

MISSISSIPPI VALLEY STATE UNIVERSITY



GASB 2012-2013

THE VALLEY RENAISSANCE

Soaring to New Heights

STOP 20

STOP



Mississippi Valley State University

September 16, 2013

Dr. Alfred Rankins, Jr.
Acting President
Mississippi Valley State University
Itta Bena, MS 38941

Dear Dr. Rankins:

We are submitting the Annual GASB Financial Report of Mississippi Valley State University for the year ending June 30, 2013 for your review.

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

Respectfully,

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

Joyce A. Dixon
Interim Vice President
Business and Finance



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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, 2013 and 2012 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, 2013, with selected comparative information for the year ended June 30, 2012. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Statement of Net Position

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

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

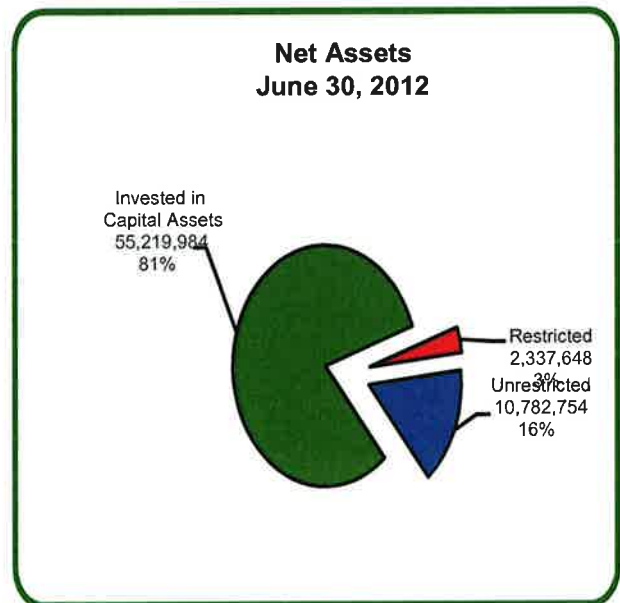
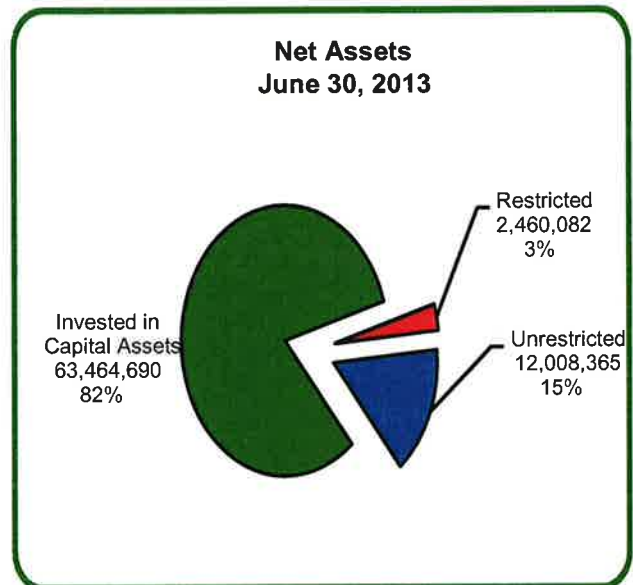
Net Assets are divided into three major categories; invested in capital assets, restricted and unrestricted.



Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

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

The distribution of net assets for FY 2013 and FY 2012 are as follows:





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

The Statement of Net Position for the years ended June 30, 2013 and 2012 is as follows:

Statement of Net Position				
	FY 2013	FY 2012	Difference	% I(D)
Assets:				
Current Assets	\$ 15,570,177	\$ 14,795,141	\$ 775,036	1%
Non-current Assets	84,611,989	75,954,389	8,657,600	16%
Total Assets	\$ 100,182,166	\$ 90,749,530	\$ 9,432,636	17%
Liabilities:				
Current Liabilities	\$ 2,997,920	\$ 2,875,955	\$ 121,965	4%
Non-current Liabilities	19,251,109	19,533,189	(282,080)	-1%
Total Liabilities	\$ 22,249,029	\$ 22,409,144	\$ (160,115)	-1%
Net Assets:				
Invested in Capital Assets	\$ 63,464,690	\$ 55,219,984	\$ 8,244,706	15%
Restricted	2,460,082	2,337,648	122,434	5%
Unrestricted	12,008,365	10,782,754	1,225,611	11%
Total Net Assets	\$ 77,933,137	\$ 68,340,386	\$ 9,592,751	14%

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 to an increase in cash resulting from more timely collections of receivables. Non-current assets increased 16% primarily due to construction and renovations.

Current liabilities increased 4% primarily from an increase in the short-term portion of debt. Total liabilities decreased slightly reflecting the payment of long-term debt.

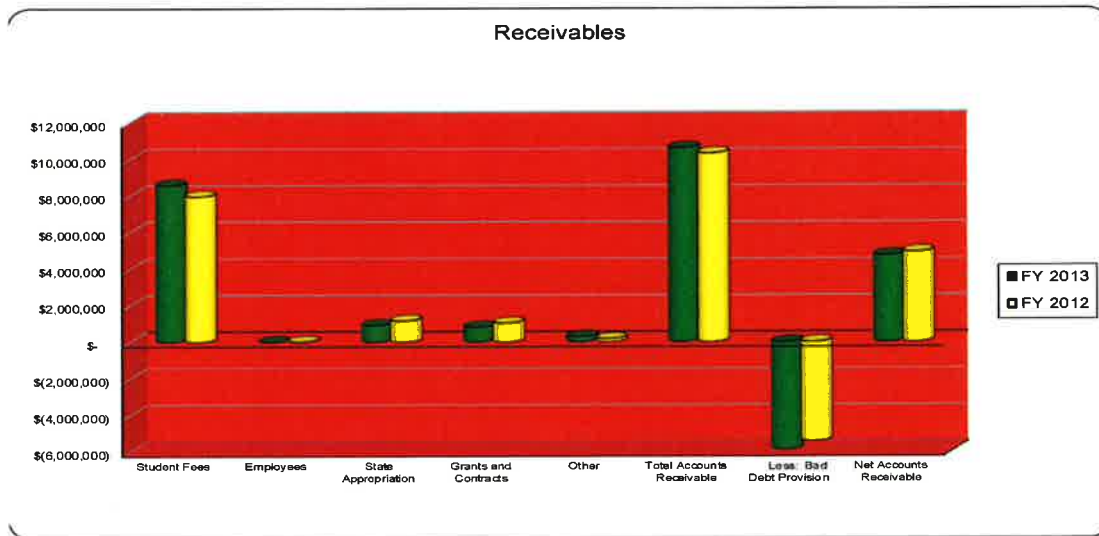
Non-current liabilities include long-term debt and accrued leave liability. The decline in non-current liabilities can be attributed to principal payments on debt. Debt service payments were current and there were no debt covenant violations.

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



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

The following graph shows the comparison of receivable at June 30, 2013 and 2012.



A comparison of the accounts receivable at June 30, 2013 and 2012 is as follows:

Type of Receivable	FY 2013	FY 2012	Difference	%
Student Fees	\$ 8,572,971	\$ 7,950,856	\$ 622,115	8%
Employees	4,586	4,543	43	1%
State Appropriation	926,371	1,153,787	(227,416)	-20%
Grants and Contracts	815,916	1,035,020	(219,104)	-21%
Other	297,778	170,220	127,558	75%
Total Accounts Receivable	10,617,622	10,314,426	303,196	3%
Less: Bad Debt Provision	(5,873,082)	(5,400,090)	(472,992)	9%
Net Accounts Receivable	\$ 4,744,540	\$ 4,914,336	\$ (169,796)	-3%

The increase in student fee receivable and bad debt provision reflect the downturn in the economy where parents are not able to pay student fees and federal financial aid is not keeping pace with the cost of attendance. More timely billings and collections are reflected in state appropriations and grants and contracts receivable.



Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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.

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, 2013 and 2012 is as follows:

Statement of Revenues, Expenses, and Changes in Net Position				
	FY 2013	FY 2012	Difference	% I(D)
Operating Revenues	\$ 25,366,100	\$ 27,244,985	\$ (1,878,885)	-7%
Operating Expenses	55,072,452	58,728,277	(3,655,825)	-6%
Operating Loss	(29,706,352)	(31,483,292)	1,776,940	-6%
Non-operating Revenues and Expenses	28,153,579	29,744,305	(1,590,726)	-5%
Income (Loss) Before Other Revenues, Expenses, Gains or Losses	(1,552,773)	(1,738,987)	186,214	-11%
Other Revenues, Expenses, Gains or Losses	11,145,524	13,291,526	(2,146,002)	-16%
Increase in Net Assets	9,592,751	11,552,539	(1,959,788)	-17%
Net Assets - Beginning of Year	68,340,386	56,787,847	11,552,539	20%
Net Assets - End of Year	\$ 77,933,137	\$ 68,340,386	\$ 9,592,751	14%

The decline in operating revenues is primarily attributed to the decline in tuition and fees from enrollment and fewer grant and contract expenditures. Operating expenses have been reduced to reflect the available resources.

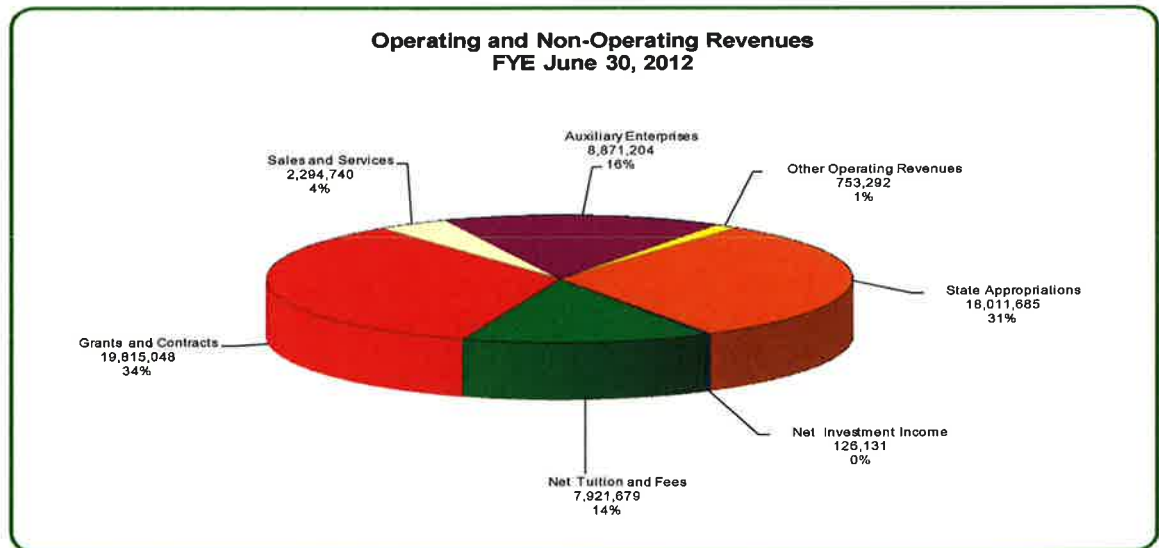
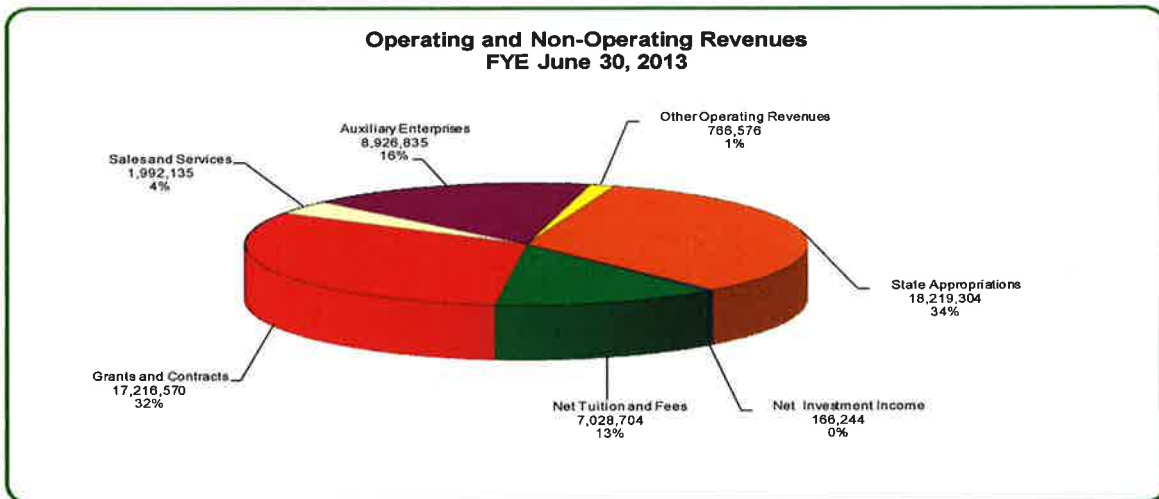


Management's Discussion and Analysis For Fiscal Year Ended June 30, 2013

Non-operating revenue declined \$1,590,726 primarily due to a reduction in financial aid emanating from a decline in enrollment.

Other revenues, expenses, gains or losses are composed primarily of state appropriation for capital projects. The reduction in expenditures is expected as planned projects are nearing completion.

Graphical presentations of the operating and non-operating revenues for the years ended June 30, 2013 and 2012 are as follows:





**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

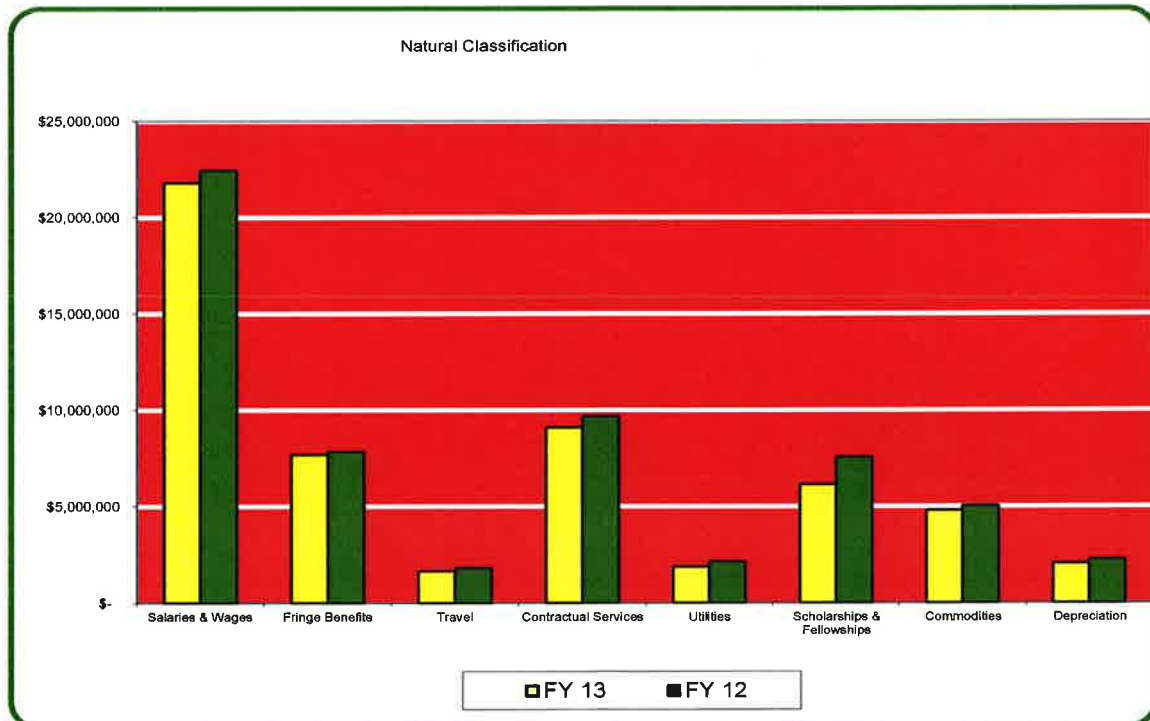
Operating and non-operating revenues for the years ended June 30, 2013 and 2012 are as follows:

Revenues	FY 13	FY 12	I(D)	I(D) %
Net Tuition and Fees	\$ 7,028,704	\$ 7,921,679	\$ (892,975)	-11%
Grants and Contracts	17,216,570	19,815,048	(2,598,478)	-13%
Sales and Services	1,992,135	2,294,740	(302,605)	-13%
Auxiliary Enterprises	8,926,835	8,871,204	55,631	1%
Other Operating Revenues	766,576	753,292	13,284	2%
State Appropriations	18,219,304	18,011,685	207,619	1%
Net Investment Income	166,244	126,131	40,113	32%
Total Revenues	\$ 54,316,368	\$ 57,793,779	\$ (3,477,411)	-6%

Total revenues decline 6% primarily due to declining enrollment as reflected in net tuition and fees and financial aid as part of grant and contracts. Reduced athletic game guarantees included in sales and services also had a negative impact on total revenues.

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, 2013 and 2012.





**Management’s Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

A comparison of expenses by natural classification for the years ended June 30, 2013 and 2012 is as follows:

	FY 13	FY 12	I (D)	% I (D)
Salaries & Wages	\$ 21,804,315	\$ 22,439,682	\$ (635,367)	-3%
Fringe Benefits	7,671,948	7,833,154	(161,206)	-2%
Travel	1,643,286	1,808,107	(164,821)	-9%
Contractual Services	9,095,907	9,672,609	(576,702)	-6%
Utilities	1,873,558	2,130,519	(256,961)	-12%
Scholarships & Fellowships	6,137,259	7,551,586	(1,414,327)	-19%
Commodities	4,791,256	5,032,420	(241,164)	-5%
Depreciation	2,054,923	2,260,200	(205,277)	-9%
Totals	\$ 55,072,452	\$ 58,728,277	\$ (3,655,825)	-6%

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 53.5% of total operating expenses in FY 2013. Utilities are declining due to cost saving enhancements. Contractual services also reflect the strategic reductions in technology and maintenance expenses.

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

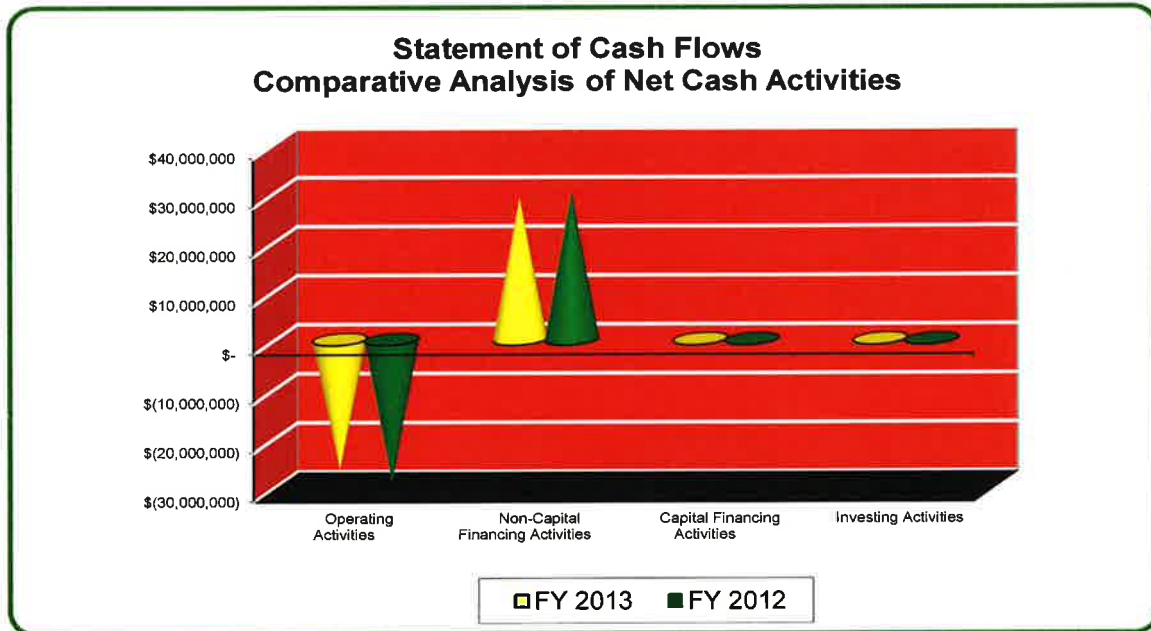
Statement of Cash Flows

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.



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

A graphical presentation of net cash activities for the years ended June 30, 2013 and 2012 is as follows:



A summary of the net cash flows for the years ended June 30, 2013 and 2012 are as follows:

Cash Provided (Used) By:	FY 2013	FY 2012	Difference	%I(D)
Operating Activities	\$ (26,572,353)	\$ (29,097,619)	\$ 2,525,266	-9%
Non-Capital Financing Activities	29,011,440	30,165,222	(1,153,782)	-4%
Capital Financing Activities	(1,084,895)	(1,129,505)	44,610	-4%
Investing Activities	(135,264)	174,826	(310,090)	-177%
Net Change in Cash	1,218,928	112,924	1,106,004	979%
Cash, Beginning of Year	4,681,299	4,568,375	112,924	2%
Cash, End of Year	\$ 5,900,227	\$ 4,681,299	\$ 1,218,928	26%

Cash increased 26% primarily from more timely collection of receivables, reductions in operating expenses and timing difference in payment of vendors. The decline in cash available from non-



**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2013**

capital financing activities primarily reflects a reduction in financial aid. The decline in capital financing activities primarily reflects the planned reduction in capital expenditures. The decrease in cash for investing activities reflects the rate of return from investments in the capital markets.

Financial Summary and Outlook

FY 2013 presented many challenges for the University. Despite tough economic times and a decline in enrollment and financial aid to fund education, the University ended the fiscal year with an increase in net assets. Its overall financial position is good and stable. The downward economic trend in the nation and state of Mississippi continues to adversely affect the University's financial position. Reductions in resources available from Federal, state and private funds for financial aid and out-of-work parents limit the funds available for payment of education. As a result, enrollment could decline and student account receivable could increase.

The University continues to seek funding from possible sources consistent with its missions to offset a decrease in student tuition and fees from declining enrollment. Management will continue to strategically allocate its scarce resources to achieve its goals. 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.

MISSISSIPPI VALLEY STATE UNIVERSITY
STATEMENT OF NET ASSETS

		June 30,	
		2013	2012
Assets			
Current Assets:			
Cash and Cash Equivalents	\$	5,900,227	\$ 4,681,299
Short Term Investments		4,539,123	4,814,973
Accounts Receivables, Net		4,744,540	4,914,336
Student Notes Receivables		-	-
Inventories		318,276	220,682
Prepaid Expenses		68,011	163,851
Other Current Assets		-	-
Total Current Assets		15,570,177	14,795,141
Non-Current Assets:			
Restricted Cash and Cash Equivalents		-	-
Restricted Short Term Investments		55,750	63,153
Endowment Investments		1,773,256	1,668,797
Other Long Term Investments		1,248,807	697,455
Student Notes Receivable, net		-	-
Capital Assets, Net		81,408,932	73,394,521
Other Non-Current Assets		125,244	130,463
Total Non-Current Assets		84,611,989	75,954,389
Total Assets	\$	100,182,166	\$ 90,749,530
Deferred Outflows of Resources			
		-	-
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	\$	2,191,079	\$ 2,153,277
Unearned Revenues		220,324	263,202
Accrued Leave Liabilities - Current Portion		265,000	169,678
Long Term Liabilities - Current Portion		246,352	230,000
Other current liabilities		75,165	59,798
Total Current Liabilities		2,997,920	2,875,955

Non-Current Liabilities:

Deposits Refundable	30,258	32,896
Accrued Leave Liabilities	1,410,851	1,425,293
Long Term Liabilities	17,810,000	18,075,000
Other Non-Current Liabilities	-	-
Total Non-Current Liabilities	19,251,109	19,533,189

Total Liabilities	22,249,029	22,409,144
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Deferred Inflows of Resources

-	-
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Net Position:

Net Invested in Capital Assets	63,464,690	55,219,984
Restricted for:		
Nonexpendable -		
Scholarships and Fellowships	714,272	1,687,329
Research		
Other Purposes		
Expendable -		
Scholarships and Fellowships	1,096,342	974,706
Research		
Capital Projects	6,136	11,650
Debt Service	71,715	71,715
Loans	-	-
Other Purposes	571,617	591,862
Unrestricted	12,008,365	10,782,754
Total Net Position	\$ 77,933,137	\$ 68,340,386

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

	June 30,	
	2013	2012
Operating Revenues:		
Tuition and Fees	\$ 15,451,207	\$ 16,510,382
Less: Scholarship Allowances	(7,939,633)	(8,376,207)
Less: Bad Debt Expenses	(482,870)	(212,496)
Net Tuition and Fees	7,028,704	7,921,679
Federal Appropriations	-	
Federal Grants and Contracts	6,615,416	7,363,029
State Grants and Contracts	36,434	41,041
Nongovernmental Grants and Contracts	-	
Sales and Services of Educational Departments	1,992,135	2,294,740
Auxiliary Enterprises:		
Student Housing	3,068,930	3,023,035
Food Services	2,465,305	2,438,415
Bookstore	1,750,281	1,742,740
Athletics		
Other Auxiliary Revenues	1,642,319	1,667,014
Less: Auxiliary Enterprise Scholarship Allowances	-	
Interest Earned on Loans to Students	-	
Patient Care Revenues, Net		
Other Operating Revenues	766,576	753,292
Total Operating Revenues	\$ 25,366,100	\$ 27,244,985
 Operating Expenses:		
Salaries and Wages	21,804,315	22,439,682
Fringe Benefits	7,671,948	7,833,154
Travel	1,643,286	1,808,107
Contractual Services	9,095,907	9,672,609
Utilities	1,873,558	2,130,519
Scholarships and Fellowships	6,137,259	7,551,586
Commodities	4,791,256	5,032,420
Depreciation/Amortization Expense	2,054,923	2,260,200
Other Operating Expense		
Total Operating Expenses	\$ 55,072,452	\$ 58,728,277
Operating Income (Loss)	(29,706,352)	(31,483,292)

Nonoperating Revenues (Expenses):

State Appropriations	18,219,304	18,011,685
Federal ARRA (SFSF) Revenues		
Gifts and Grants	10,564,720	12,410,978
Investment Income, (Loss)	166,244	126,131
Interest Expense on Capital Asset---Related Debt	(796,689)	(804,489)
Other Nonoperating Revenues		
Other Nonoperating Expenses		
Total Net Nonoperating Revenues (Expenses)	\$ 28,153,579	\$ 29,744,305
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(1,552,773)	(1,738,987)
Capital Grants and Gifts		
State Appropriations Restricted for Capital Purposes	11,074,474	13,277,121
Additions to Permanent Endowments	71,050	14,405
Other Additions	-	
Other Deletions	-	
Net Increase in Net Assets	\$ 9,592,751	\$ 11,552,539
Net Position		
Net Position - Beginning of Year, as Originally Reported	68,340,386	56,787,847
Cumulative Effects of Changes in Accounting Principle		
Prior Period Adjustments		
Net Assets - Beginning of Year, as Restated	68,340,386	56,787,847
Net Assets - End of Year	\$ 77,933,137	\$ 68,340,386

MISSISSIPPI VALLEY STATE UNIVERSITY
STATEMENT OF CASH FLOWS

	June 30,	
	2013	2012
Cash Flows from Operating Activities:		
Tuition and Fees	\$ 6,860,093	\$ 7,642,739
Grants and Contracts	6,870,954	7,178,044
Sales and Services of Educational Departments	1,992,135	2,294,740
Payments to Suppliers	(14,445,018)	(15,801,586)
Payments to Employees for Salaries and Benefits	(29,405,509)	(30,354,094)
Payments for Utilities	(1,873,558)	(2,130,519)
Payments for Scholarships and Fellowships	(6,137,259)	(7,556,610)
Loans Issued to Students and Employees		
Collection of Loans to Students and Employees		5,038
Auxiliary Enterprise Charges:		
Student Housing	3,068,930	3,023,035
Food Services	2,465,305	2,438,415
Bookstore	1,750,281	1,742,740
Athletics		
Other Auxiliary Enterprises	1,642,276	1,667,014
Patient Care Services		
Interest Earned on Loans to Students	-	-
Other Receipts	639,017	753,425
Other Payments	-	-
Net Cash Provided (Used) by Operating Activities	(26,572,353)	(29,097,619)
Cash Flows from Noncapital Financing Activities:		
State Appropriations	18,446,720	17,754,244
Gifts and Grants for Other Than Capital Purposes;	10,564,720	12,410,978
Private Gifts for Endowment Purposes		
Federal Loan Program Receipts	20,398,646	22,552,447
Federal Loan Program Disbursements	(20,398,646)	(22,552,447)
Other Sources		
Other Uses		
Net Cash Provided by Noncapital Financing Activities	29,011,440	30,165,222
Cash Flows from Capital Financing Activities:		
Proceeds from Capital Debt		
Cash Paid for Capital Assets	(63,425)	(135,234)
Capital Appropriations Received		
Capital Grants and Contracts Received		
Proceeds from Sale of Capital Assets		

Cash Flows from Capital Financing Activities Continued:

Principal Paid on Capital Debt and Leases	(230,000)	(195,000)
Interest Paid on Capital Debt and Leases	(796,689)	(804,489)
Other Sources	5,219	5,218
Other Uses		
Net Cash Used by Capital and Related Financing Activities	(1,084,895)	(1,129,505)

Cash Flows from Investing Activities:

Proceeds from Sales and Maturities of Investments	3,339,053	3,685,395
Interest Received on Investments	71,050	14,405
Purchases of Investments	(3,545,367)	(3,524,974)
Net Cash Provided by Investing Activities	(135,264)	174,826

Net Increase (Decrease) in Cash and Cash Equivalents	1,218,928	112,924
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Cash and Cash Equivalents - Beginning of the Year	4,681,299	4,568,375
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Cash and Cash Equivalents - End of the Year	\$ 5,900,227	\$ 4,681,299
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RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (29,706,352)	\$ (31,483,292)
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Adjustments to Reconcile Net Income (Loss) to Net Cash (Used) by Operating Activities:

Depreciation Expense/Amortization Expenses	2,054,923	2,260,200
Other	1,068,565	928,010

Changes in Assets and Liabilities:

(Increase) Decrease in Assets:

Receivables, Net	(57,620)	(664,080)
Inventories	(97,594)	(8,324)
Prepaid Expenses	95,840	63,994

Increase (Decrease) in Liabilities:

Accounts Payables and Accrued Liabilities	37,802	(202,147)
Deferred Revenues	(16,850)	(87,043)
Deposits Refundable	(2,638)	(6,114)
Accrued Leave Liability	36,204	(177,558)

Loans to Students and Employees

Other Liabilities	15,367	278,735
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Total Adjustments:	3,133,999	2,385,673
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Net Cash Provided (Used) by Operating Activities:	\$ (26,572,353)	\$ (29,097,619)
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**ENTER NON-CASH TRANSACTIONS BELOW: See GASB #9,
Paragraph 37) (examples)**

1.) State Appropriations Restricted for Capital Purposes	11,074,474	13,277,121
2.) Unrealized Gain/(Loss) on Fair Value of Investments	39,198	29,996
3.) Donation of Capital Assets		
4.) Bureau of Buildings and Grounds Construction-in-Progress	23,374,334	13,389,445
5.) Capital Assets Transferred from another Mississippi State Agency		
6.) New Capital Leases		
7.) Capital Lease Payments from Lapsed Funds		
8.) Provision for Bad Debts	482,870	212,496
9.) Capital Assets Acquired from Capital Leases		



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, 2013**

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.



Notes to Financial Statements
For Year Ended June 30, 2013

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, 2013 and 2012 are as follows:

	2013	2012
Payable to vendors and contractors	\$ 1,127,744	\$ 1,124,493
Accrued salaries, wages and employee withholdings	1,063,335	\$ 1,028,784
Total	<u>\$ 2,191,079</u>	<u>2,153,277</u>



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenues – Deferred revenues include amounts received that have not been earned under the terms of the agreement. Unearned summer school tuition and other revenue totaled \$246,352 and \$263,202 as of June 30, 2013 and 2012, respectively. All amounts should be considered current and thus the revenue will be fully recognized within one year.

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

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

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

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

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

Operating revenues and expenses: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances and bad debt expense, (2) sales and services education services and auxiliary enterprises (net of scholarship discounts and allowances), (3) Federal, state and local grants and contracts (non-Title IV financial aid) and Federal appropriations, if any, (4) interest on institutional student loans and other revenues. Gifts (pledges) that are



**Notes to Financial Statements
For Year Ended June 30, 2013**

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, 2013**

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, 2013 and 2012 which follows:

	2013	2012
Reserves held for Inventories	\$ 318,276	\$ 220,682
Reserves held for Prepaid Expenses	68,011	163,851
Auxiliary Operations	3,755,902	3,266,410
Designated	1,332,070	1,379,820
Remaining Purposes	6,534,106	5,751,991
Totals	\$ 12,008,365	\$ 10,782,754

Note 2: Reclassifications

Certain amounts on the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows in FY 2013 were reclassified to be comparable to the FY 2012 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, 2013**

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, 2013 are as follows.

	Fair Value	Percentage
Regions	\$ 5,518,944	72%
Trustmark	1,207,097	16%
Amerprise	711,110	9%
Various (no single issuer exceeds 5%)	179,785	2%
Total Investments	\$ 7,616,936	100%

The fair values of University investments by type at June 30, 2013 are as follows.

Classification summary	Fair value	Cost	Accumulated unrealized gain (loss)	Percentage of fair value
Cash	\$ 864	864	-	0.01%
Money market funds	173,349	173,349	-	2.28%
Domestic equity securities	604,868	432,427	172,441	7.94%
Domestic equity mutual funds	100,503	80,125	20,378	1.32%
Domestic mutual funds	637,359	546,484	90,875	8.37%
International mutual funds	21,686	19,376	2,310	0.28%
Domestic bond mutual funds	40,286	40,480	(195)	0.53%
International bond mutual funds	6,035	5,401	634	0.08%
Corporate bonds and notes	323,177	319,512	3,666	4.24%
U S Government obligations	3,330,223	3,375,549	(45,325)	43.72%
U S Treasury obligations	20,450	19,856	594	0.27%
Repurchase agreement	1,490,000	1,490,000	-	19.56%
Certificate of deposit	868,136	868,136	-	11.40%
Total cash and investments	\$ 7,616,936	7,371,559	245,377	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, 2013 which are as follows:



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 3: Cash and Investments (continued)

	Fair value	Less than 1	1 to 5	6 to 10	More than 10
U S Government Obligations	\$ 2,218,626	2,114,592	-	3,792	100,242
U S Treasury Obligations	61,247	25,531	-	26,323	9,393
Corporate bonds and notes	169,136	10,738	76,756	68,340	13,302
Domestic bond mutual funds	101,413	101,413	-	-	-
International bond mutual funds	10,382		10,382	-	
Sub-Total	2,560,805	2,252,274	87,138	98,455	122,938
Investment not requiring disclosure	5,056,131				
Total	\$ 7,616,936	2,252,274	87,138	98,455	122,938

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, 2013, the University has the following investment credit profile:

Credit Ratings	Fair Value	
	2013	2012
Aaa	\$ -	81,624
Aa1	6,789	
Aa2	10,148	11,171
Aa3	85,173	10,356
A1	30,055	28,484
A2	24,992	29,858
A3	28,964	33,231
Baa1	12,514	14,624
Baa2	48,506	38,269
Baa3	-	7,187
Not Rated	7,369,795	6,989,574
Total	\$ 7,616,936	7,244,378

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, 2013.

Issuer	Fair value	Percentage
Federal government obligation bond mutual fund	\$ 2,114,591	28%
Regions repurchase agreement	1,490,000	20%
Regions certificate of deposit	868,136	11%



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 4: Accounts Receivable

Accounts receivable at June 30, 2013 and 2012 are as follows:

Type of Receivable	2013	2012
Student fees	\$ 8,572,971	7,950,856
State appropriation	926,371	1,153,787
Grants and contracts	815,916	1,035,020
Employees	4,586	4,543
Other	297,778	170,220
Total accounts receivable	10,617,622	10,314,426
Less: bad debt provision	(5,873,082)	(5,400,090)
Net accounts receivable	\$ 4,744,540	4,914,336

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, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions/ Transfers	Balance June 30, 2013
Non-Depreciable Assets				
Land	\$ 47,500	-	-	47,500
Construction in progress	13,389,445	11,074,474	(1,089,585)	23,374,334
Total non-depreciable capital assets	13,436,945	11,074,474	(1,089,585)	23,421,834
Depreciable Capital Assets				
Improvements other than buildings	14,014,648	21,021	-	14,035,669
Buildings	72,258,471	-	-	72,258,471
Equipment	8,442,300	33,751	-	8,476,051
Library books	6,533,188	30,609	-	6,563,797
Total depreciable assets	101,248,607	85,381	-	101,333,988
Total capital assets	114,685,552	11,159,855	(1,089,585)	124,755,822
Less: Accumulated Depreciation				
Improvements other than buildings	6,221,820	480,298	-	6,702,118
Buildings	22,133,876	1,191,652	936	23,326,464
Equipment	6,725,864	271,202	-	6,997,066
Library books	6,209,471	111,771	-	6,321,242
Total accumulated depreciation	41,291,031	2,054,923	936	43,346,890
Net capital assets	\$ 73,394,521	9,104,932	(1,090,521.0)	81,408,932



**Notes to Financial Statements
For Year Ended June 30, 2013**

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 Life	Salvage Value	Capitalization Threshold
Buildings	40 Years	20%	\$ 50,000
Improvements Other Than Buildings	20 Years	20%	25,000
Equipment	3 - 15 Years	1 - 10%	5,000
Library Books	10 Years	0%	0

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, 2013, is presented as follows:

	Date of issue	Maturity date	Interest rate	Principal interest date	Original issue	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013	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	\$ 18,305,000		230,000	18,075,000	265,000
Total Bond Debt					19,015,000	18,305,000	-	230,000	18,075,000	265,000
Other Long-term Liabilities:										
Accrued leave liability						1,594,971	\$ 36,204		1,631,175	220,324
Deposit refundable						32,896		2,638	30,258	-
Total other long-term liabilities						1,627,867	36,204	2,638	1,661,433	220,324
Total						\$ 19,932,867	\$ 36,204	232,638	19,736,433	485,324
Due within one year									(485,324)	
Total long-term liabilities									\$ 19,251,109	

Note 7: Long-term Liabilities (continued)

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

Fiscal year	Bonded debt	Interest	Total
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	415,000	730,625	1,145,625
2019-2023	2,595,000	3,367,125	5,962,125
2024-2028	3,170,000	2,809,619	5,979,619
2029-2033	4,955,000	1,981,300	6,936,300
2034-2037	5,675,000	662,850	6,337,850
Total	\$ 18,075,000	12,608,019	30,683,019



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 8: Operating Leases

Lease expenses totaled \$80,921 and \$108,106 for the fiscal years ending June 30, 2013 and 2012, respectively.

Note 9: Natural Classifications with Functional Classifications

Operating expenses by functional classifications for the fiscal years ended June, 30, 2013 and 2012 are as follows:

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

2012									
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
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	769,911	-	996	394,635	-	5,875,028
Physical Plant	2,156,243	904,271	3,272	2,860,167	1,366,866	-	689,015	-	7,979,834
Student Aid	512,461	-	-	-	-	6,950,751	193,802	-	7,657,014
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	9,672,609	2,130,519	7,551,586	5,032,420	2,260,200	58,728,277



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 10: Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2013. 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	\$ 17,500,000	\$ 17,500,000	
Library Enhancements	12,000,000	12,000,000	
President's Home	1,300,000	1,300,000	
Waste Water Treatment Plant	7,500,000	4,500,000	
James Hall Renovation	3,200,000	3,200,000	
Fine Arts Building ADA	600,000	600,000	
Campus Re-roof Phase I	807,462	807,462	
Campus Re-roof Phase II	890,000	890,000	
Re-roof Physical Plant	178,914	178,914	
Total	\$ 43,976,376	\$ 40,976,376	\$ -

Note 11: Pension Plan

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

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



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 11: Pension Plan (continued)

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 14.26% in FY 2013 from 12.73%. 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, 2013, 2012 and 2011 were as follows:

Institution's Contribution	Total	PERS	ORP
FY 2013	\$ 2,352,856	\$ 2,233,529	\$ 119,327
FY 2012	2,067,491	1,926,744	140,747
FY 2011	2,058,968	1,923,784	135,184

Note 12: Donor Restricted Endowments

Donor restricted endowments were \$726,913 and \$687,715 and for the fiscal years ended June 30, 2013 and 2012, respectively and is reported in the accompanying statement of net assets as "net assets – non-expendable for scholarships and fellowships". During fiscal year 2013 the restriction on a donor restricted endowment totaling \$1,157,762 was released and accordingly was reclassified to "net assets - expendable for other purposes".

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 and \$20,398,646 and \$22,552,447 student loans for the fiscal years ended June 30, 2013 and 2012, 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."



**Notes to Financial Statements
For Year Ended June 30, 2013**

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 \$758,671 and \$724,030 for the fiscal years ended June 30, 2013 and 2012, respectively.

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

Unemployment Trust Fund totaled \$124,013 and \$99,179 for the fiscal years ended June 30, 2013 and 2012, 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



**Notes to Financial Statements
For Year Ended June 30, 2013**

Note 15: Risk Management (continued)

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 \$117,209 and \$244,708 for fiscal years ended June 30, 2013 and 2012, 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, 2013.

Note 18: Subsequent Events

There have been no events subsequent to June 30, 2013 which would materially affect the financial statements as presented.