expense increase reflects completed capital assets placed in operations.

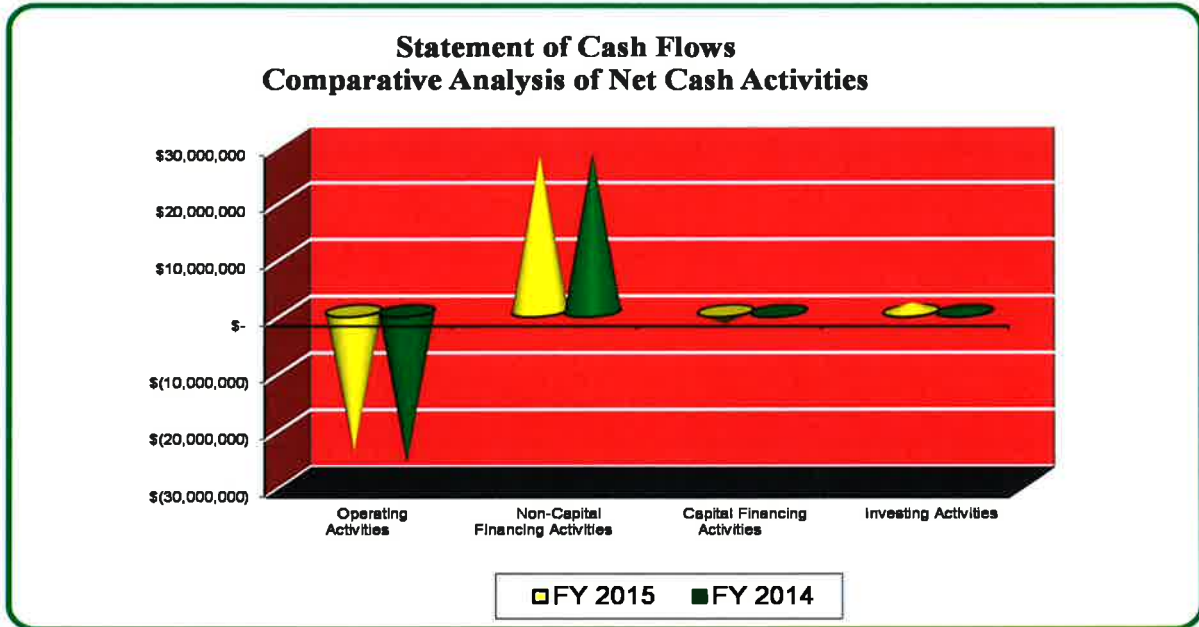
In summary, the Statement of Revenues, Expenses, and Changes in Net Position reflect the strategic allocation of the resources to meet its mission of providing constituents accessible, relevant and quality academic and public service programs.

Statement of Cash Flows

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



A graphical presentation of net cash activities for the years ended June 30, 2015 and 2014 is as follows:



A summary of the net cash flows for the years ended June 30, 2015 and 2014 are as follows:

Statement of Cash Flows				
Cash Provided (Used) By:	FY 2015	FY 2014	Difference	%I(D)
Operating Activities	\$ (24,940,320)	(26,369,638)	1,429,318	-5%
Non-Capital Financing Activities	27,800,553	27,490,931	309,622	1%
Capital Financing Activities	(2,118,443)	(1,172,033)	(946,410)	81%
Investing Activities	1,521,116	761,068	760,048	100%
Net Change in Cash	2,262,906	710,328	1,552,578	219%
Cash, Beginning of Year	6,610,555	5,900,227	710,328	12%
Cash, End of Year	\$ 8,873,461	6,610,555	2,262,906	34%

Cash increased 34% primarily from a timing difference with the investment of cash. The decline in cash available from non-capital financing activities primarily reflects a reduction in financial aid grant and contracts. The increase in capital financing activities primarily reflects the purchase of modular housing units. The decrease in investing activities reflects the sale of short-term investments to increase cash.



Financial Summary and Outlook

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

Future support from the State of Mississippi will be crucial as the University strives to provide a quality education while maintaining a low tuition. The University continues to seek funding from possible sources consistent with its missions to offset a decrease in student tuition and fees from the elimination of out-of-state fees. Management will continue to strategically allocate its scarce resources to achieve its goals and limit spending to available revenues.

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



STATEMENT OF NET POSITION

	<u>June 30, 2015</u>
Current Assets:	
Cash and cash equivalents	\$ 8,873,461
Short term investments	3,016,582
Accounts receivables, net	3,404,113
Inventories	553,853
Prepaid expenses	67,796
Total current assets	<u>15,915,805</u>
Non-Current Assets:	
Restricted cash and cash equivalents	
Restricted short-term investments	161,930
Endowment investments	1,642,359
Other long term investments	1,246,317
Capital assets, net	97,716,149
Other noncurrent assets	114,807
Total noncurrent assets	<u>100,881,562</u>
Total assets	<u>\$ 116,797,367</u>
Deferred outflows of resources:	
Difference between expected and actual experience	485,478
Changes in proportionate share	129,325
Contributions subsequent to the measurement date	2,384,645
Total deferred outflows of resources	<u>2,999,448</u>
Total assets and deferred outflows of resources	<u><u>119,796,815</u></u>

Liabilities and Net Position

Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 2,003,551
Unearned revenues	140,604
Accrued leave liabilities-current portion	267,096
Long term liabilities-current portion	335,000
Other current liabilities	66,761
Total Current liabilities	<u>2,813,012</u>



Non-current liabilities:

Net pension liability	31,120,964
Deposits refundable	31,651
Accrued leave liabilities	1,330,454
Long term liabilities	17,185,000
Other non-current liabilities	
Total non-current liabilities	<u>49,668,069</u>
Total liabilities	<u>\$ 52,481,081</u>

Deferred inflows of resources:

Difference between projected and actual earnings on pension plan	<u>4,511,213</u>
Total liabilities and deferred inflows of resources	<u><u>56,992,294</u></u>

Net Position:

Net Invested in Capital Assets	\$ 80,310,956
Restricted for:	
Nonexpendable:	
Scholarships and Fellowships	799,432
Research	
Other purposes	
Expendable:	
Scholarships and fellowships	1,195,486
Research	
Capital projects	85,650
Debt service	71,715
Loans	
Other purposes	876,441
Unrestricted	<u>(20,535,159)</u>
Total net position	<u><u>\$ 62,804,521</u></u>



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>June 30, 2015</u>
Operating revenues:	
Tuition and fees:	\$ 13,690,396
Less scholarship allowances	(6,969,381)
Less bad debt expense	(71,120)
Net tuition and fees	<u>6,649,895</u>
Federal appropriations	
Federal grants and contracts	6,140,345
State grants and contracts	16,650
Sales and services of educational departments	1,714,379
Auxiliary enterprises:	
Student housing	3,716,948
Food services	3,022,817
Bookstore	1,330,962
Other auxiliary revenues	1,455,170
Less auxiliary enterprise scholarship allowances	
Interest earned on loans to students	
Other operating revenues, net	<u>957,370</u>
Total operating revenues	<u>25,004,536</u>
Operating expenses:	
Salaries and wages	21,175,332
Fringe benefits	7,502,179
Travel	1,289,848
Contractual services	8,497,646
Utilities	1,908,192
Scholarships and fellowships	5,300,999
Commodities	4,749,360
Depreciation	2,329,300
Other operating expenses	
Total operating expenses	<u>52,752,856</u>
Operating income (loss)	<u>(27,748,320)</u>
Non-operating revenues (expenses):	
State appropriations	17,857,290



**MISSISSIPPI VALLEY STATE
UNIVERSITY**

Federal ARRA (SFSF) revenues	
Gifts and grants	10,137,214
Investment income	158,193
Interest expense on capital asset-related debt	(771,670)
Other non-operating revenues	
Other non-operating expenses	
Total non-operating revenues (expenses), net	27,381,027
Income (loss) before other revenues, expenses, gains & losses	(367,293)
Other revenues, expenses, gains and losses:	
Capital grants and gifts	
State appropriations restricted for capital purposes	12,194,838
Additions to permanent endowments	62,989
Other additions	
Other deletions	
Change in net position	11,890,534
Net position - beginning of year, as adjusted (note 1cc)	50,913,987
Net position - end of year	62,804,521



STATEMENT OF CASH FLOWS

June 30, 2015

Cash Flows from Operating Activities:

Operating activities:

Tuition and Fees	6,646,205
Grants and Contracts	6,347,568
Sales and Services of Educational Departments	1,714,379
Payments to Suppliers	(14,239,605)
Payments to Employees for Salaries and Benefits	(28,951,155)
Payments for Utilities	(1,886,516)
Payments for Scholarships and Fellowships	(5,300,999)
Loans Issued to Students and Employees	
Collection of Loans to Students and Employees	669
Auxiliary Enterprise Charges:	
Student Housing	3,716,948
Food Services	3,022,817
Bookstore	1,330,962
Athletics	
Other Auxiliary Enterprises	1,455,170
Patient Care Services	
Interest Earned on Loans to Students	
Other Receipts	1,203,237
Other Payments	

Net cash used by operating activities

(24,940,320)

Noncapital financing activities:

State Appropriations	17,663,338
Gifts and Grants for Other Than Capital Purposes;	10,137,215
Private Gifts for Endowment Purposes	
Federal Loan Program Receipts	19,433,083
Federal Loan Program Disbursements	(19,433,083)
Other Sources	
Other Uses	

Net cash provided by noncapital financing activities

27,800,553



Capital and related financing activities:

Proceeds from Capital Debt	
Cash Paid for Capital Assets	(1,061,992)
Capital Appropriations Received	
Capital Grants and Contracts Received	
Proceeds from Sales of Capital Assets	
Principal Paid on Capital Debt and Leases	(290,000)
Interest Paid on Capital Debt and Leases	(771,670)
Other Source	5,219
Other Uses	

Net cash used by capital and related financing activities (2,118,443)

Investing activities:

Proceeds from Sales and Maturities of Investments	1,514,265
Interest Received on Investments	62,989
Purchases of Investments	(56,138)

Net cash used by investing activities 1,521,116

Net change in cash and cash equivalents 2,262,906

Cash and cash equivalents - beginning of year 6,610,555

Cash and cash equivalents - end of year \$ 8,873,461

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

Operating Income (Loss) \$ (27,748,320)

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

Depreciation expense	2,324,081
Self-insured claims expense	
Bad debt expense	71,120
Other	261,412
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables, Net	373,765
Inventories	(209,113)



Prepaid Expenses	(48,296)
Other Assets	3,004,667
Increase (Decrease) in Liabilities:	
Accounts Payables and Accrued Liabilities	(2,986,237)
Deferred Revenue	(10,829)
Deposits Refundable	(636)
Accrued Leave Liability	43,074
Loans to Students and Employees	
Other Liabilities	(15,008)
Total Adjustments	<u>2,808,000</u>

Net Cash Provided (Used) by Operating Activities \$ (24,940,320)

Reconciliation of cash and cash equivalents:

Current assets - cash and cash equivalents	8,873,461
Noncurrent assets - restricted cash and cash equivalents	
Cash and cash equivalents - end of year	<u>\$ 8,873,461</u>

ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9)

1) State Appropriations Restricted for Capital Purposes	\$ 12,194,838
2) Unrealized Gain/(Loss) on Fair Value of Investments	2,543
3) Donation of Capital Assets	
4) Bureau of Buildings and Grounds Construction-in-Progress	17,758,293
5) Capital Assets Transferred from another Mississippi State Agency	
6) New Capital Leases	
7) Provision for Bad Debts	71,120
8) Capital Assets Acquired from Capital Leases	



Notes to Financial Statements
For Year Ended June 30, 2015

Note 1: Summary of Significant Accounting Policies

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

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

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

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

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

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



Notes to Financial Statements
For Year Ended June 30, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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



Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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



Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Payable and Accrued Liabilities - Consist of amounts owed to vendors, contractors, or accrued items such as interest, wages, and salaries. Accounts payable and accrued liabilities as of June 30, 2015 are as follows:

	2015
Payable to vendors and contractors	\$ 1,107,285
Accrued salaries, wages and employee withholdings	\$ 896,266
Total	<u>\$ 2,003,551</u>

Unearned Revenues – Deferred revenues include amounts received that have not been earned under the terms of the agreement. Unearned summer school tuition and other revenue totaled \$140,604 as of June 30, 2015. All amounts should be considered current and thus the revenue will be fully recognized within one year.

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

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

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

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



Note 1: Summary of Significant Accounting Policies (Continued)

System of Mississippi (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances and bad debt expense, (2) sales and services education services and auxiliary enterprises (net of scholarship discounts and allowances), (3) Federal, state and local grants and contracts (non-Title IV financial aid) and Federal appropriations, if any, (4) interest on institutional student loans and other revenues. Gifts (pledges) that are received on an installment basis are recorded at net present value. Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies) and contractual services; (4) professional fees; and (5) depreciation expenses related to certain capital assets.

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



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The Unrestricted Net Assets of the University include certain amounts which have been designated for financial resource utilization in future periods. Unrestricted net assets include designations as of June 30, 2015 which follows:

	2015
Reserves held for inventories	\$ 553,853
Reserves held for prepaid expenses	67,796
Auxiliary operations	4,577,351
Designated	982,949
Pension	(32,632,729)
Remaining purposes	5,915,621
Totals	\$ (20,535,159)



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 2: Reclassifications

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

Note 3: Cash and Investments

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

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

The fair values of investments of the University at June 30, 2015 are as follows.

	Fair Value	Percentage
Ameriprise	\$ 1,217,860	20%
Merrill Lynch	220,494	4%
Morgan Keegan Endowments	2,475,007	41%
Trustmark	1,284,822	21%
Regions certificate of deposit	869,005	14%
Total Investments	\$ 6,067,188	100%



Notes to Financial Statements
For Year Ended June 30, 2015

Note 3: Cash and Investments (Continued)

The fair values of University investments by type at June 30, 2015 are as follows.

Classification summary	Fair value	Cost	Accumulated unrealized gain (loss)	Percentage of fair value
Cash	\$ 2,409	2,409	-	0.04%
Money market funds	130,780	130,780	-	2.16%
Domestic equity securities	306,372	171,868	134,505	5.05%
Domestic equity mutual funds	23,067	23,317	(250)	0.38%
International equity mutual funds	6,698	6,647	50	0.11%
Domestic mutual funds	921,631	1,037,609	(115,978)	15.19%
International mutual funds	74,345	24,057	50,288	1.23%
Domestic bond mutual funds	59,168	23,473	35,695	0.98%
International bond mutual funds	54,956	9,424	45,532	0.91%
Corporate bonds and notes	179,267	182,584	(3,316)	2.95%
U S Government obligations	3,376,175	3,396,460	(20,284)	55.65%
Deposit in Transit	63,315	-	63,315	1.04%
Certificate of deposit	869,005	869,005	-	14.32%
Total investments	\$ 6,067,188	5,877,633	189,557	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, 2015 which are as follows:

	Fair value	Years to Maturity			
		Less than 1	1 to 5	6 to 10	More than 10
U S Government Obligations	\$ 3,439,489	2,193,172		100,065	1,146,252
Corporate bonds and notes	179,267	165,882	13,385	-	-
Domestic bond mutual funds	59,168	59,168		-	-
International bond mutual funds	54,956	54,956		-	-
Sub-Total	3,732,880	2,473,178	13,385	100,065	1,146,252
Investment not requiring disclosure	2,334,308				
Total	\$ 6,067,188	2,473,178	13,385	100,065	1,146,252



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 3: Cash and Investments (Continued)

Credit Risk - The State of Mississippi Institutions of Higher Learning System does not have a formal investment policy that addresses credit risk. As of June 30, 2015, the University had the following investment credit profile:

Credit Ratings:	Fair Value
Aa1	\$ 16,643
A1	16,451
A2	62,358
A3	29,880
Not Rated	5,941,856
Total	\$ 6,067,188

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, 2015.

Issuer	Fair value	Percentage
Federal government obligation bond mutual fund	\$ 2,129,858	35%
Regions certificate of deposit	869,005	14%

Note 4: Accounts Receivable

Accounts receivable at June 30, 2015 is as follows:

Type of Receivable	2015
Student fees	\$ 8,529,815
State appropriation	914,530
Grants and contracts	384,639
Employees	4,449
Other	177,245
Total accounts receivable	10,010,678
Less: bad debt provision	(6,606,565)
Net accounts receivable	\$ 3,404,113



**Notes to Financial Statements
For Year Ended June 30, 2015**

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, 2015 is as follows:

	Balance July 1, 2014	Additions	Deletions/ Transfers	Balance June 30, 2015
Non-Depreciable Assets				
Land	\$ 47,500	-	-	47,500
Construction in progress	19,248,142	12,054,980	13,544,829	17,758,293
Total non-depreciable capital assets	<u>19,295,642</u>	<u>12,054,980</u>	<u>13,544,829</u>	<u>17,805,793</u>
Depreciable Capital Assets				
Improvements other than buildings	18,326,928	1,165,377		19,492,305
Buildings	79,832,213	12,968,845		92,801,058
Equipment	8,354,075	62,636	58,406	8,358,305
Library books	6,608,757	36,703		6,645,460
Total depreciable assets	<u>113,121,973</u>	<u>14,233,561</u>	<u>58,406</u>	<u>127,297,128</u>
Total capital assets	<u>\$ 132,417,615</u>	<u>26,288,541</u>	<u>13,603,235</u>	<u>145,102,921</u>
Less: Accumulated Depreciation				
Improvements other than buildings	\$ 7,178,343	650,495		7,828,838
Buildings	24,447,533	1,257,667		25,705,200
Equipment	7,089,126	343,108	(55,836)	7,376,398
Library books	6,403,524	72,812		6,476,336
Total accumulated depreciation	<u>45,118,526</u>	<u>2,324,082</u>	<u>(55,836)</u>	<u>47,386,772</u>
Net capital assets	<u>\$ 87,299,089</u>	<u>23,964,459</u>	<u>13,659,071</u>	<u>97,716,149</u>

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

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



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 7: Long-term Liabilities

Long-term liabilities of the University which consist of bonds payable and certain other liabilities expected to be liquidated within one year from June 30, 2015, is as follows:

	Date of issue	Maturity date	Interest rate	Principal interest date	Original issue	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015	Due within 1 year
Bonded debt:										
Education Building Corporation '07	3/1/2007	3/1/2037	4.0%	Mar 1/Sept 1	\$ 19,015,000	\$ 17,810,000		290,000	17,520,000	335,000
Total Bond Debt					19,015,000	17,810,000	-	290,000	17,520,000	335,000
Other Long-term Liabilities:										
Accrued leave liability						1,554,476	\$ 43,074		1,597,550	267,096
Deposit refundable						32,923		1,272	31,651	-
Total other long-term liabilities						1,587,399	43,074	1,272	1,629,201	267,096
Total						\$ 19,397,399	\$ 43,074	291,272	19,149,201	602,096
Due within one year									(602,096)	
Total long-term liabilities									\$ 18,547,105	

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

Fiscal year	Bonded debt	Interest	Total
2016	\$ 335,000	759,025	1,094,025
2017	375,000	745,625	1,120,625
2018	415,000	730,625	1,145,625
2019	460,000	714,025	1,174,025
2020	505,000	695,625	1,200,625
2021-2025	2,715,000	3,155,519	5,870,519
2026-2030	3,820,000	2,528,850	6,348,850
2031-2035	5,840,000	1,518,075	7,358,075
2036-2037	3,055,000	208,800	3,263,800
	\$ 17,520,000	11,056,169	28,576,169

Note 8: Operating Leases

Lease expenses totaled \$124,335 for the fiscal years ending June 30, 2015.



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 9: Natural Classifications with Functional Classifications

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

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

Note 10: Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2015. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

Construction Projects	Cost to Complete	Funded by		
		State Sources	Institutional Funds	Other (Private)
Harrison Gym Renovation (Wellness Center)	\$ 17,500,000	17,500,000	-	-
College Hall I	4,750,000	4,750,000	-	-
Blue Cross Blue Shield Fitness Trail	279,000	200,959	-	78,041
Ratcliff Hall Repairs	109,000	109,000	-	-
HM Ivy Cafeteria	1,141,594	-	-	1,141,594
Total	\$ 23,779,594	22,559,959	-	1,219,635

Note 11: Pension Plan

(a) Plan Description

The IHL System participates in either the Public Employees' Retirement IHL System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan or the Optional Retirement Plan (ORP), a multiple-employer



Note 11: Pension Plan (Continued)

defined contribution plan established in 1990. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issued a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement IHL System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

(b) Vesting Period

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

(c) Funding Policy

PERS members are required to contribute 9.0% of their annual salary and the institution is required to contribute at an actuarially determined rate. The actuarially determined rate was 15.75% of annual covered payroll at June 30, 2015 and 2014. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The University's contributions to PERS for the years ended June 30, 2015, 2014, and 2013, approximated \$2,403,279, \$2,467,507, and \$2,223,529, respectively. Such contributions equaled the required contributions for each respective year.

(d) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the University reported a liability of \$31.1 million for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The IHL System's proportion of the net pension liability was based on a projection of the IHL System's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 11: Pension Plan (Continued)

The System's proportionate share of the net pension liability as of June 30, 2014 and 2013 was 0.26 percent.

For the year ended June 30, 2015, the University recognized pension expense of \$2,154,222. At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources					Deferred inflows of resources			
Difference between expected and actual experience	Changes of assumptions	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Differences between expected and actual experience	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
\$ 485,478	-	129,325	(18,633)	596,170	-	4,511,213	-	4,511,213

\$18,633 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as an increase to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Inflows of Resources, net
2016	\$ 906,651
2017	906,651
2018	955,303
2019	1,127,804
2020	-
Thereafter	-
Total	\$ 3,896,409



Note 11: Pension Plan (Continued)

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	6/30/2014
Measurement date	6/30/2014
Actuarial cost method	Entry age, normal
Actuarial assumptions:	
Discount rate	8.00%
Inflation	3.50%
Payroll growth	4.25%
Projected salary increase	4.50-20.00% (1)
Investment rate of return	8.00% (2)

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

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

Discount rate – The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 11: Pension Plan (Continued)

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

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the IHL System’s proportionate share of the net pension liability, calculated using the discount rate of 8.00%, as well as what the IHL System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate (amounts in thousands):

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 42,427,156	\$ 31,120,964	\$ 21,689,921

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



Note 11: Pension Plan (Continued)

Schedule of Proportionate Share of The Net Pension Liability
Public Employee's Retirement System of Mississippi
Last 10 Fiscal Years*

Proportion of the net pension liability		0.2564%
Proportionate share of the net pension liability	\$	31,120,964
Covered-employee payroll	\$	15,666,711
Proportionate share of the net pension liability as percentage of covered-employee payroll		198.64%
Plan fiduciary net position	\$	24,877,119
Plan fiduciary net position as a percentage of the total pension liability		67.21%

Notes to Schedule:

Changes in assumptions. In 2013 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2013. In 2013, withdrawal rates pre-retirement mortality rates, disability rates and retirement rates were adjusted to more closely reflect actual experience. In 2013, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

* Fiscal year 2015 was the 1st year of implementation, therefore, only one year is presented.



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 11: Pension Plan (Continued)

Schedule of Contribution	
Public Employee Retirement System of Mississippi	
Last 10 Fiscal Years*	
Statutory required employer contribution	\$ 2,467,507
Contributions in relation to statutorily required contributions	\$ 2,467,507
Annual contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 15,666,511
Actual contribution as a percentage of covered-employee payroll	15.75%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date:	6/30/2014
Actual cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
price inflation	3.5 percent
Salary increase	4.5 percent to 20 percent, including inflation
Inflation rate of return	8 percent, net of pension plan investment expense, including inflation

* Fiscal year 2015 was the first year of implementation therefore only one year is presented.

(cc) *New Accounting Standard*

The IHL System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30, 2015. The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result, costs related to the pension plan previously expensed were adjusted through an adjustment to net position as of July 1, 2013.



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 11: Pension Plan (Continued)

The implementation of this standard resulted in a net pension liability and the effect of adoption is a reduction of beginning net position. The following schedule summarizes the impact on net position for fiscal year 2014.

Net position - beginning of period, as previously reported	\$ 77,933,137
Less: proportionately share of net pension liability	<u>(35,349,293)</u>
Beginning of period, as adjusted	<u>42,583,844</u>
Changes in net position, as previously reported	5,862,636
Impact of GASB No. 68 implementation	<u>2,467,507</u>
Change in net position, as adjusted	<u>8,330,143</u>
Net position - end of period, as adjusted	<u>\$ 50,913,987</u>

Note 12: Donor Restricted Endowments

Donor restricted endowments were \$799,432 for the fiscal years ended June 30, 2015 is reported in the accompanying statement of net position as "net assets – non-expendable for scholarships and fellowships". During fiscal year 2015 the restriction on a donor restricted endowments totaling \$779,612 were released and accordingly reclassified to "net assets – unrestricted".

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

Note 13: Federal Direct Lending and FFEL Programs

In 2013, the University began participating in the Federal Direct Loan Program. The University distributed \$19,433,083 student loans for the fiscal years ended June 30, 2015 from the U.S. Department of Education lending programs. These distributions and their related funding sources are included as “Non-capital Financing: distributions and receipts in the Cash Flow Statement.”



Note 14: Foundations and Affiliated Parties

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

Note 15: Risk Management

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

The Workers' Compensation program provides a mechanism for the institutions to fund and budget for the costs of providing worker compensation benefits to eligible employees. The Program does not pay benefits directly to employees. Funds are set aside in trust, and a third-party administrator is utilized to distribute the benefits to eligible employees. The payments by the University to the Workers' Compensation fund totaled \$484,601 for the fiscal years ended June 30, 2015.

The Unemployment Trust Fund operates in the same manner as the Workers' Compensation Fund. The Fund does not pay benefits directly to former employees. The Fund reimburses the Mississippi Employment Security Commission for benefits that the Commission pays directly to former employees. The payments by the University to the Unemployment Trust Fund totaled \$169,656 for the fiscal years ended June 30, 2015.

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



**Notes to Financial Statements
For Year Ended June 30, 2015**

Note 15: Risk Management (Continued)

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 \$243,532 for fiscal years ended June 30, 2015.

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, 2015.

Note 18: Subsequent Events

There have been no events subsequent to June 30, 2015 which would materially affect the financial statements as presented.