



GASB 2019 - 2020

MISSISSIPPI VALLEY STATE
UNIVERSITY®



MISSISSIPPI VALLEY STATE
UNIVERSITY.

September 30, 2020

Dr. Jerryl Briggs, Sr.
President
Mississippi Valley State University
Itta Bena, MS 38941

Dear Dr. Briggs:

We are submitting the Annual GASB Financial Report of Mississippi Valley State University for the year ending June 30, 2020 for your review.

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

Respectfully,

Joyce A. Dixon
Vice President/CFO

OFFICE OF
BUSINESS AND FINANCE



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**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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, 2020 and 2019 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, 2020, with selected comparative information for the year ended June 30, 2019. 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 net of debt, restricted and unrestricted.

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 net position is 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 OPEB and other purposes. Unrestricted net



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For the Year Ended June 30, 2020**

position reflects the effect adoption of GASB 68, Accounting and Reporting of Pension and GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

The condensed Statement of Net Position for the years ended June 30, 2020 and 2019 is as follows:

Summary of Net Position (Condensed)				
	FY 2020	FY 2019	Difference	%I(D)
Assets:				
Current assets	\$ 27,637,224	\$ 26,403,520	\$ 1,233,704	5%
Non-current assets	116,805,857	114,499,936	2,305,921	2%
Deferred outflows of resources	3,452,818	3,380,837	71,981	2%
Total assets and deferred outflows of resources	<u>\$ 147,895,899</u>	<u>\$ 144,284,293</u>	<u>\$ 3,611,606</u>	3%
Liabilities:				
Current liabilities	\$ 2,681,890	\$ 3,106,250	\$ (424,360)	-14%
Non-current liabilities	64,994,678	63,659,578	1,335,100	2%
Deferred inflows of resources	839,937	1,307,503	(467,566)	-36%
Total liabilities and deferred inflow of resources	<u>\$ 68,516,505</u>	<u>\$ 68,073,331</u>	<u>\$ 443,174</u>	1%
Net Position:				
Invested in capital assets, net of debt	\$ 95,958,842	\$ 93,272,941	\$ 2,685,901	3%
Restricted - Nonexpendable	1,179,973	1,062,980	116,993	11%
Restricted - Expendable	2,723,865	2,942,241	(218,376)	
Unrestricted - Operating	<u>(20,483,286)</u>	<u>(21,067,200)</u>	<u>583,914</u>	
Total net position	<u>\$ 79,379,394</u>	<u>\$ 76,210,962</u>	<u>\$ 3,168,432</u>	4%

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 increase is primarily due to an increase in grants receivable offset by a decline in student accounts receivable.
- Noncurrent assets increase is attributed to capital asset additions, net of depreciation, and return on investments.
- Current liabilities decrease result no deferred tuition income from summer session II starting after July 1st, a reduction in accounts payable and accrued salaries.
- Non-current liabilities include accrued leave liability, long-term debt, pension liability (GASB 68) and OPEB liability (GASB 75 other postretirement employee benefits). The decrease is attributable to debt principal payments offset by an increase in pension liabilities.

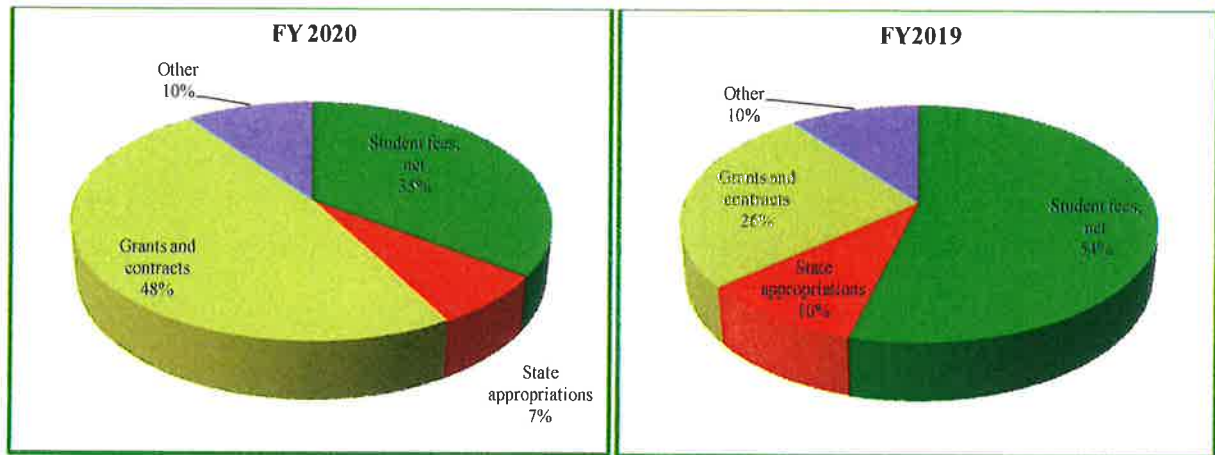


**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

- Deferred outflows and inflows of resources, pension and OPEB liabilities changes resulted from actuarial calculations in accordance with GASB 68 and GASB 75.

Accounts Receivables, net

Accounts receivables compilation for the years ended June 30, 2020 and 2019 are as follows:



Accounts receivable at June 30, 2020 and 2019 are as follows:

Type of Receivable	FY 2020	FY 2019	Difference	%I(D)
Student fees	\$ 10,126,418	\$ 10,408,491	\$ (282,073)	-3%
State appropriations	330,035	377,106	(47,071)	-12%
Grants and contracts	2,259,995	1,008,834	1,251,161	124%
Other	477,097	410,964	66,133	16%
Total accounts receivable	13,193,545	12,205,395	988,150	8%
Less: bad debt provision	(8,477,222)	(8,305,293)	(171,929)	2%
Net accounts receivable	\$ 4,716,323	\$ 3,900,102	\$ 816,221	21%

- Student fees decline resulted from a slight decrease in enrollment and room, board and laundry pro-rate credits to student accounts reflecting campus closure due to Covid-19.
- State appropriations decline is attributed to timing of billings and collections.
- Grants and contracts increase resulted from a receivable from CARES (\$1,451,000) due to a loss of auxiliary revenues due to Covid-19.
- Other receivables reflect amounts due from various sources not classified elsewhere.



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the results of University operations. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating. Operating revenues are received for providing goods and services to students and constituencies of the University. Non-operating revenues, including state appropriations, are revenues without the delivery of goods and services. The State Legislature allocates funds to state Institutions of Higher Learning for the education of its citizens. Other revenues, expenses, gains and losses are almost entirely State appropriation for major capital acquisitions and renovations.

The condensed Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2020 and 2019 is as follows:

Summary of Revenues, Expenses, and Changes in Net Position (Condensed)				
	<u>FY 2020</u>	<u>FY 2019</u>	<u>Difference</u>	<u>%I(D)</u>
Operating revenues	\$ 22,454,091	\$ 25,059,424	\$(2,605,333)	-10%
Operating expenses	50,644,000	51,599,046	(955,046)	-2%
Operating loss	(28,189,909)	(26,539,622)	(1,650,287)	6%
Non-operating revenues and expenses	26,642,556	25,385,627	1,256,929	5%
Income (loss) before other revenues, expenses, gains, or losses	(1,547,353)	(1,153,995)	(393,358)	34%
Other revenues, expenses, gains or losses	4,715,785	9,414,911	(4,699,126)	-50%
Increase in net position	3,168,432	8,260,916	(5,092,484)	-62%
Net position - beginning of the year	76,210,962	67,950,046	8,260,916	12%
Net position - end of the year	<u>\$ 79,379,394</u>	<u>\$ 76,210,962</u>	<u>\$ 3,168,432</u>	4%

The loss before other revenues, expenses, gain, or losses reflects a general decline in operating and nonoperating revenues and expenditures.

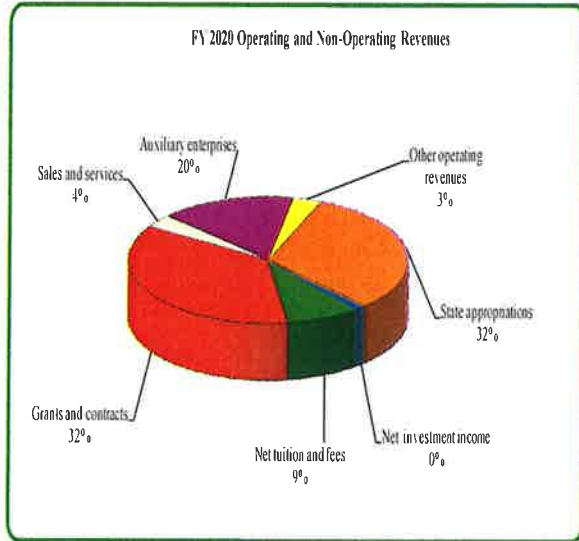
The reduction in the other revenues, expenses, gains or losses primarily resulted from State capital appropriation for deferred maintenance projects. Deferred maintenance has been significantly reduced.



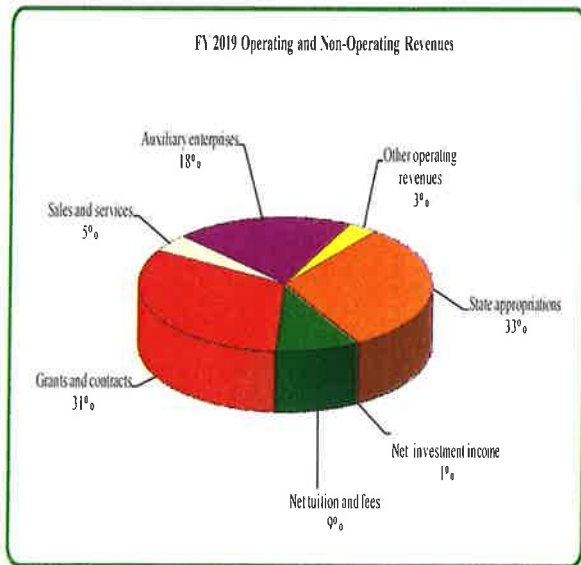
**Management’s Discussion and Analysis
For the Year Ended June 30, 2020**

Sources of operating and non-operating revenues for the years ended June 30, 2020 and 2019 are as follows:

Operating and non-operating revenues for the years ended June 30, 2020 and 2019 are as follows:



	FY 2020	FY 2019	I(D)	I(D) %
Net tuition and fees	\$ 4,278,914	\$ 4,526,824	\$ (247,910)	-5%
Grants and contracts	17,983,491	17,243,266	740,225	4%
Sales and services	1,631,736	2,065,729	(433,993)	-21%
Auxiliary enterprises	7,872,653	9,413,560	(1,540,907)	-16%
Other operating revenues	1,657,864	1,457,780	200,084	14%
State appropriations	15,709,126	15,585,964	123,162	1%
Net investment income	550,171	756,445	(206,274)	-27%
Total revenues	\$ 49,683,955	\$ 51,049,568	\$ (1,365,613)	-3%



Revenues from all sources for the year ending June 30, 2020 declined from prior year.

Changes in revenues resulted from the following reasons.

- Net tuition and fees declined due to a reduction in enrollment.
- Grant and contracts revenues reflect receipts from CARES for students and a receivable for the University’s auxiliary revenues. Auxiliary losses occurred as a result of credits applied to student accounts when the campus was closed due to Covid-19.
- Sales and services revenue declined because of fewer football and basketball game guarantees.
- Auxiliary enterprises revenues reflect credits to student accounts totaling \$1,451,000 for loss of housing, room and laundry due to Covid-19.
- Other operating revenues are from various sources.
- Net investment income reflects a bear capital markets.

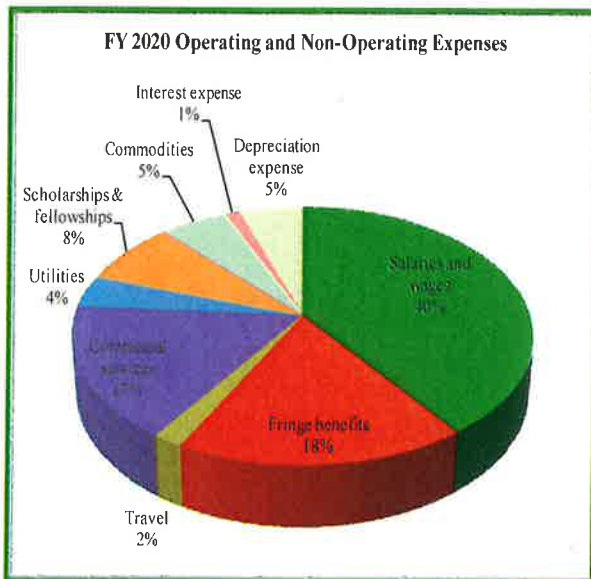
Management continues to seek funding from sources consistent with its missions to supplement the loss in non-resident tuition and fees and uncertain state appropriation for operation.



**Management’s Discussion and Analysis
For the Year Ended June 30, 2020**

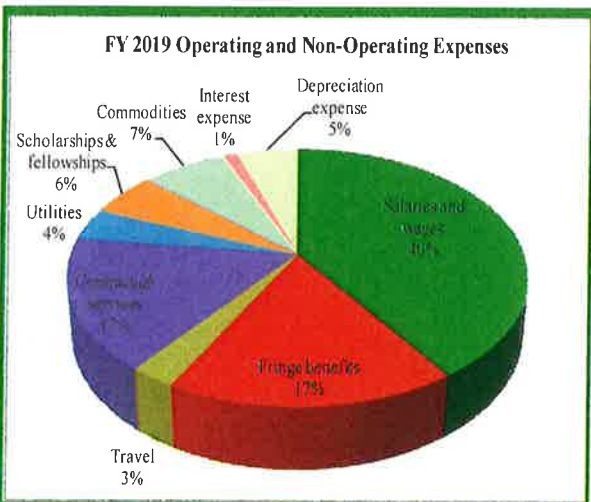
The use of operating and non-operating expenses by natural classification for the years ended June 30, 2020 and 2019 is as follows:

Total expenses declined 1.73 percent. However, the allocation of resources showed minor changes. Resources are deployed based on highest and best uses, which change annually.



FY 2020 compensation declined from FY 2019 while its share of total operating and non-operating expenses increased to 58% from 57% in 2019.

A chart of expenses by natural classification for the years ended June 30, 2020 and 2019 is as follows:



	FY 2020	FY 2019	I(D)	I(D) %
Salaries and wages	\$20,459,710	21,080,419	(620,709)	-3%
Fringe benefits	9,066,147	9,025,447	40,700	0%
Travel	911,135	1,417,677	(506,542)	-36%
Contractual services	8,548,254	8,643,139	(94,885)	-1%
Utilities	2,078,675	2,123,028	(44,353)	-2%
Scholarships & fellowships	4,049,667	2,893,186	1,156,481	40%
Commodities	2,792,572	3,670,050	(877,478)	-24%
Interest expense	587,308	604,517	(17,209)	-3%
Depreciation expense	2,737,840	2,746,100	(8,260)	0%
Total Expenses	\$51,231,308	\$52,203,563	\$ (972,255)	-2%

Total expenses decreased and some explanations of variances are as follows:

- Fringe benefits include approximately \$1.6 million in actuarial pension and OPEB expenses.
- Travel declined due to fewer guarantee revenue games.
- Scholarships and fellowships are offset by the amount of tuition discounting which declined. It also includes \$804,000 in Cares grant from the federal government that was paid directly to students.
- Commodities expenses declined in FY 2020 principally because it did not include the campus lighting project that was completed in FY 2019.



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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.

A condensed Statement of Cash Flows for the years ended June 30, 2020 and 2019 are as follows:

Summary of Cash Flows (Condensed)				
	FY2020	FY2019	Difference	% I(D)
Cash provided (used) by:				
Operating activities	\$ (25,355,335)	\$ (22,228,263)	\$ (3,127,072)	14%
Non-capital financing activities	25,266,177	25,531,276	(265,099)	-1%
Capital financing activities	(1,404,460)	(1,391,442)	(13,018)	1%
Investing activities	1,688,742	568,600	1,120,142	329%
Net change in cash	195,124	2,480,171	(2,285,047)	-92%
Cash, beginning of year	19,071,937	16,591,766	2,480,171	15%
Cash, end of year	\$ 19,267,061	\$ 19,071,937	\$ 195,124	1%

The University's cash reserves declined \$146,644 (1%) at June 30, 2020 after increasing investments. Overall, expenditures were strategically reduced to balance lower revenues. Employees, vendors and debt service were paid on a timely basis. Other comments are as follows:

- Cash used by operating activities was \$3,127,000 (14%) higher in FY 2020 due to the loss of \$1.45 million from auxiliary revenues refunded to students who moved off campus due to Covid-19.
- Non-capital financing cash activities for FY 2020 declined as a reduction in financial aid grants and gifts.
- Capital financing activities reflects the purchase of capital assets and debt service.
- Cash from investing activities in FY 2020 reflects investment returns from the capital markets.

Designated Revenues

Designated revenues represent all unrestricted revenues of the University, which include without limitation, net tuition and auxiliary fees, sales and services, other operating revenue, and state appropriations.

Bond indentures previously issued, and those that may be issued in the future by the University's Educational Building Corporations (EBC) are payable from designated revenues. The IHL covenants under terms of its various bond agreements that if designated revenues are insufficient to satisfy the University's obligations, the IHL Board will provide amounts from any other legally available source and will then allocate the same to



**Management’s Discussion and Analysis
For the Year Ended June 30, 2020**

cure the insufficiency. The following table provides a history of all designated revenues available to the IHL Board from fiscal years 2016 through 2020.

Designated Revenues					
	Years Ended June 30				
	2016	2017	2018	2019	2020
Tuition & fees, net	\$ 4,311,694	\$ 4,955,898	\$ 4,711,448	\$ 4,526,824	\$ 4,278,914
Sales and services	2,194,183	2,610,546	2,175,195	2,065,729	1,631,736
Auxiliary enterprises	9,295,309	9,584,255	10,080,845	9,413,560	7,872,653
Other	1,059,238	1,396,709	1,612,858	1,457,780	2,208,035
Sub-total	16,860,424	18,547,408	18,580,346	17,463,893	15,991,338
State appropriations	17,595,330	17,233,120	15,915,705	15,585,964	15,709,126
Total	\$ 34,455,754	\$ 35,780,528	\$ 34,496,051	\$ 33,049,857	\$ 31,700,464

- Tuition and auxiliary enterprise revenues are net of scholarship allowances in the form of reduced tuition, room and board.
- Other designated revenues include revenues and interest earned on investments on unrestricted investments.

Financial Summary and Outlook

The University has exercise prudent financial stewardship over the years and more so this past year. In fiscal year 2020, the University continued to face many economic challenges including COVID 19 and declining enrollment. The economic uncertainty in the nation and State of Mississippi continues to affect the University’s financial position. Future reductions in state support must be anticipated and managed carefully to maintain our current financial position. Despite tough economic times and slight enrollment declines, the University finances are stable as evidenced by increased cash and investments, and net position.

Continued support from the State of Mississippi is crucial to management’s success of providing a quality education to its students. Management continues to expand recruiting efforts, cost containment, and to diversify revenue streams from sources consistent with its mission. Management constantly revises resource allocations for all financial eventualities to ensure that the University remains fiscally sound.

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



STATEMENTS OF NET POSITION

	<u>2020</u>	<u>2019</u>
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	\$ 19,267,061	\$ 19,071,937
Short term investments	2,960,762	2,859,454
Accounts receivables, net	4,716,323	3,900,102
Student notes receivables, net		
Inventories	463,796	456,581
Prepaid expenses	229,282	115,446
Other current assets		
Total current assets	<u>27,637,224</u>	<u>26,403,520</u>
Noncurrent assets:		
Restricted cash and cash equivalents		
Restricted short-term investments	349,377	301,363
Endowment investments	2,849,366	2,687,459
Other long term investments	1,233,586	1,105,766
Student notes receivable, net		
Beneficial interest in irrevocable trust		
Capital assets, net	112,221,611	110,243,811
Other noncurrent assets	151,957	161,537
Total noncurrent assets	<u>116,805,857</u>	<u>114,499,936</u>
Total assets	<u>144,443,081</u>	<u>140,903,456</u>
Deferred outflows of resources	3,452,818	3,380,837
Total assets and deferred outflows of resources	<u>147,895,899</u>	<u>144,284,293</u>
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	1,501,385	1,715,054
Unearned revenues	115,347	452,870
Accrued leave liabilities - current portion	218,865	166,109
Long-term liabilities - current portion	759,982	708,102
Other current liabilities	86,311	64,115
Total current liabilities	<u>2,681,890</u>	<u>3,106,250</u>
Noncurrent liabilities:		
Accrued leave liabilities	1,431,890	1,454,033
Deposits refundable	36,262	47,288
Long-term liabilities	16,015,000	16,774,983
Net pension liability	44,196,596	42,303,133
Net OPEB liability	3,314,930	3,080,141
Other noncurrent liabilities		
Total noncurrent liabilities	<u>64,994,678</u>	<u>63,659,578</u>
Total liabilities	<u>67,676,568</u>	<u>66,765,828</u>



**MISSISSIPPI VALLEY STATE
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STATEMENTS OF NET POSITION

	<u>2020</u>	<u>2019</u>
Deferred inflows of resources	839,937	1,307,503
Total liabilities and deferred inflows of resources	<u>68,516,505</u>	<u>68,073,331</u>
Net Position:		
Net investment in capital assets	95,958,842	93,272,941
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	1,179,973	1,062,980
Research		
Other purposes		
Expendable:		
Scholarships and fellowships	1,217,896	1,408,276
Research		
Capital projects	573,269	573,269
Debt service	401,256	349,345
Loans		
Other purposes	531,444	611,351
Unrestricted	<u>(20,483,286)</u>	<u>(21,067,200)</u>
Total net position	<u>\$ 79,379,394</u>	<u>\$ 76,210,962</u>



STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Tuition and fees	\$ 12,653,200	\$ 13,733,636
Less scholarship allowances	(8,217,706)	(8,952,465)
Less bad debt expense	(156,580)	(254,347)
Net tuition and fees	<u>4,278,914</u>	<u>4,526,824</u>
Federal appropriations		
Federal grants and contracts	6,573,418	7,503,560
State grants and contracts	439,506	91,971
Nongovernmental grants and contracts		
Sales and services of educational departments	1,631,736	2,065,729
Auxiliary enterprises:		
Student housing	3,372,074	4,018,166
Food services	2,630,796	3,194,041
Bookstore	539,266	736,519
Athletics		
Other auxiliary revenues	1,330,517	1,464,834
Less auxiliary enterprise scholarship allowances		
Interest earned on loans to students		-
Patient care revenues, net		
Other operating revenues, net	1,657,864	1,457,780
Total operating revenues	<u>22,454,091</u>	<u>25,059,424</u>
Operating expenses:		
Salaries and wages	20,459,710	21,080,419
Fringe benefits	9,066,147	9,025,447
Travel	911,135	1,417,677
Contractual services	8,548,254	8,643,139
Utilities	2,078,675	2,123,028
Scholarships and fellowships	4,049,667	2,893,186
Commodities	2,792,572	3,670,050
Depreciation	2,737,840	2,746,100
Other operating expenses		
Total operating expenses	<u>50,644,000</u>	<u>51,599,046</u>
Operating loss	<u>(28,189,909)</u>	<u>(26,539,622)</u>
Nonoperating revenues (expenses):		
State appropriations	15,709,126	15,585,964
Gifts and grants	10,970,567	9,647,735
Investment income	550,171	756,445
Interest expense on capital asset-related debt	(587,308)	(604,517)
Other nonoperating revenues		
Other nonoperating expenses		
Total nonoperating revenues (expenses), net	<u>26,642,556</u>	<u>25,385,627</u>
Loss before other revenues, expenses, gains and losses	<u>(1,547,353)</u>	<u>(1,153,995)</u>



**MISSISSIPPI VALLEY STATE
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STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2020</u>	<u>2019</u>
Other revenues, expenses, gains and losses:		
Capital grants and gifts		
State appropriations restricted for capital purposes	4,598,792	9,323,761
Additions to permanent endowments	116,993	91,150
Other additions		
Other deletions		
Change in net position	<u>3,168,432</u>	<u>8,260,916</u>
Net position, beginning of the year	<u>76,210,962</u>	<u>67,950,046</u>
Net position, beginning of year, as restated	<u>76,210,962</u>	<u>67,950,046</u>
Net position, end of the year	<u>\$ 79,379,394 \$</u>	<u>\$ 76,210,962</u>



STATEMENT OF CASH FLOWS

	2020	2019
Operating activities:		
Tuition and fees	\$ 4,405,689	\$ 4,577,703
Grants and contracts	5,740,441	7,542,055
Sales and services of educational departments	1,631,736	2,065,729
Payments to suppliers	(12,419,905)	(13,739,866)
Payments to employees for salaries and benefits	(28,049,338)	(28,409,770)
Payments for utilities	(2,078,675)	(2,123,028)
Payments for scholarships and fellowships	(4,049,667)	(2,893,186)
Loans Issued to students and employees	3,812	(3,811)
Collection of loans from students and employees		
Auxiliary enterprise charges:		
Student housing	3,372,074	4,018,166
Food services	2,630,796	3,194,041
Bookstore	539,266	736,519
Athletics		
Other auxiliary enterprises	1,330,517	1,464,834
Patient care services		
Interest earned on loans to students		
Other receipts	1,587,919	1,342,351
Other payments		
Net cash used by operating activities	<u>(25,355,335)</u>	<u>(22,228,263)</u>
Noncapital financing activities:		
State appropriations	15,756,197	15,792,391
Gifts and grants for other than capital purposes	9,392,987	9,647,735
Private gifts for endowment purposes	116,993	91,150
Federal loan program receipts	15,882,631	17,445,192
Federal loan program disbursements	(15,882,631)	(17,445,192)
Other sources		
Other uses		
Net cash provided by noncapital financing activities	<u>25,266,177</u>	<u>25,531,276</u>
Capital and related financing activities:		
Proceeds from capital debt		
Cash paid for capital assets	(118,629)	(130,241)
Capital appropriations received		-
Capital grants and contracts received		-
Proceeds from sales of capital assets		-
Principal paid on capital debt and leases	(708,103)	(666,264)
Interest paid on capital debt and leases	(577,728)	(594,937)
Other sources		-
Other uses		-
Net cash used by capital and related financing activities	<u>(1,404,460)</u>	<u>(1,391,442)</u>
Investing activities:		
Proceeds from sales and maturities of investments	1,300,922	425,444
Interest received on investments	623,527	634,202
Purchases of investments	(235,707)	(491,046)
Net cash used by investing activities	<u>1,688,742</u>	<u>568,600</u>
Net change in cash and cash equivalents	195,124	2,480,171
Cash and cash equivalents - beginning of year	19,071,937	16,591,766
Cash and cash equivalents - end of year	<u>\$ 19,267,061</u>	<u>\$ 19,071,937</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	\$ (28,189,909)	\$ (26,539,622)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation expense	2,747,420	2,746,100
Self-insured claims expense		
Provision for uncollectible receivables	156,580	254,347
Other	1,590,486	1,525,002



STATEMENT OF CASH FLOWS

	<u>2020</u>	<u>2019</u>
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(1,019,872)	(622,762)
Inventories	(7,215)	49,133
Prepaid Expenses	(113,836)	(84,919)
Loans to Students and Employees		
Deferred outflow of resources	(71,981)	1,143,761
Other Assets	(9,580)	(9,580)
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	(213,669)	(10,995)
Unearned Revenue	(337,523)	230,441
Deposits Refundable	(11,026)	16,137
Accrued Leave Liability	30,613	11,918
Net pension liability	1,893,463	303,835
Net OPEB liability	234,789	(95,254)
Deferred inflow of resources	(467,566)	228,551
Other Liabilities	(1,566,509)	(1,374,356)
Total Adjustments	<u>2,834,574</u>	<u>4,311,359</u>
Net cash used in operating activities	<u>(25,355,335)</u>	<u>(22,228,263)</u>
	(25,355,335)	(22,228,263)
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	19,267,061	19,071,937
Noncurrent assets - restricted cash and cash equivalents		
Cash and cash equivalents, end of year	<u>19,267,061</u>	<u>19,071,937</u>
	\$ 19,267,061	\$ 19,071,937
ENTER NON-CASH TRANSACTIONS BELOW: (See GASB #9, Paragraph 37)		
Capital Appropriations from the State of Mississippi	\$ 4,598,792	\$ 9,323,761
Capital Assets Acquired through donation and capital lease obligations		



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

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.

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.

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.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimated and assumptions that affect the reported amounts of assets and liabilities and disclose of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



Note 1: Summary of Significant Accounting Policies (Continued)

Significant estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements, included as other current assets and as other current liabilities. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with the programs could change by a material amount in the near term.

Included in other noncurrent liabilities are unpaid claim liabilities relating to the IHL System's self-insured workers' compensation, unemployment compensation and tort claims. The liabilities for these unpaid claims and loss adjustment expenses are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims payable include estimates that are particularly susceptible to change in the near term. Management believes that liabilities established for these unpaid claims at June 30, 2020 are adequate to cover the ultimate net cost of claims and contractual adjustments, but these liabilities are necessarily based upon estimates, and accordingly, the amount ultimately paid will be more or less than such estimates. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in the operations, currently.

The University's investments are invested in various types of investment securities with various markets. Investment securities are exposed to several risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

In connection with the preparation of the financial statements, management evaluated subsequent events through the date the financial statements were available to be issued.

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.

Short-term Investments - Short-term investments are not cash equivalents but mature within the next fiscal year.

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.

Student Notes Receivable, Net - The University does not have notes receivables.

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.

Cash and Cash Equivalents and Restricted Short-Term Investments - Cash, cash equivalent and short-term investments that are externally-restricted to make debt service payments, to maintain sinking or debt service funds or to purchase or construct capital or noncurrent assets and are classified as



Note 1: Summary of Significant Accounting Policies (Continued)

noncurrent assets in the statement of net position.

Endowments – The University's endowment investments are recorded at fair value and are generally subject to the restrictions of donor gift instruments. They include donor restricted endowments, which are funds received from a donor with the restrictions that only the income is to be utilized or for which the donor has stipulated that the principal may be expended only after a stated period or upon the

occurrence of a certain event, and funds functioning as endowments, which are funds established by the governing board to function similar to an endowment fund but may be fully expended at any time at the discretion of the governing board.

Other Long-Term Investments – Investments are reported at fair value. Unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net position. Investments for which there are no quoted market prices are valued at net asset value.

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

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

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

Debt and equity securities classified in level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are subject to pricing by alternative pricing sources due to the lack of information available by the primary vendor. There are no investments classified in Level 3.

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



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Impairment of Capital Assets - Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and

unexpectedly. Any write-downs due to impairment are charges to operations at the time impairment is identified. No write-down of capital assets was required for the year ended June 30, 2020.

Deferred Inflows and Outflows – The University has deferred inflows of resources. The deferred inflows of resources are an acquisition of net assets by the University that is applicable to a future reporting period and include pension and OPEB related deferred inflows and deferred amount of debt refunding.

The University has deferred outflows of resources. The deferred outflows of resources are consumption of net assets by the University that are applicable to a future period and include the unamortized amounts for losses on the refunding of bond debt, pension, and OPEB related deferred outflows, and beneficial interest in irrevocable trusts.

Net Pension and OPEB Liabilities – For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, and OPEB and OPEB expenses, respectively, information about the fiduciary net position of the University's proportionate share of the liability for pension and OPEB, and additions to/deduction from the plans' fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS) and the State and School Employees' Life and Health Insurance Plan (OPEB Plan). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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

Compensated Absences/Accrued Leave - 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 13.36 hours per month for one month 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 18 hours per month for fifteen years of service and above. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid up to 240 hours of accumulated leave.



Management's Discussion and Analysis
For the Year Ended June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Unearned Revenues – Unearned revenues include amounts received for tuition, fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

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.

Noncurrent Liabilities - Noncurrent liabilities include (1) principal amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts of proportionate share of pension and OPEB liabilities; (3) estimated amounts for accrued compensated absences, pension, and other liabilities that will not be paid within the next fiscal year; and (4) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Government Advances Refundable – The University has no Perkins or Nursing Loans Programs to be refunded.

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 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.

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.

Auxiliary Enterprise Activities - The University operates auxiliary enterprises to provide goods and



Note 1: Summary of Significant Accounting Policies (Continued)

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.

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 Position - 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.

Reclassifications

There were no reclassifications in FY 2019 for FY 2018.

Note 2: Cash and Investments

Cash Equivalents and Short-Term Investments

Investment policies as set forth by the IHL System's 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, U.S. Government agency and sponsored enterprise obligations and repurchase agreements. Investment policy at the IHL System is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998.

Custodial Credit Risk

Deposits Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The IHL System had no investments exposed to custodial credit risk at June 30, 2019. The collateral for public entities' deposits in financial institutions are 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 of the Mississippi Code Annotated (1972). Under this program, the University's funds are protected



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 2: Cash and Investments (Continued)

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 the 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 Deposit Insurance Corporation. Investment policies as set forth by Board policy as authorized by Section 37-101-15, Mississippi Code Annotated (1972), authorize the universities to invest in equity securities, bonds and other securities. Investments are reported at fair value.

Note 2: Cash and Investments

A summary of cash and investments as of June 30, 2020 and 2019 are as follows:

	2020	2019
Cash	\$ 19,267,061	\$ 19,071,937
Restricted cash and cash equivalents		
U.S. Treasury securities	472,898	99,658
U.S. government agency securities	3,162,442	3,157,381
Commercial mortgage backed securities		
Collateralized mortgage obligations		
Asset backed securities		
Corporate bonds and notes	314,677	171,835
Certificates of deposit	892,991	877,479
Municipal bonds	-	
Money market funds	233,758	452,581
Domestic equity securities	253,678	428,071
Fixed income mutual funds	633,063	537,028
International equity mutual funds	60,495	23,525
Domestic equity mutual funds	1,349,885	1,170,192
Equity long/short hedge funds		
Private capital		
University of Mississippi Foundation investment pool		
Mississippi State Foundation Investment Pool		
Miscellaneous	19,164	36,292
Total Cash and Investments	<u>\$ 26,660,112</u>	<u>\$ 26,025,979</u>

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

The following tables present the financial assets carried at fair value by level within the valuation hierarchy as well as the assets measured at the net present value (NPV) per share as a practical expedient as of June 30, 2020 and 2018:



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 2: Cash and Investments (Continued)

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Investment strategy:								
Fixed income:								
U.S. Treasury securities	\$ 472,898			\$ 472,898	\$ 99,658			\$ 99,658
Fixed income mutual funds	633,063			633,063	537,028			537,028
U.S. Government agency securities		\$ 3,162,442		3,162,442		\$ 3,157,381		3,157,381
Mortgage obligations and asset backed securities				-				-
Corporate bonds and notes		314,677		314,677		171,835		171,835
Certificates of deposit		892,991		892,991		877,479		877,479
Municipal bonds				-				-
Money market funds	233,758			233,758	452,581			452,581
Total fixed income	<u>1,339,719</u>	<u>4,370,110</u>	<u>-</u>	<u>5,709,829</u>	<u>1,089,267</u>	<u>4,206,695</u>	<u>-</u>	<u>5,295,962</u>
Equity securities:								
Domestic equity securities	253,678			253,678	428,071			428,071
Equity mutual funds	1,349,885			1,349,885	1,170,192			1,170,192
International equity mutual funds	60,495			60,495	23,525			23,525
Total equities	<u>1,621,788</u>	<u>-</u>	<u>-</u>	<u>1,664,058</u>	<u>1,621,788</u>	<u>-</u>	<u>-</u>	<u>1,621,788</u>
Investments measured at NAV as a practical expedient:								
Equity long/short hedge funds								
Venture capital								
Mississippi State Foundation Investment Pool								
University of Mississippi Foundation Investment Pool								
Other miscellaneous investments				19,164				36,292
Total investments measured at NAV				<u>19,164</u>				<u>36,292</u>
Total investments measured at fair value	<u>\$ 2,961,507</u>	<u>\$ 4,370,110</u>	<u>\$ -</u>	<u>\$ 7,393,051</u>	<u>\$ 2,711,055</u>	<u>\$ 4,206,695</u>	<u>\$ -</u>	<u>\$ 6,954,042</u>

Other miscellaneous consists of various other tangible items such as land, timberland and various real estate, etc.

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investments are exposed to custodial risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The IHL system had no investments exposed to custodial risk as of June 30, 2020.

Interest Rate Risk

Per GASB Statement No. 40, interest rate risk is defined as the risk a government may face should interest rate variances adversely affect the fair value of investments. The IHL System does not presently have a formal policy that addresses interest rate risk. The University had the following investments with interest rate risk as of June 30, 2020:



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 2: Cash and Investments (Continued)

Investment type	Fair value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Treasury obligations	\$ 472,898				\$ 472,898
U.S. Government agency obligations	3,162,442	\$ 1,301,274	\$ 1,100,480		760,688
Commercial mortgage backed securities					
Collateralized mortgage obligations					
Asset backed securities					
Corporate bonds & notes	314,677	314,677			
Certificates of deposit	892,991	892,991			
Municipal obligations					
Fixed income mutual funds	633,063	633,063			
Total	\$ 5,476,071	\$ 3,142,005	\$ 1,100,480	\$ -	\$ 1,233,586

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The IHL System does not have a formal investment policy that addresses credit risk. As of June 30, 2020, the University had the following investments recorded at fair value subject to credit risk:

	2020	2019	Reconciliation to total cash and investments:	
Aaa	\$ 1,100,480	\$ 1,018,180	Cash	\$ 19,267,061
A1	8,722	8,639	Restricted cash & cash equivalent	
A2	119,581	68,647	U.S. Treasury securities	472,898
A3	74,334	34,155	Certificates of deposit	892,991
Not rated, or rating unavailable	2,807,065	3,189,204	Money market funds	233,758
Total	\$ 4,110,182	\$ 4,318,825	Equity securities	1,683,222
			Investment measured at NAV	4,110,182
			Repurchase agreements	0
				\$ 26,660,112

The credit risk ratings listed above are issued upon standards set by Standards and Poor's or Moody's Rating Services.

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 IHL System does not have a formal investment policy that addresses concentration of credit risk.



Management's Discussion and Analysis
For the Year Ended June 30, 2020

Note 2: Cash and Investments (Continued)

At June 30, 2020 the University had the following issuers holding investments recorded at fair market value that represent more than 5% of total investments:

Issuer	2020		2019	
	Fair Value	Percentage	Fair Value	Percentage
Federal Home Loan Bank notes	\$ 374,678	5.07%	\$ 250,494	3.60%
FNMA				
FHLMC	1,100,480	14.89%	1,266,626	18.21%
FFCB	1,551,348	20.98%	1,635,006	23.51%
FMCC (Freddie Mac)				
Small Business Association participation certificates				
State of Mississippi Obligations				
Regions Bank	932,305	12.61%	877,479	12.62%
State Bank & Trust				
Trustmark Bank	158,595	2.15%	253,603	3.65%
River Hills Bank				
US Treasury Obligations	472,898	6.40%	99,658	1.43%
Renasant Bank				
BancorpSouth				
Hancock Bank				
GNMA Notes	135,936	1.84%	5,782	0.08%
GNC				
Municipal Tax Bonds				
FNDB				
Mississippi Development Bank notes				
Various (no single issuer exceeds 5% of total)	2,666,811	36.07%	2,565,394	36.89%
Total investments	<u>\$ 7,393,051</u>	<u>100.00%</u>	<u>\$ 6,954,042</u>	<u>100.00%</u>

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment. The IHL System does not presently have a formal policy that addresses foreign currency risk. The University does not have any exposure to foreign currency risk.



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 3: Accounts Receivable, net

Accounts receivable at June 30, 2020 and 2019 are as follows:

	2020	2019
Student tuition	\$ 10,126,418	\$ 10,408,491
Auxiliary enterprises and other operating activities		
Contributions and gifts		
Federal, state, and private grants and contracts	2,259,995	1,008,834
State Appropriations	330,035	377,106
Accrued Interest		
Patient Income		
Other	477,097	410,964
Total Accounts receivable	13,193,545	12,205,395
Less allowance for doubtful accounts	8,477,222	8,305,293
Net Accounts receivable	\$ 4,716,323	\$ 3,900,102

Note 4: Note Receivable from Students

The Perkins Loan Program was liquidated during FY 2010.

Note 5: Capital Assets

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Deletions/ Transfers	Balance June 30, 2020
Non-Depreciable Assets				
Land	\$ 47,500			\$ 47,500
Construction in progress	13,874,591	\$ 4,598,792	\$ 1,313,482	17,159,901
Livestock			-	
Total non-depreciable capital assets	13,922,091	4,598,792	1,313,482	17,207,401
Depreciable Capital Assets				
Buildings	116,845,406	1,313,486		118,158,892
Improvements other than buildings	20,410,174			20,410,174
Equipment	7,829,588	108,147	37,947	7,899,788
Library books	6,713,455	10,478		6,723,933
Total depreciable assets	151,798,623	1,432,111	37,947	153,192,787
Total capital assets	165,720,714	6,030,903	1,351,429	170,400,188
Less: Accumulated Depreciation for:				
Buildings	31,915,961	1,947,741		33,863,702
Improvements other than buildings	10,162,032	516,294		10,678,326
Equipment	6,778,385	253,926	36,166	6,996,145
Library books	6,620,525	19,879		6,640,404
Total accumulated depreciation	55,476,903	2,737,840	36,166	58,178,577
Net capital assets	\$ 110,243,811	\$ 3,293,063	\$ 1,315,263	\$ 112,221,611



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 5: Capital Assets (continued)

Capitalized assets under lease and included in total capital assets at June 30, 2020 is as follows:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2020</u>
Assets under lease	\$407,504			\$ 407,504
Less: Accumulated depreciation	239,420	\$ 83,102		322,522
Net book value	<u>\$168,084</u>	<u>\$ 83,102</u>	<u>\$0</u>	<u>\$ 84,982</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.

<u>Capital assets</u>	<u>Estimated</u>	<u>Salvage value</u>	<u>Capitalization</u>
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 6 Deferred Outflows and Inflow of Resources

Deferred Outflows of Resources

The classifications of deferred outflows of resources at June 30, 2020, 2019 and 2018 are as follow:

	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
<i>GASB Statement No. 68, Accounting and Reporting for Pensions:</i>			
Difference between expected and actual experience	\$ 26,146	\$ 185,454	\$ 603,396
Changes in assumptions	433,307	24,958	933,480
Changes in proportionate share	(213,231)	467,718	294,469
Contributions subsequent to the measurement date	2,823,856	2,545,552	2,536,037
Net difference between projected and actual earnings on pension plan			-
<i>GASB Statement No. 75, Other Postemployment Benefits:</i>			
Difference between expected and actual experience	5,012	6,271	-
Net difference between projected and actual earnings on OPEB plan investments	63		
Change of assumptions	247,137		
Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	14,179	18,011	21,844
Implicit rate subsidy	116,349	132,873	135,372
Accumulated deferred amount of debt refundings		-	-
Total	<u>\$ 3,452,818</u>	<u>\$ 3,380,837</u>	<u>\$ 4,524,598</u>



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 6 Deferred Outflows and Inflow of Resources (continued)

<i>Pension related</i>	\$ 3,070,078	\$ 3,223,682	\$ 4,367,382
OPEB related	382,740	157,155	157,216
<i>Other</i>	-	-	-
	<u>\$ 3,452,818</u>	<u>\$ 3,380,837</u>	<u>\$ 4,524,598</u>

Deferred Inflows of Resources

The classifications of deferred inflows of resources at June 30, 2020, 2019 and 2018 are as follow:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<i>GASB Statement No. 68, Accounting and Reporting for Pensions:</i>			
Net difference between projected and actual earnings on pension plan	\$ 31,109,479	\$ 52,664,865	\$ 34,064,629
Changes in assumptions	-	1,463,155	4,520,947
Difference between expected and actual experience	3,060,759	11,168,154	19,359,342
<i>GASB Statement No. 75, Other Postemployment Benefits::</i>			
Change in proportion and differences between benefit payments and proportionate share	1,629,371	1,109,743	-
Difference between expected and actual experience	2,254,444	-	-
Changes in assumptions	8,167,092	10,105,794	7,670,577
Deferred amount of refundings	4,638,458	5,023,215	5,407,973
Beneficial interest in irrevocable trusts	35,933,062	34,944,417	33,592,648
Total	<u>\$ 86,792,665</u>	<u>\$ 116,479,343</u>	<u>\$ 104,616,116</u>

Note 6 Deferred Outflows and Inflow of Resources

<i>Pension related</i>	\$ 34,170,238	\$ 65,296,174	\$ 57,944,918
<i>OPEB related</i>	12,050,907	11,215,537	7,670,577
<i>Beneficial interest in irrevocable trusts</i>	35,933,062	34,944,417	33,592,648
<i>Deferral on refundings</i>	4,638,458	5,023,215	5,407,973
	<u>\$ 86,792,665</u>	<u>\$ 116,479,343</u>	<u>\$ 104,616,116</u>

Note 7: Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are considered current and expected to be settled within one year for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Payable to vendors and contractors	\$ 590,627	\$ 692,109
Accrued salaries, wages and employee withholdings	910,758	1,022,945
Accrued interest		
Other		
Total	<u>\$ 1,501,385</u>	<u>\$ 1,715,054</u>



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 8: Unearned Revenues

Unearned revenues for the years ending June 30, 2020 and 2019 are as follows:

	2020	2019
Tuition and fees	\$ 8,283	\$ 324,484
Contracts and grants	107,064	128,386
Auxiliary and other activities		
Total	\$ 115,347	\$ 452,870

Note 9: Material Blended Component Units of the University

In accordance with GASB Statement No. 61, the educational building corporations are deemed to be material component units of the University, but are presented on a blended basis in the accompanying financial statements due to the significance of their activities to the University's operations. These blended component units provide services entirely, or almost entirely, to the University. Condensed financial information as of June 30, 2020 is as follows.

Building Corporation Information (ONLY)

	2019	2018
Total Current Assets	-	-
Total Noncurrent Assets	\$ 16,690,000	\$ 17,315,000
Total Assets	16,690,000	17,315,000
Deferred Outflows of Resources	-	-
Total Current Liabilities	\$ 675,000	\$ 625,000
Total Noncurrent Liabilities	16,015,000	16,690,000
Total Liabilities	\$ 16,690,000	\$ 17,315,000
Deferred Inflows of Resources	-	-
Total Net Position	-	-
Total Operating Revenues	1,196,306	1,184,361
Total Operating Expenses	1,196,306	1,184,361
Operating Income (Loss)	-	-
Total Nonoperating Revenues	-	-
Total Nonoperating Expenses	-	-
Change in Net Position	-	-

Note 10: Long-term Liabilities

Long-term liabilities of the University consist of bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2020. The leases cover a period not to exceed five years. The University has the option to prepay all outstanding obligations less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period. Other long-term liabilities consist of accrued leave liabilities, deposit refundable, net pension liability, net OPEB liability.



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 10: Long-term Liabilities (continued)

	Original issue	Annual Interest Rate	Maturity (fiscal year)	6/30/2019	Additions	Deletions	6/30/2020	Due within 1 year
Mississippi Valley State University								
Bonded debt								
EBC Bonds - 2007	\$ 19,015,000	4.00%	2022	\$ 535,000		\$ 180,000	\$ 355,000	\$ 190,000
EBC Bonds - 2015	17,270,000	2.00%	2037	16,780,000		445,000	16,335,000	485,000
Total bonded debt	<u>\$ 36,285,000</u>			<u>17,315,000</u>	<u>-</u>	<u>625,000</u>	<u>16,690,000</u>	<u>675,000</u>
Capital lease	407,504			168,084	-	83,102	84,982	84,982
Total capital leases	<u>407,504</u>			<u>168,084</u>	<u>-</u>	<u>83,102</u>	<u>84,982</u>	<u>84,982</u>
Other long-term liabilities:								
Accrued leave liability				1,620,143	30,612		1,650,755	218,865
Net pension liability				42,303,133	1,893,463		44,196,596	
Net OPEB liability				3,080,141	234,789		3,314,930	
Deposit refundable				47,288		11,026	36,262	-
Total other long-term liabilities				<u>47,050,705</u>	<u>2,158,864</u>	<u>11,026</u>	<u>49,198,543</u>	<u>218,865</u>
Total				<u>\$64,533,789</u>	<u>\$ 2,158,864</u>	<u>\$ 719,128</u>	<u>65,973,525</u>	<u>\$ 978,847</u>
Due within one year							(978,847)	
Total long-term liabilities							<u>\$ 64,994,678</u>	

The annual debt service requirement of the outstanding debt as of June 30, 2020 is as follows:

Fiscal year	Bonded debt	Capital lease	Notes payable	Total interest	Total principal and interest
2021	675,000	84,982		\$ 556,643	\$ 1,316,625
2022	725,000			537,906	1,262,906
2023	575,000			514,506	1,089,506
2024	625,000			497,256	1,122,256
2025	675,000			481,631	1,156,631
2026-2030	4,245,000			2,083,743	6,328,743
2031-2035	6,085,000			1,255,800	7,340,800
2036-2037	3,085,000			175,501	3,260,501
Total	<u>\$ 16,690,000</u>	<u>\$ 84,982</u>	<u>\$ -</u>	<u>\$ 6,102,986</u>	<u>\$22,877,968</u>



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 11: Natural Classifications Natural and Functional Classifications

Operating expenses by natural and functional classifications for the fiscal years ended June 30, 2020 and 2019 are as follows:

2020									
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
Instruction	\$ 8,326,020	3,759,102	173,755	735,520	4,000	98,818	319,441	-	13,416,656
Research	13,111	2,590	1,114	4,998	-	-	-	-	21,813
Public service	1,445,289	641,241	111,533	566,908	41	9,367	451,084	-	3,225,463
Academic support	1,330,687	630,818	47,173	994,216	-	-	111,270	-	3,114,164
Student services	2,681,245	1,212,437	462,130	1,186,769	2,697	10,736	470,293	-	6,026,307
Institutional support	3,116,197	1,300,191	103,863	1,132,842	38	25,492	141,386	-	5,820,009
Operation of plant	1,901,242	939,141	5,354	1,349,568	1,332,274	-	638,904	-	6,166,483
Student aid	468,682	-	-	74,401	-	3,905,254	58,880	-	4,507,217
Auxiliary enterprises	1,177,237	580,627	6,213	2,503,032	739,625	-	601,314	-	5,608,048
Depreciation expense								2,737,840	2,737,840
Total	\$ 20,459,710	9,066,147	911,135	8,548,254	2,078,675	4,049,667	2,792,572	2,737,840	50,644,000

2019									
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships & fellowships	Commodities	Depreciation expense	Total
Instruction	\$ 8,752,432	3,828,245	287,892	616,502	1,152	57,206	449,687	-	13,993,116
Research	13,022	2,369	-	6,839	-	-	4,471	-	26,701
Public service	1,555,255	633,981	124,236	577,174	-	4,096	375,282	-	3,270,024
Academic support	1,382,870	634,265	58,405	1,283,469	-	-	270,517	-	3,629,526
Student services	2,608,378	1,144,990	773,375	1,138,528	2,450	9,487	423,255	-	6,100,463
Institutional support	3,093,492	1,283,768	155,190	919,733	-	8,620	183,559	-	5,644,362
Operation of plant	1,896,101	923,048	6,594	954,259	1,362,467	-	1,089,294	-	6,231,763
Student aid	586,420	-	-	332,053	-	2,813,777	58,055	-	3,790,305
Auxiliary enterprises	1,192,449	574,781	11,985	2,814,582	756,959	-	815,930	-	6,166,686
Depreciation expense								2,746,100	2,746,100
Total	\$ 21,080,419	9,025,447	1,417,677	8,643,139	2,123,028	2,893,186	3,670,050	2,746,100	51,599,046

Note 12: Operating Leases

Lease expenses totaled \$70,279, \$66,000 and \$66,000 for the fiscal years ending June 30, 2020, 2019 and 2018.

Year Ending June 30,	Amount
2021	\$ 65,063
2022	57,503
2023	19,703
2024	19,703
2025	19,703
2026 - 2030	-
2031 - 2035	-
2036 - 2040	-
Payments required	\$ 181,675



**Management's Discussion and Analysis
For the Year Ended June 30, 2020**

Note 13: Construction Commitments and Financing

The University has contracted for various construction projects as of June 30, 2020. Estimated costs to complete the various projects and the sources of anticipated funding are as follows:

Construction projects	Cost to complete	Funded by		
		State sources	Institutional funds	Other (private)
Academic Skills structural repairs	\$ 1,941,777	\$ 1,941,777		
Student Union renovation preplan	375,000	375,000		
Auditorium improvement	250,000	250,000		
Total	\$ 2,566,777	\$ 2,566,777	\$ -	\$ -

Note 14: Donor Restricted Endowments

Donor restricted endowments were \$1,179,973 for the fiscal years ended June 30, 2020 and are reported in the accompanying statement of net position as "net assets – non-expendable for scholarships and fellowships". During fiscal year 2020 the restriction on donor restricted endowments totaling \$1,669,393 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 15: Employee Benefits-Pension Plans

The University participates in the following separately administered plans maintained by Public Employees' Retirement System of Mississippi (PERS):

Plan Type	Plan Name
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contribution	Optional Retirement Plan (ORP) Defined Contribution Plan

The employees of the University are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2019 for fiscal year 2020 and June 30, 2018 for fiscal year 2019.

The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the funds are to be accumulated from employee contributions, participating entity contributions and income from the investment of accumulated funds. The plans are administered by separate boards of trustees.

Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC.

A stand-alone audited financial report is issued for the Plans and can be obtained at www.pers.ms.gov.



Note 15: Employee Benefits-Pension Plans (Continued)

Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2019). For fiscal year 2020, the measurement date for the PERS defined benefit plan is June 30, 2019. For fiscal year 2019, the measurement date for the PERS defined benefit plan is June 30, 2018. The University is presenting net pension liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 financials, respectively.

(a) PERS Defined Benefit Plan

Plan Description

The PERS of Mississippi was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, elected members of the State Legislature and the President of the Senate. PERS administers a cost-sharing, multiple-employer defined benefit pension plan. PERS is administered by a 10-member Board of Trustees that includes the State Treasurer; one gubernatorial appointee who is a member of PERS; two state employees; two PERS retirees; and one representative each from public schools and community colleges, state universities, municipalities and counties. With the exception of the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

Membership and Benefits Provided

Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi (the State), state universities, community and junior colleges, and teachers and employees of the public school districts. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a full refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS



Note 15: Employee Benefits-Pension Plans (Continued)

also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0% compounded for each fiscal year thereafter.

Contributions

Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. § 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature.

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2020 and 2019 was 17.40% and 15.75%, respectively, for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the University are recognized when legally due based on statutory requirements.

Employer Contributions

The University's contributions to PERS for the years ended June 30, 2020 and 2019 were \$2,854,886 and \$2,577,026, respectively. The University's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the University that are not representative of future contribution effort are excluded in the determination of employer's proportionate share. Examples of employer contributions not representative of future contribution efforts are contributions towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

The following table provides the University's contributions used in the determination of its proportionate share of collective pension amount reported:



Note 15: Employee Benefits-Pension Plans (Continued)

Plan	Proportionate share of contributions	Allocation percentage of proportionate share of collective pension amount	Change in proportionate share of collective pension amount
PERS Defined Benefit:			
2020	\$ 2,577,026	0.251232%	-0.003101%
2019	2,558,051	0.254333%	0.001681%

Net Pension Liability

The University's proportion of the net pension liability at June 30, 2020 and 2019 is as follows:

Plan	Proportion of net pension liability	Proportionate share of net pension liability
PERS Defined Benefit:		
2020	0.251232%	\$ 44,196,596
2019	0.254333%	42,303,133

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred outflows of resources were related to differences between expected and actual experience, changes of assumptions, changes in proportion and differences between employer contributions and the proportionate share of contributions, and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources.

See the following table for deferred outflows and inflows of resources related to pensions from the following sources:



Management's Discussion and Analysis
For the Year Ended June 30, 2020

Note 15: Employee Benefits-Pension Plans (Continued)

		2020		2019			
		Deferred outflows		Deferred inflows			
	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
\$	433,307	2,823,856	3,070,078	483,533	—	47,573	531,106
Contributions subsequent to the measurement date of \$2.8 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.							

2019

		2020		2019			
		Deferred outflows		Deferred inflows			
	Changes in proportion and differences between employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
\$	24,958	2,545,552	3,223,682	840,929	23,363	178,328	1,042,620
Contributions subsequent to the measurement date of \$2.5 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.							



**Notes to Financial Statements
For Year Ended June 30, 2020**

Note 15: Employee Benefits-Pension Plans (Continued)

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 outflows of resources Year Ended June 30				
2021	2022	2023	2024	Total
\$ 144,439	90,618	11,164	—	246,221

Deferred inflows of resources Year Ended June 30				
2021	2022	2023	2024	Total
\$ (46,108)	792,855	(13,860)	(201,780)	531,107

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the four-year period ending June 30, 2018.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2020 and 2019:

	2020	2019
Valuation date	June 30, 2019	June 30,
Asset valuation method	Market value	2018
		Market value
Actuarial assumptions:		
Inflation rate	2.75 %	
Salary increases	3.00	3.00 %
Investment rate of return	7.75	3.25
		7.75



**Notes to Financial Statements
For Year Ended June 30, 2020**

Note 15: Employee Benefits-Pension Plans (Continued)

Mortality

Mortality rates were based on the PubS. H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

Discount Rate

For the years ended June 30, 2020 and 2019, the discount rate used to measure the total pension liability was 7.75%. 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 (17.40% and 15.75%, respectively) for the years ended June 30, 2020 and 2019. 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.

Long-Term Expected Rate of Return

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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020 and 2019 are summarized in the following table:



Notes to Financial Statements
For Year Ended June 30, 2020

Note 15: Employee Benefits-Pension Plans (Continued)

Asset class	Year ended June 30, 2020		Year ended June 30, 2019	
	Target allocation	Long-term expected real rate of return	Target allocation	Long-term expected real rate of return
Domestic Equity	27.00 %	4.90 %	27.00 %	4.60 %
International equity	22.00	4.75	18.00	4.50
Emerging markets equity			4.00	4.75
Global Equity	12.00	5.00	12.00	4.75
Fixed income	20.00	1.50	18.00	0.75
Real assets	10.00	4.00	10.00	3.50
Private equity	8.00	6.25	8.00	5.10
Emerging debt			2.00	2.25
Cash	1.00	0.25	1.00	0.00
	<u>100.00</u>		<u>100.00</u>	

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the University's proportionate share of the net pension liability of the cost-sharing plan for 2020 and 2019, calculated using the discount rate of 7.75%, as well as what the University's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
University's proportionate share of net pension liability:			
2020	\$ 58,097,957	\$ 44,196,596	\$ 32,722,271
2019	55,701,088	42,303,133	31,167,664

(b) Optional Retirement Plan, a defined contribution plan



**Notes to Financial Statements
For Year Ended June 30, 2020**

Note 15: Employee Benefits-Pension Plans (Continued)

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

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The University's contributions to the ORP for the years ended June 30, 2020 and 2019 were \$544,708 and \$555,598 respectively, which equaled its required contribution for the period.

Note 16: Postemployment Health Care and Life Insurance Benefits

Plan Description

In addition to providing pension benefits, the University provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees' Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

The 14-member board is comprised of the Chairman of the Workers' Compensation Commission; the State Personnel Director; the Commissioner of Insurance; the Commissioner of Higher Education; the State Superintendent of Public Education; the Executive Director of the Department of Finance and Administration; the Executive Director of the Mississippi Community College Board; the Executive Director of the Public Employees' Retirement System; two appointees of the Governor; the Chairman of the Senate Insurance Committee, or his designee; the Chairman of the House of Representatives Insurance Committee, or his designee; the Chairman of the Senate Appropriations Committee, or his designee; and the Chairman of the House of Representatives' Appropriations Committee, or his designee. The Board has a fiduciary responsibility to manage the funds of the Plan. The Plan maintains a budget approved by the Board.

Membership and Benefits Provided

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, the Plan is considered a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.



**Notes to Financial Statements
For Year Ended June 30, 2020**

Note 16: Postemployment Health Care and Life Insurance Benefits (Continued)

Contributions

Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his or her state retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance.

Pursuant to the authority granted by Mississippi Statute, the Board has the authority to establish and change premium rates for the participants, employers and other contributing entities. An outside consulting actuary advises the Board regarding changes in premium rates. If premium rates are changed, they generally become effective at the beginning of the next calendar year or next fiscal year.

Plan participants are not subject to supplemental assessment in the event of a premium deficiency. At the time of premium payment, the risk of loss due to incurred benefit costs is transferred from the participant to the Plan. If the assets of the Plan were to be exhausted, participants would not be responsible for the Plan's liabilities.

Information included within this note is based on the certification provided by consulting actuary, Cavanaugh Macdonald Consulting, LLC.

The audited financial report for the Plan can be found at knowyourbenefits.dfa.ms.gov.

At June 30, 2019 and 2018, the Plan provided health coverage to 321 and 327 employer units, respectively.

Disclosures under GASB Statement No. 75

The disclosures that follow for fiscal years 2020 and 2019 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2019). For fiscal year 2020, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2019. For fiscal year 2019, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2018. The IHL System is presenting net OPEB liability as of June 30, 2019 and 2018 for the fiscal years 2020 and 2019 financials, respectively.

Proportionate Share Allocation Methodology

The basis for an employer's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the plan in the fiscal year of all employers. This allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by an employee.



Notes to Financial Statements
For Year Ended June 30, 2020

Note 16: Postemployment Health Care and Life Insurance Benefits (Continued)

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020 and 2019, the University reported a liability of \$3,314,930 and \$3,080,141, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2020, the NOL was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2020 and 2019, the University's proportion was 0.39 % and 0.40%, respectively.

For the years ended June 30, 2020 and 2019, the University recognized OPEB expense of \$183,799 and \$147,252, respectively.

See the following tables for deferred outflows and inflows of resources related to OPEB from the following sources:

2020										
	Deferred outflows					Deferred inflows				
	Net difference between projected and actual investment earnings on OPEB Plan investment	Change of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Change of assumptions	Differences between expected and actual experience	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources	
\$	5,012	63	247,137	14,179	116,349	382,740	171,895	47,450	89,486	308,831

\$116,349 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2021.

2019							
	Deferred outflows				Deferred inflows		
	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources	
	6,271	18,011	132,873	157,155	219,466	45,417	264,883

\$132,873 reported as deferred outflows of resources related to OPEB resulting from the University contributions subsequent to the measurement date was recognized as a reduction of the NOL in the year ended June 30, 2020.



Notes to Financial Statements
For Year Ended June 30, 2020

Note 16: Postemployment Health Care and Life Insurance Benefits (Continued)

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2019 and 2018 measurement periods is 6.4 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred outflows (inflows) of resources year ended June 30							
	2021	2022	2023	2024	2025	Thereafter	Total
\$	(11,177)	(11,177)	(11,177)	(2,961)	23,983	(29,931)	(42,440)

Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2020 and 2019:

	2020	2019	2018
Valuation date	June 30, 2019	June 30, 2018	June 30, 2017
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Experience study	April 2, 2019	April 18, 2017	April 18, 2017
Actuarial assumptions:			
Cost method	Entry age normal	Entry age normal	Entry age normal
Inflation rate	2.75 %	3.00 %	3.00 %
Long-term expected rate of return	3.50 %	4.50 %	N/A
Discount rate	3.50 %	3.89 %	3.56 %
Projected cash flows	N/A	N/A	N/A
Projected salary increases	3.00% - 18.25%	3.25% - 18.50%	3.25% - 18.50%

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.



**Notes to Financial Statements
For Year Ended June 30, 2020**

Note 16: Postemployment Health Care and Life Insurance Benefits (Continued)

Mortality

Mortality rates were based on the PubS H-2010(b) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

Discount Rate

For the years ended June 30, 2020 and 2019, the discount rate used to measure the total OPEB liability was 3.50% and 3.89%, respectively. The discount rate is based on an average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate (formerly published monthly by the Board of Governors of the Federal Reserve System).

Long-term Expected Rate of Return

At June 30, 2020 and 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 3.50% and 4.50%, respectively.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following tables presents the University's proportionate share of the NOL for 2020 and 2019, calculated using the discount rate of 3.50% and 3.89%, respectively, as well as what the University's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (2.50%)	Current discount rate (3.50%)	1% Increase (4.50%)
Mississippi Valley State University proportionate share of net OPEB liability 2020	\$ 3,682,309	\$ 3,314,930	\$ 3,000,603

	Discount Rate Sensitivity		
	1% Decrease (2.89%)	Current discount rate (3.89%)	1% Increase (4.89%)
Mississippi Valley State University proportionate share of net OPEB liability 2019	\$ 3,414,259	\$ 3,080,141	\$ 2,792,788



**Notes to Financial Statements
For Year Ended June 30, 2020**

Note 16: Postemployment Health Care and Life Insurance Benefits (Continued)

Sensitivity of Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following table presents the NOL of the University, calculated using the health care cost trend rates, as well as what the University's NOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Health Care Cost Trend Rates Sensitivity		
	1% Decrease	Current discount rate	1% Increase
Mississippi Valley State University proportionate share of net OPEB liability			
2020	\$ 3,071,793	\$ 3,314,930	\$ 3,590,362
2019	2,853,228	3,080,141	3,337,848

Note 17: Self-Insured Workers Compensation Fund

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 University 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. Payments by the university to the Workers' Compensation Fund for the fiscal years ended June 30, 2020 and 2019 were \$247,671 and \$349,860, respectively.

Note 18: Unemployment Trust Fund

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 Department of Employment Security (MDES) for benefits the MDES pays directly to former employees. Payments by the university to the Unemployment Trust Fund for the fiscal years ended June 30, 2020 and 2019 were \$116,164 and \$104,933, respectively.



Notes to Financial Statements
For Year Ended June 30, 2020

Note 19: Tort Liability and Other Contingencies

The Tort Liability Fund was established in accordance with Section 11-46 of Mississippi State Law. The Mississippi Tort Claims Board authorized the IHL to establish a fund in order to self-insure a 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. During the year ended June 30, 2003, the IHL Board authorized the Tort Fund and subsequently acquired an educator's legal liability policy with a deductible of \$1,000,000. The IHL Board designated \$1,000,000 of IHL Tort Fund net assets towards any future payment of this deductible. The Tort claims pool also purchases a fleet automobile policy. University payments to the Tort Liability Fund for the fiscal years ended June 30, 2020 and 2019 were \$0. The university's payments for the fleet automobile policy and a blanket public official bond for the fiscal years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Fleet Automobile Policy	\$ 35,944	36,618
Blanket Public Official Bond	3,850	2,800

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 20: Sub-Recipients

The University provided \$10,660 federal award to a sub-recipient for the fiscal year ended June 30, 2020.



Notes to Financial Statements
For Year Ended June 30, 2020

Mississippi Valley State University
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
GASB 67 Paragraph 32(b)
June 30, 2020

	<u>Proportionate share of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Estimated Covered-employee payroll provided by PERS</u>	<u>Proportionate share of the net pension liability as a percentage of its covered-employee payroll</u>	<u>PERS fiduciary net position as a percentage of the total pension liability</u>
2015	0.26%	31,120,964	15,666,711	199.00%	67.00%
2016	0.24%	37,755,185	15,258,908	247.43%	61.70%
2017	0.25%	44,719,677	16,015,822	279.22%	57.47%
2018	0.25%	41,999,298	16,207,752	259.13%	61.49%
2019	0.25%	42,303,133	16,241,594	260.46%	62.54%
2020	0.25%	44,196,596	14,810,494	298.41%	61.59%

See accompanying independent auditors' report.

Mississippi Valley State University
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Contributions
GASB 67 Paragraph 32(c)
June 30, 2020

	<u>Proportionate share of contributions</u>	<u>Required contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Actual Covered-employee payroll</u>	<u>Contribution as a percentage of covered-employee payroll</u>
2015	2,384,644	2,384,644	-	15,140,597	15.75%
2016	2,491,943	2,491,943	-	15,821,860	15.75%
2017	2,509,604	2,509,604	-	15,933,994	15.75%
2018	2,536,037	2,536,037	-	16,101,822	15.75%
2019	2,545,552	2,545,552	-	16,162,235	15.75%
2020	2,823,856	2,823,856	-	16,229,057	17.40%

See accompanying independent auditors' report.



Notes to Financial Statements
For Year Ended June 30, 2020

Mississippi Valley State University
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net OPEB Liability
GASB 74 Paragraph 36(a)
June 30, 2020

	<u>Proportionate share of the net OPEB liability</u>	<u>Proportionate share of the net OPEB liability</u>	<u>Covered-employee payroll</u>	<u>Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
2018	0.40%	3,175,395	18,182,528	17.46%	0.00%
2019	0.40%	3,080,141	18,009,522	17.10%	0.00%
2020	0.39%	3,314,930	17,890,090	18.53%	0.00%

See accompanying independent auditors' report.

Mississippi Valley State University
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Employer Contributions
GASB 74 Paragraph 36(c)
June 30, 2020

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered-employee payroll</u>	<u>Contributions as a percentage of covered-employee payroll</u>
2018	176,749	124,942	51,807	18,182,528	0.69%
2019	187,424	137,170	50,255	18,009,522	0.76%
2020	181,334	132,872	48,462	17,890,090	0.74%

See accompanying independent auditors' report.



**Notes to Financial Statements
For Year Ended June 30, 2020**

**Notes to Required Supplementary Information (Unaudited)
June 30, 2020 and 2019**

1. Net pension liability

(a) Schedule of Proportionate Share of the Net Pension Liability

This schedule presents historical trend information about the University's proportionate share of the net pension liability for its employees who participate in the PERS. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.

(b) Schedule of Proportionate Share of Contributions to the PERS defined benefit plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(c) Changes of Assumptions and in Benefit Provisions (pension plan)

Changes of assumptions:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119;
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages;
 - For females, 115% of female rates at all ages; and
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%;
- The wage inflation assumption was reduced from 3.25% to 3.00%;
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

Changes in benefit provisions: Amounts reported for fiscal years 2020 and 2019 reflect no changes in benefit provisions.

2. Net OPEB liability

(a) Schedule of Proportionate Share of the Net OPEB Liability

This schedule presents historical trend information about the University's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan. Trend information will be accumulated to display a ten-year presentation.



**Notes to Financial Statements
For Year Ended June 30, 2020**

**Notes to Required Supplementary Information (Unaudited) Continued
June 30, 2020 and 2019**

(b) Schedule of Proportionate Share of Employer Contributions to the State and School Employees' Life and Health Insurance Plan

The required contributions and percentage of those contributions actually made are presented in the schedule. Trend information will be accumulated to display a ten-year presentation.

(c) Changes of Assumptions and to Benefit Terms (OPEB plan)

Changes of assumptions: In 2019, the SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date. In 2020, the SEIR was changed from 3.89% for the prior measurement date to 3.50% to the current measurement date.

Changes to benefit terms: Amounts reported for fiscal years 2020 and 2019 reflect no changes to benefit terms.