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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Financial Statements

June 30, 2015

(With Independent Auditors' Reports Thereon)

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# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Statement of Net Position – State of Mississippi Institutions of Higher Learning	18
Statement of Financial Position – Discretely Presented Component Unit – Mississippi State University Foundation, Inc.	19
Statement of Financial Position – Discretely Presented Component Unit – The University of Mississippi Foundation	20
Statement of Financial Position – Discretely Presented Component Unit – The University of Southern Mississippi Foundation	21
Statement of Revenues, Expenses and Changes in Net Position – State of Mississippi Institutions of Higher Learning	22
Statement of Activities – Discretely Presented Component Unit – Mississippi State University Foundation, Inc.	23
Statement of Activities – Discretely Presented Component Unit – The University of Mississippi Foundation	24
Statement of Activities – Discretely Presented Component Unit – The University of Southern Mississippi Foundation	25
Statement of Cash Flows – State of Mississippi Institutions of Higher Learning	26
Notes to Financial Statements	28
Combining Supplemental Information:	
Combining Statement of Net Position	100
Combining Statement of Revenues, Expenses and Changes in Net Position	102
Combining Statement of Cash Flows	104

Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of Net Pension Liability	107
Schedule of Proportionate Share of Contributions	107
Notes to Required Supplementary Information	108
Report on Internal Control and Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	109
Component Unit Additional Information for Inclusion in the State of Mississippi Comprehensive Annual Financial Report:	
Component Unit – Combining Schedule of Net Position	111
Component Unit – Combining Schedule of Activities	113
Component Unit – Schedule of Accounts Receivable Disclosure	114
Component Unit – Schedule of Notes and Pledges Receivable Disclosure	115
Component Unit – Schedule of Assets under Capital Lease Disclosure	116
Component Unit – Schedule of Capital Assets Disclosure	117
Component Unit – Schedule of Construction Commitments and Financing Disclosure	118
Component Unit – Schedule of Long-Term Liabilities Disclosure (Rollforward)	119
Component Unit – Schedule of Debt Service Disclosure (IHL System Only, by Institution)	120
Component Unit – Schedule of Debt Service Disclosure (Combined)	122
Component Unit – Schedule of Bonds and Notes Payable Disclosure	123
Component Unit – Schedule of Functional Expenses Disclosure	125

# **FINANCIAL AUDIT REPORT**

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**KPMG LLP**  
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One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201-2127

## **Independent Auditors' Report**

The Board of Trustees  
State of Mississippi Institutions of Higher Learning:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the State of Mississippi Institutions of Higher Learning (the IHL System), a component unit of the State of Mississippi, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the IHL System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund. Those financial statements, which reflect approximately 8.7% of total assets and 1.4% of total revenues of the IHL System's business-type activities as of and for the year ended June 30, 2015, were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned entities/funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those

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risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinion***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, and the aggregate discretely presented component units of the IHL System as of June 30, 2015, and the changes in financial position, and where applicable, cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

As discussed in note 1(d) to the basic financial statements, the IHL System adopted in fiscal year 2015, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27 and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date*, which resulted in a restatement of the beginning net position. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that the information in the management's discussion and analysis on pages 4 through 17 and the required supplementary information on pages 107 through 108 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The 2015 combining supplemental information on pages 100 through 106 and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report section on pages 111 through 125 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

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statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of the IHL System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHL System's internal control over financial reporting and compliance.

**KPMG LLP**

Jackson, Mississippi  
December 16, 2015

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2015



## Introduction

The Board of Trustees of Mississippi's Institutions of Higher Learning (IHL System) governs the state's public four-year institutions. The Constitutional Governing Board was created in 1943 for the purpose of overseeing and directing Mississippi's eight public universities including the University of Mississippi Medical Center, various off-campus centers and multiple research institutes located throughout Mississippi.

The institutions serve approximately 81,000 students with an employee base of 26,400 individuals. Faculty makes up approximately 5,700 of the total employee count. The system offers over 800 degree programs and awarded approximately 16,800 degrees in academic year 2015.

In addition to regular operations, each university has established its own educational building corporation (EBC) in accordance with Section 37-101-61 of the Mississippi Code Annotated of 1972. The purpose of these corporations is to provide a means to acquire land or buildings, construct or renovate facilities, and/or equip facilities. Governmental Accounting Standards Board (GASB) Statements 14, 39 and 61 deem EBCs to be component units of the IHL System; therefore, they are included as blended component units in the basic financial statements. In addition to EBCs, the IHL System has three additional component units considered significant to the financial statements. The three units were Mississippi State University Foundation, Inc., the University of Mississippi Foundation and the University of Southern Mississippi Foundation. These audited financial statements are discretely presented following the IHL System's financial statements.

This report was prepared in accordance with GASB Statements 34 and 35, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and present financial data for the fiscal period ending June 30, 2015. The IHL System reports as a special purpose government, engaged solely in business-type activities. This section should be read in conjunction with the financial statements and the notes that follow.

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2015

The following is a list of abbreviations used throughout this financial report for the member universities of the IHL System:

ASU	Alcorn State University
DSU	Delta State University
JSU	Jackson State University
MSU	Mississippi State University
MUW	Mississippi University for Women
MVSU	Mississippi Valley State University
UM	University of Mississippi
USM	University of Southern Mississippi
UMMC	University of Mississippi Medical Center
IHL Executive Office	Institutions of Higher Learning – Executive Office
M CVS	Mississippi Commission for Volunteer Services – Off-campus entity
IHL System	(Summary of all of the above)

The discussion and analysis below provides an overview of the financial position and activities of the IHL System for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes that follow this section.

### **Financial Highlights for Fiscal Year 2015**

The IHL System recorded an increase in net position of \$257.3 million in fiscal year 2015. This increase was primarily the result of an increase in capital assets, net of related debt of \$133.0 million and an increase in net revenues from patient services of \$42.7 million.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

<b>Financial highlights (in millions)</b>	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2015</b>
Total operating revenues	\$ 2,196	2,383
Total operating expenses	3,024	3,170
Operating loss	(828)	(787)
State appropriations	705	734
Gifts	185	192
Investment income	35	17
Interest expense on capital asset-related debt	(40)	(38)
Other nonoperating revenues, net	157	139
Increase in net position	214	257
Net position, beginning of the year, as restated	3,447	1,743
Net position, end of year	\$ 3,661	2,000

Operating revenues minus operating expenses typically result in an operating loss in the IHL System's financial statements. Nonoperating items, however, including state support, investment income, and gifts have typically enabled the IHL System to reflect an increase in the net position, or "equity" each year. This surplus has been reinvested within the IHL System to add a margin of educational excellence, upgrade the IHL System's facilities and provide a prudent reserve for contingencies such as the recent period of economic instability.

As discussed in note 1(d) of the Notes to the Financial Statements, the IHL System implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* during fiscal year 2015. GASB Statement No. 68 changed how the IHL System reports its participation in certain cost sharing, defined benefit pension plans administered by the State of Mississippi Public Employees Retirement System (PERS). It requires governments providing defined-benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position. This Statement requires most changes in the net pension liability to be included in pension expense in the period of the change, and others to be reported as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Prior to adopting this Statement, the IHL System reported pension expense based on cash contributions paid to the pension plan administrator. With the adoption of GASB Statement No. 68, net position was restated at June 30, 2014 by \$1.9 billion. Fiscal year 2015 financial results reflect application of the accounting changes required by Statement No. 68, but those changes have not been applied to fiscal year 2014 amounts, included within this section, due to the constraints of available information.

**Overview of the Financial Statements**

The IHL System's financial report consists of management's discussion and analysis, financial statements including notes, and financial statements of the discrete component units. The statements of IHL System's financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position,

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Management's Discussion and Analysis (Unaudited)

June 30, 2015

and the Statement of Cash Flows; and the Statement of Financial Position and Statement of Activities for the discretely presented component units.

#### **Financial Statements**

The financial statements present information for the IHL System as a whole. The Statement of Net Position presents the financial position of the IHL System at the end of fiscal year 2015 and includes all assets and liabilities for all institutions within the IHL System. The difference between total assets and total liabilities – net position – is one measure of the IHL System's financial health or position. The change in net position is a useful indicator of financial health of the IHL System. Over time, increases or decreases in the IHL System's net position provide a useful trend in assessing whether its financial health is improving. Other nonfinancial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the IHL System.

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the IHL System, as well as nonoperating revenues and expenses for the year ended June 30, 2015. Operating revenues are received for providing goods and services to various customers and constituencies of the IHL System. Operating expenses are incurred to acquire or produce the goods and services provided in return for the operating revenues. Nonoperating revenues are received for which goods and services are not provided as an exchange transaction. State appropriations, which represent 21.1% of total IHL System revenues, are classified as nonoperating revenue because these revenues are appropriated at the state level rather than at the institutional level. This accounting treatment for this revenue classification typically results in the IHL System showing an operating loss. Other typical nonoperating revenue sources include gifts, grants, and appropriations restricted for capital purposes.

The Statement of Cash Flows provides information about the cash sources and uses of the IHL System. Additional information for these statements is provided later in this report.

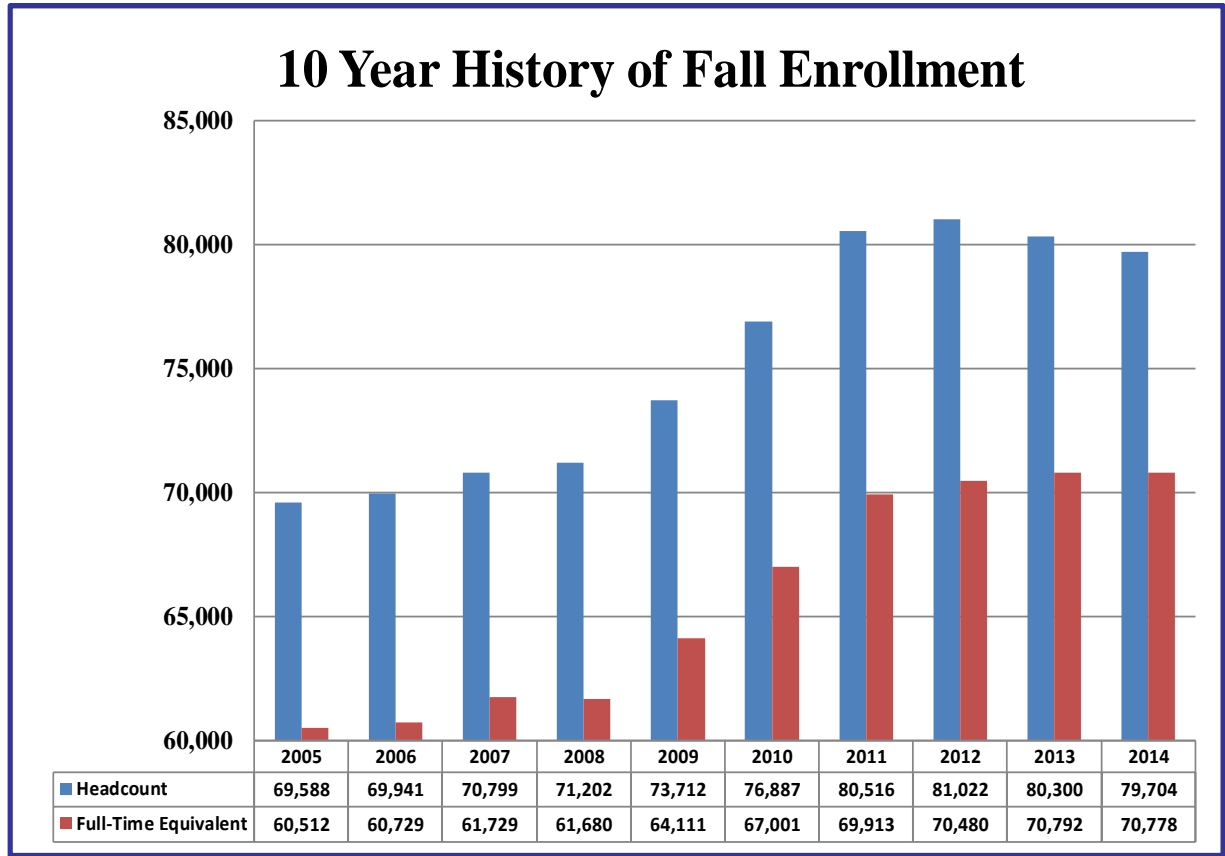
As discussed in note 1(d) of the Notes to Financial Statements, the IHL System adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as of June 30, 2014. While the net position at the beginning of fiscal year 2015 has been restated for the impact of GASB 68, the following tables throughout management's discussion and analysis reflect comparative data for fiscal year 2014 as it was originally reported prior to the implementation of GASB 68.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management’s Discussion and Analysis (Unaudited)

June 30, 2015

Despite tuition rate increases, enrollment has continued to remain steady for the IHL System. IHL System’s management believes this increase is indicative of the demand for a quality educational product at a reasonable price.



**Statement of Net Position**

The Statement of Net Position presents the financial position as of the end of the fiscal year and includes all assets, liabilities, deferred outflows, and deferred inflows of the IHL System. Cash and investments are generally reported at fair values. Capital assets are reported at historical cost less an allowance for depreciation. The difference between total assets and deferred outflows, and total liabilities and deferred inflows (net position) is one indicator of the current financial condition, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the current year. From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the entity, and how much is owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Net position is classified into components as follows:

- Net investment in capital assets represents the investment in property, plant, and equipment less any related debt used to acquire those assets.
- Restricted nonexpendable net position consists of the IHL System's permanent endowment funds.
- Restricted expendable net position is available for expenditure, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
- Unrestricted net position is available for any lawful purpose of the IHL System.

**Summary of Net Position (Condensed)**

	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>Change 2014 to 2015</u>
<b>Assets:</b>			
Current assets	\$ 974,057,443	1,053,012,269	8.1%
Capital assets, net	3,365,143,782	3,585,173,759	6.5
Other assets	933,839,731	1,029,524,355	10.2
Deferred outflows	7,376,186	225,965,134	2,963.4
<b>Total assets and deferred outflows of resources</b>	<b>\$ 5,280,417,142</b>	<b>5,893,675,517</b>	<b>11.6%</b>
<b>Liabilities:</b>			
Current liabilities	\$ 377,176,409	422,190,072	11.9%
Noncurrent liabilities	1,242,602,630	3,203,453,481	157.8
Deferred inflows	—	268,176,489	N/A
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 1,619,779,039</b>	<b>3,893,820,042</b>	<b>140.4%</b>
<b>Net position (deficit):</b>			
Invested in capital assets, net of debt	\$ 2,407,243,458	2,540,285,905	5.5%
Restricted – nonexpendable	148,234,932	154,688,626	4.4
Restricted – expendable	267,633,090	269,676,999	0.8
Unrestricted	837,526,623	(964,796,055)	(215.2)
<b>Total net position</b>	<b>\$ 3,660,638,103</b>	<b>1,999,855,475</b>	<b>(45.4)%</b>

At June 30, 2015 and 2014 current assets totaled \$1.05 billion and \$974.1 million, respectively, and consisted primarily of cash and cash equivalents, short-term investments and net receivables. Current assets increased 8.1% (\$79.0 million) from June 30, 2014 to 2015. Cash and cash equivalents, and short-term investments constituted approximately 60.1% and 59.5% of current assets as of June 30, 2015 and 2014, respectively, while net receivables constituted approximately 32.2% and 33.2% of current assets as of June 30, 2015 and 2014, respectively. Approximately 38.8% and 37.1% of these net receivable are amounts due from gifts, contracts and grants and the State of Mississippi for appropriations as of June 30, 2015 and 2014, respectively, while 34.4% (2015) and 34.1%

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Management's Discussion and Analysis (Unaudited)

June 30, 2015

(2014) were related to patient care receivables from UMMC. The remaining receivables were primarily owed from students for tuition, room and board charges. Student owed accounts receivables approximated \$93.6 million and \$89.4 million at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, noncurrent assets totaled \$4.6 billion and \$4.3 billion, respectively, which included capital assets of \$3.6 billion and \$3.4 billion, respectively. Noncurrent cash and investments that are restricted externally by endowment arrangements or specific grant and contract arrangements approximated \$271.5 million and \$190.4 million at June 30, 2015 and 2014, respectively. One other significant noncurrent asset of the IHL System was student notes receivable which equaled \$98.8 million and \$97.0 million at June 30, 2015 and 2014, respectively. In total, noncurrent assets increased 7.3% (\$315.7 million) during the past twelve months. The majority of this increase has been seen in the accumulation of capital assets of \$220.0 million since 2014 (6.5%). Specifically, the IHL System's inventory of buildings has increased in pre-depreciation value by a total of \$220.3 million since June 30, 2014. Additional details about the IHL System's most recent capital asset growth can be seen in the Capital Asset and Debt Administration section of this report.

At June 30, 2015 and 2014, current liabilities equaled \$422.2 million and \$377.2 million, respectively, and consisted primarily of accounts payable and accrued liabilities, and unearned revenues. Unearned revenues include advance receipts for athletic ticket sales, summer tuition, fees, and student housing. Current liabilities increased 11.9% (\$45.0 million) from June 30, 2014. In more detail, significant increases were incurred in the areas of unearned revenues (\$18.2 million) and accounts payable and accrued liabilities (\$15.8 million).

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end (June 30). Noncurrent liabilities equaled \$3.2 billion and \$1.2 billion at June 30, 2015 and 2014, respectively. These liabilities have increased 157.8% (or \$1.96 billion) since June 30, 2014. The principal reason for this large increase was the adoption of GASB Statement No. 68. As of June 30, 2015, a net pension liability of \$1.9 billion has been recorded and represents the IHL System's proportionate share of the collective net pension liability reported by PERS.

Deferred outflows of resources and deferred inflows of resources both increased in 2015, primarily due to the implementation of GASB Statement No. 68. The IHL System recorded \$215.5 million of pension-related deferred outflows at the end of fiscal year 2015, primarily representing the deferral of pension contributions paid during the year for the IHL System's participation in the cost-sharing, defined benefit pension plan administered by PERS. In addition, \$268.2 million of pension-related deferred inflows were recorded related to the IHL System's proportionate share of collective deferred inflows reported by PERS. These deferred inflow amounts represent the difference between projected and actual investment earnings on pension plan assets during the measurement period.

Restricted nonexpendable net position equaled \$154.7 million and \$148.2 million at June 30, 2015 and 2014, respectively, and consisted of endowment and similar type funds, which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained intact and invested for the purpose of producing income that may either be expended or added to principal. The value of this net position has increased 4.4%, or \$6.5 million, from June 30, 2014.

Restricted expendable net position equaled \$269.7 million and \$267.6 million at June 30, 2015 and 2014, respectively, and consisted of resources that the IHL System is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The value of this net position has increased 0.8%, or \$2.0 million, from June 30, 2014.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Unrestricted net position (deficit) equaled (\$964.8) million and \$837.5 million at June 30, 2015 and 2014 respectively, and represents those assets that are available to the IHL System for any lawful purpose. The value of unrestricted net position has decreased 215.2%, or \$1.8 billion, from June 30, 2014. This significant decrease is primarily due to the addition of net pension liability as a result of implementing GASB Statement No. 68 (see note 1(d)).

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

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. Operating revenues are earned by providing goods and services to various customers and constituencies. Operating expenses are incurred to acquire or produce the goods and services and to carry out the mission of the IHL System. Nonoperating revenues are revenues received for which goods and services are generally not provided. A public university's dependence on state aid and gifts usually results in operating deficits because state appropriations and gifts are classified as nonoperating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which spreads the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned, both operating and nonoperating, and the expenses incurred, operating and nonoperating, and any other revenues, expenses, gains and losses received or incurred by the IHL System.

**Summary of Revenues, Expenses and Changes in Net Position (Condensed)**

	<b>Years ended June 30,</b>		<b>Changes</b>
	<b>2014</b>	<b>2015</b>	<b>2014 to 2015</b>
Operating revenues	\$ 2,195,909,024	2,383,402,942	8.5%
Operating expenses	3,024,325,919	3,170,312,715	4.8
Operating loss	(828,416,895)	(786,909,773)	(5.0)
Nonoperating revenues	892,915,789	903,061,849	1.1
Income before other revenues, expenses, gains or losses	64,498,894	116,152,076	80.1
Other revenues, expenses, gains or losses	148,948,253	141,195,944	(5.2)
Change in net position	213,447,147	257,348,020	20.6
Net position, beginning of the year, as restated	3,447,190,956	1,742,507,455	(49.5)
Net position, end of the year	\$ 3,660,638,103	1,999,855,475	(45.4)%



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

**Operating Revenues**

Operating revenues for the IHL System equaled \$2.4 billion and \$2.2 billion for fiscal years 2015 and 2014, respectively. Operating revenues increased 8.5% (or \$187.5 million) during 2015. Major components of operating revenues are the UMMC patient care revenues (43.8% in 2015 and 41.5% in 2014), grants and contracts revenues (15.7% in 2015 and 17.9% in 2014), net tuition and fees (22.8% in 2015 and 23.8% in 2014), and sales and service revenues from auxiliary activities (11.2% in 2015 and 10.2% in 2014). The following table summarizes the IHL System's operating revenues for the past two fiscal years.

	<b>Operating Revenues</b>		
	<b>Years ended June 30,</b>		<b>Changes</b>
	<b>2014</b>	<b>2015</b>	<b>2014 to 2015</b>
Tuition and fees, net	\$ 522,260,357	542,656,869	3.9%
Grants and contracts	392,168,251	373,604,583	(4.7)
Federal appropriations	14,844,867	18,137,773	22.2
Sales and services of educational departments	56,431,090	62,286,138	10.4
Auxiliary enterprises, net	223,802,128	267,235,962	19.4
Patient care revenues	911,051,960	1,043,115,837	14.5
Other	75,350,371	76,365,780	1.3
<b>Total operating revenues</b>	<b>\$ 2,195,909,024</b>	<b>2,383,402,942</b>	<b>8.5%</b>

Net tuition and fee revenues increased 3.9% (\$20.4 million) during fiscal year 2015. All IHL institutions (except DSU, MVSU and MUW) raised their in-state tuition rates during 2015 (average increase of 3.91%) and MUW decreased their tuition rates 1.77% during 2015. Non-Mississippi residents also paid a higher tuition rate during 2015 (average increase of 3.97%). These rate increases, coupled with the positive enrollment growth across the IHL System, resulted in an increase in tuition and fees, net.

Grants and contracts revenue decreased 4.7%, \$18.6 million, during fiscal year 2015 due to decreases in both federal and state funding on student aid, research, and other various grants and contracts.

Patient care revenues at the UMMC reached \$1.0 billion in 2015, an increase of \$132.1 million, or 14.5%. This increase was primarily due to increases in patient volume coupled with reimbursement increases from both commercial and governmental payers.

**Operating Expenses**

Operating expenses for the IHL System totaled \$3.2 billion and \$3.0 billion for fiscal year 2015 and 2014, respectively. Operating expenses increased 4.8% (\$146.0 million) during 2015. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 60.8% of the total in 2015 and 61.4% in 2014. Other major components include contractual services (13.8% in 2015 and 13.7% in 2014), commodities (11.3% during 2015 and 10.6% in 2014), and scholarships and fellowships (5.4% during 2015 and

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

5.5% in 2014). The following table summarizes the IHL System's operating expenses (by major object category) for the past two fiscal years.

	<b>Operating Expenses</b>		
	<b>Years ended June 30,</b>		<b>Changes</b>
	<b>2014</b>	<b>2015</b>	<b>2014 to 2015</b>
By major object category:			
Salaries and wages	\$ 1,429,959,275	1,497,866,174	4.7%
Fringe benefits	425,618,510	428,716,134	0.7
Travel	51,640,068	55,054,593	6.6
Contractual services	415,099,771	436,197,011	5.1
Utilities	68,502,720	70,422,300	2.8
Scholarships and fellowships	165,892,482	172,663,055	4.1
Commodities	320,243,536	357,505,798	11.6
Depreciation	142,683,785	144,509,434	1.3
Other	4,685,772	7,378,216	57.5
Total operating expenses	\$ <u>3,024,325,919</u>	<u>3,170,312,715</u>	<u>4.8%</u>

IHL personnel costs (salaries, wages and fringe benefits) increased 3.8% (\$71.0 million) during 2015. Several of the IHL System's institutions incorporated general market adjustments or benchmark raises for their faculty and staff during 2015, while most authorized pay increases for promotion-in-rank or additional position responsibilities. The range of these pay raises varied from institution to institution. UMMC (\$44.8 million), UM (\$9.2 million) and MSU (\$15.2 million) had the largest expense increase in this category, while the other institutions had smaller increases. Contractual services increased 5.1% (\$21.1 million) during 2015 along with the cost for commodities (11.6% or \$37.3 million). Scholarships and fellowships expenses increased 4.1% (\$6.8 million) during 2015.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

As an alternative presentation model, the IHL System's last two fiscal years of operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (Pre-GASB 34). These functions represent the types of programs and services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

	<b>Operating Expenses</b>		<b>Change between years 2014 to 2015</b>
	<b>Years ended June 30,</b>		
	<b>2014</b>	<b>2015</b>	
By function:			
Instruction	\$ 631,249,609	654,528,578	3.7%
Research	278,903,582	284,458,084	2.0
Public service	146,573,492	153,656,800	4.8
Academic support	160,146,653	149,199,452	(6.8)
Student services	78,690,497	80,026,357	1.7
Institutional support	295,997,825	307,448,142	3.9
Operations and maintenance of plant	174,947,260	169,070,680	(3.4)
Student aid	171,370,216	187,965,581	9.7
Auxiliary enterprises	227,218,770	244,931,668	7.8
Depreciation	134,232,885	144,505,081	7.7
Hospital	794,691,055	870,216,690	9.5
Other	1,132,401	1,120,042	(1.1)
Eliminations	(70,828,326)	(76,814,440)	8.5
<b>Total operating expenses</b>	<b>\$ 3,024,325,919</b>	<b>3,170,312,715</b>	<b>4.8%</b>

Funding for the Instruction function continues to be one of the IHL System's highest priorities. Approximately 20.6% and 20.9% of the IHL System's expenses were devoted to the Instruction function in 2015 and 2014, respectively. Institutional research (internal and external) and public service costs continue to command one of the IHL System's primary cost missions. While increasing from 2014 to 2015, these costs represent approximately 13.8% and 14.1% of the IHL System's total focus during 2015 and 2014, respectively. Both, research and public service sector expenses increased approximately 2.0% (\$5.6 million) and 4.8% (\$7.1 million), respectively, during 2015. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased 3.9% (\$11.5 million) in 2015. Auxiliary enterprise costs include all expenses associated with departments that primarily exist to furnish goods or services to students, faculty, or staff and that charge a fee directly related to, although not necessarily equal to, the cost of the goods and services. Auxiliary departments are required to be essentially self-supporting activities. Examples are (1) student housing, (2) food services, (3) bookstores, and (4) intercollegiate athletics. Auxiliary expenses increased 7.8% (\$17.7 million) in fiscal year 2015. Student Aid expenses increased in 2015 by 9.7% (\$16.6 million). Finally, hospital expenses increased 9.5% in 2015 (or \$75.5 million) as a result of increased patient treatment costs.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

From fiscal year 2014 through 2015, the IHL System identified millions of dollars in inter-campus transactions that required elimination for financial statement presentation purposes. Examples of such transactions would be student financial aid funds administered by the IHL Executive Office that were directed to the campuses, as well as grant agreements between one or more IHL System institutions in which one campus served as a primary recipient and the other campus acted as a sub-recipient.

**Capital Asset and Debt Administration**

At June 30, 2015 and 2014, the IHL System had approximately \$3.6 billion and \$3.4 billion, respectively, invested in a broad range of capital assets. These assets comprise land, buildings and improvements (infrastructure), equipment and library books. They are stated net of accumulated depreciation. The following table summarizes the IHL System's capital assets for the past two fiscal years.

<b>Capital Asset Summary</b>			
	<b>Years ended June 30,</b>		<b>Change</b>
	<b>2014</b>	<b>2015</b>	<b>2014 to 2015</b>
Capital assets not being depreciated	\$ 583,819,747	635,416,441	8.8%
Depreciable capital assets:			
Improvements other than buildings	312,650,876	337,478,533	7.9
Buildings	3,072,899,167	3,294,288,590	7.2
Equipment	764,548,649	798,437,702	4.4
Library books	377,501,528	390,159,181	3.4
Total depreciable capital assets	<u>4,527,600,220</u>	<u>4,820,364,006</u>	<u>6.5</u>
Total cost of capital assets	5,111,419,967	5,455,780,447	6.7
Less accumulated depreciation	<u>(1,746,276,185)</u>	<u>(1,870,606,688)</u>	<u>7.1</u>
Capital assets, net	<u><u>\$ 3,365,143,782</u></u>	<u><u>3,585,173,759</u></u>	<u><u>6.5%</u></u>

Nondepreciable capital assets equaled \$635.4 million and \$583.8 million at June 30, 2015 and 2014, respectively. These assets principally consisted of land and construction in progress. The \$51.6 million increase from June 30, 2014 was due to capitalized facility projects that were "in progress" at June 30, 2015, but will be finished in subsequent reporting periods and reclassified to the depreciable buildings category.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management's Discussion and Analysis (Unaudited)

June 30, 2015

At June 30, 2015 and 2014, the IHL System had \$1.2 billion and \$1.1 billion, respectively, in bonded debt, notes payable and capital lease obligations. This represented a 10.1% or \$106.8 million increase over the prior year-end. The following table summarizes the IHL System's long-term debt for the past two fiscal years.

**Long-term Debt Summary**

	<b>Year ended June 30,</b>		<b>Change</b>
	<b>2014</b>	<b>2015</b>	<b>between years 2014 to 2015</b>
Bonds payable	\$ 1,002,490,180	1,072,022,814	6.9%
Notes payable	17,154,730	16,203,322	(5.5)
Capital lease obligations	33,441,079	71,692,377	114.4
Total long-term debt	<u>\$ 1,053,085,989</u>	<u>1,159,918,513</u>	<u>10.1%</u>

Bonded debt increased during 2015 by 6.9% or \$69.5 million. JSU issued approximately \$71.8 million in new bond funding during 2015 for refunding certain bond issues, to pay a termination fee relative to an interest rate swap and to purchase a student housing complex. In addition, UM entered into two new long term lease obligation for the use of an athletic parking facility and the construction of an arena. These lease obligations were valued at \$52.8 million at June 30, 2015.

**Designated Revenues**

Bond indentures previously issued, and those that may be issued in the future by the institution's Educational Building Corporations (EBC) are payable from designated revenues. The IHL Board covenants under terms of its various bond agreements that if designated revenues are insufficient to satisfy the IHL Board's obligations, the IHL Board will provide amounts from any other legally available source and will then allocate the same to cure the insufficiency. The following table provides a history of all designated revenues available to the IHL Board from fiscal years 2011 through 2015.

**Designated Revenues<sup>1</sup> and Unrestricted Net Positions (excludes UMMC, Board Office, and MCVS)**

	<b>Years ended June 30,</b>				
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Tuition, net <sup>2</sup>	\$ 393,276,621	439,336,345	464,921,581	497,711,625	517,336,376
Sales and services	49,899,136	52,522,768	51,337,588	54,768,559	60,542,705
Auxiliary enterprises, net <sup>2</sup>	181,027,132	189,955,384	203,844,601	217,788,943	259,607,634
Other <sup>3</sup>	36,270,971	37,940,875	44,073,191	48,967,419	49,471,340
Sub-total	660,473,860	719,755,372	764,176,961	819,236,546	886,958,055
State appropriations	457,747,102	455,130,385	450,229,385	469,870,373	495,091,965
Unrestricted net positions	472,051,397	492,533,738	499,501,535	542,761,292	(471,538,432)
Total	<u>\$ 1,590,272,359</u>	<u>1,667,419,495</u>	<u>1,713,907,881</u>	<u>1,831,868,211</u>	<u>910,511,588</u>

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Management's Discussion and Analysis (Unaudited)

June 30, 2015

- <sup>1</sup> Designated Revenues represent all unrestricted revenues of the IHL System (excluding the member Universities indicated above) which include without limitation, net tuition and auxiliary fees, sales and services, other operating revenue, state appropriations and unrestricted net asset balances.
- <sup>2</sup> Tuition and auxiliary enterprise revenues are net of scholarship allowances in the form of reduced tuition, room and board.
- <sup>3</sup> Other designated revenues includes federal appropriations, other operating revenues, and interest earned on loans to students.

### **Economic Outlook**

The IHL System began the 2015 fiscal year with an anticipated systemwide operating budget increase of \$55.8 million. This increase was funded primarily by a mixture of tuition revenues, auxiliary revenues, external restricted gifts and grants, but also in large part by newly anticipated hospital revenues to be generated from daily census improvements and more robust patient fee and charge processes. The actual net surplus for 2015 was \$257.3 million (see the SRECNP summary table on page 11 of management discussion and analysis). In reality, while the anticipated tuition and auxiliary revenue gains did actually materialize, external funding fell short of budgeted expectations. For fiscal year 2016, general education funding from the State of Mississippi will increase 3.41% (\$25.6 million). Approximately \$14.2 million of that new funding was earmarked by legislature for capital projects, mainly renovations. The remainder will be used primarily for classroom instruction. Once again, the IHL System will continue to rely upon increases in tuition and auxiliary revenues to provide the necessary funds for sustained excellence in its academic programs and student services. The IHL System anticipates receiving an additional \$45 million in new tuition revenue during 2016 due to a mixture of enrollment growth and general rate increases. In 2016 state appropriated revenues will comprise approximately 34% of the total E&G budget, while self-generated tuition revenues will equal 61% of the total revenues. In comparison, in fiscal year 2000, state appropriations represented 56% of revenues, while tuition revenue equaled 32% of the total.

The IHL System maintains high credit ratings from Moody's (Aa2), Fitch (AA) and Standard & Poor's (AA-). Achieving and maintaining these high credit ratings provide the IHL System higher degree of flexibility in securing capital funds on the most competitive terms. This flexibility, along with ongoing efforts toward revenue diversification and cost containment, will enable the IHL System to provide the necessary resources to support a level of excellence in service to students, patients, the research community, the State of Mississippi and the nation as a whole.

As a labor-intensive organization, the IHL System faces competitive pressures related to attracting and retaining faculty and staff. Moreover, consistent with the national landscape, the cost of the IHL System's health benefits for its employees continues to increase. The IHL System has in the past and will continue to take proactive steps to respond to these challenges of rising costs. An example of continued steps includes the preparation of three year business plans by the institutions.

While it is not possible at this time to predict the ultimate results, management at each institution has a proven track record of successfully adapting to this present economic environment while continuing to search for new opportunities to complement state support. The IHL System's financial goal, as always, is to deliver quality services to its customers and constituents while maintaining financial integrity.

## **BASIC FINANCIAL STATEMENTS**

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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statement of Net Position

June 30, 2015

**Assets and Deferred Outflows**

Current assets:	
Cash and cash equivalents	\$ 446,042,478
Short-term investments	186,491,269
Accounts receivable, net	338,790,163
Student notes receivable, net	15,840,809
Inventories	30,070,181
Prepaid expenses	35,262,369
Other current assets	515,000
Total current assets	<u>1,053,012,269</u>
Noncurrent assets:	
Restricted cash and cash equivalents	255,587,979
Restricted short-term investments	15,871,528
Endowment investments	265,444,560
Other long-term investments	388,391,821
Student notes receivable, net	98,815,378
Capital assets, net	3,585,173,759
Other noncurrent assets	5,413,089
Total noncurrent assets	<u>4,614,698,114</u>
Total assets	5,667,710,383
Deferred outflows of resources:	
Deferred amount of refundings	10,660,581
Pension related deferred outflows	215,304,553
Total assets and deferred outflows of resources	<u>\$ 5,893,675,517</u>

**Liabilities, Deferred Inflows and Net Position**

Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 206,430,857
Unearned revenues	114,419,688
Accrued leave liabilities-current portion	10,968,937
Long-term liabilities-current portion	52,386,405
Other current liabilities	37,984,185
Total current liabilities	<u>422,190,072</u>
Noncurrent liabilities:	
Net pension liability	1,850,037,000
Deposits refundable	958,228
Accrued leave liabilities	110,474,922
Long-term liabilities	1,153,069,741
Other long-term liabilities	88,913,590
Total noncurrent liabilities	<u>3,203,453,481</u>
Total liabilities	3,625,643,553
Deferred inflows of resources:	
Pension related deferred inflows	268,176,489
Total liabilities and deferred inflows of resources	<u>\$ 3,893,820,042</u>
Net position:	
Net investment in capital assets	\$ 2,540,285,905
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	22,037,216
Research	4,955,842
Other purposes	127,695,568
Expendable:	
Scholarships and fellowships	61,315,143
Research	54,469,530
Capital projects	9,739,452
Debt service	14,523,683
Loans	33,507,981
Other purposes	96,121,210
Unrestricted	<u>(964,796,055)</u>
Total net position	<u>\$ 1,999,855,475</u>

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING  
DISCRETELY PRESENTED COMPONENT UNIT –  
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Statement of Financial Position

June 30, 2015

**Assets**

Cash	\$	4,079,094
Restricted cash		5,688,326
Accrued interest, other receivables and prepaid assets		179,206
Receivable from MSU Alumni Foundation		225,844
Receivable from MSU Alumni Association		139,586
Notes receivable		—
Pledges receivable, net		35,432,295
Investments		433,875,820
Present value of amounts due from externally managed trusts		40,230,993
Land, buildings, and equipment, net		9,335,303
Total assets	\$	<u><u>529,186,467</u></u>

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$	3,358,390
Agency payable		5,688,326
Obligation under capital leases		—
Liabilities under split interest agreements		4,794,949
Payable to Mississippi State University		93,407
Total liabilities		<u>13,935,072</u>
<b>Net assets:</b>		
Unrestricted		
Net assets controlled by Foundation	\$	40,627,525
Net assets related to noncontrolling interests		59,352,202
Total unrestricted net assets		99,979,727
Temporarily restricted		99,907,112
Permanently restricted		315,364,556
Total net assets		<u>515,251,395</u>
Total liabilities and net assets	\$	<u><u>529,186,467</u></u>

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING  
DISCRETELY PRESENTED COMPONENT UNIT –  
THE UNIVERSITY OF MISSISSIPPI FOUNDATION**

Statement of Financial Position

June 30, 2015

**Assets**

Cash and cash equivalents	\$ 7,730,829
Pledges receivable, net	31,607,327
Investments	402,030,176
Beneficial interest in remainder trust	1,066,611
Property and equipment, net	2,778,494
Other assets	1,317,964
	<hr/>
Total assets	\$ 446,531,401
	<hr/> <hr/>

**Liabilities and Net Assets**

Liabilities:	
Funds held for others	\$ 23,360,075
Liabilities under remainder trusts	7,265,250
Other liabilities	5,385,420
	<hr/>
Total liabilities	36,010,745
	<hr/>
Net assets:	
Unrestricted	\$ 17,186,241
Temporarily restricted	183,044,292
Permanently restricted	210,290,123
	<hr/>
Total net assets	410,520,656
	<hr/>
Total liabilities and net assets	\$ 446,531,401
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See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING  
DISCRETELY PRESENTED COMPONENT UNIT –  
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION**

Statement of Financial Position

June 30, 2015

**Assets**

Cash and cash equivalents	\$	1,014,651
Accrued interest		116,679
Prepaid assets and other receivables		244,369
Pledges receivable, net		12,052,041
Investments		97,824,663
Present value of amounts due from externally managed trusts		817,080
Net investment in direct financing lease		634,855
Property and equipment, net		69,485
		<u>112,773,823</u>
Total assets	\$	<u><u>112,773,823</u></u>

**Liabilities and Net Assets**

<b>Liabilities:</b>		
Accounts payable	\$	758,795
Line of credit		—
Gift annuities payable		305,330
		<u>1,064,125</u>
Total liabilities		<u>1,064,125</u>
<b>Net assets:</b>		
Unrestricted	\$	5,392,868
Temporarily restricted		42,722,252
Permanently restricted		63,594,578
		<u>111,709,698</u>
Total net assets		<u>111,709,698</u>
Total liabilities and net assets	\$	<u><u>112,773,823</u></u>

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

Operating revenues:	
Tuition and fees:	\$ 792,052,231
Less scholarship allowances	(246,618,987)
Less bad debt expense	<u>(2,776,375)</u>
Net tuition and fees	542,656,869
Federal appropriations	18,137,773
Federal grants and contracts	246,879,020
State grants and contracts	43,893,140
Nongovernmental grants and contracts	82,832,423
Sales and services of educational departments	62,286,138
Auxiliary enterprises:	
Student housing	96,258,418
Food services	30,739,982
Bookstore	6,681,243
Athletics	123,263,529
Other auxiliary revenues	40,325,102
Less auxiliary enterprise scholarship allowances	<u>(30,032,312)</u>
Interest earned on loans to students	916,692
Patient care revenues, net	1,043,115,837
Other operating revenues, net	<u>75,449,088</u>
Total operating revenues	<u>2,383,402,942</u>
Operating expenses:	
Salaries and wages	1,497,866,174
Fringe benefits	428,716,134
Travel	55,054,593
Contractual services	436,197,011
Utilities	70,422,300
Scholarships and fellowships	172,663,055
Commodities	357,505,798
Depreciation	144,509,434
Other operating expenses	<u>7,378,216</u>
Total operating expenses	<u>3,170,312,715</u>
Operating loss	<u>(786,909,773)</u>
Nonoperating revenues (expenses):	
State appropriations	733,559,405
Gifts and grants	192,190,103
Investment income	17,242,233
Interest expense on capital asset-related debt	<u>(37,924,727)</u>
Other nonoperating revenues	1,691,632
Other nonoperating expenses	<u>(3,696,797)</u>
Total nonoperating revenues, net	<u>903,061,849</u>
Income before other revenues, expenses, gains and losses	116,152,076
Other revenues, expenses, gains and losses:	
Capital grants and gifts	62,015,792
State appropriations restricted for capital purposes	75,648,301
Additions to permanent endowments	1,826,722
Other additions	8,232,970
Other deletions	<u>(6,527,841)</u>
Change in net position	<u>257,348,020</u>
Net position, beginning of the year, as restated	<u>1,742,507,455</u>
Net position, end of the year	\$ <u><u>1,999,855,475</u></u>

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING  
DISCRETELY PRESENTED COMPONENT UNIT –  
MISSISSIPPI STATE UNIVERSITY FOUNDATION, INC.**

Statement of Activities

Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues and support:				
Contributions	\$ 8,134,446	23,268,033	5,004,703	36,407,182
Net investment income	(3,282,026)	1,555,626	17,217	(1,709,183)
Change in value of split interest agreements	—	(27,044)	154,984	127,940
Other	4,982,409	345,668	—	5,328,077
Change in restrictions by donor	—	(1,750,000)	1,750,000	—
Net assets released from restrictions	24,058,888	(24,058,888)	—	—
Total revenues and support	<u>33,893,717</u>	<u>(666,605)</u>	<u>6,926,904</u>	<u>40,154,016</u>
Expenditures:				
Program services:				
Contributions and support for Mississippi State University	27,865,923	—	—	27,865,923
Contributions and support for Bulldog Club	600,475	—	—	600,475
Contributions and support for MSU Alumni Association	530,386	—	—	530,386
Total program services	<u>28,996,784</u>	<u>—</u>	<u>—</u>	<u>28,996,784</u>
Supporting services:				
General and administrative	3,660,974	—	—	3,660,974
Fund raising	3,706,107	—	—	3,706,107
Total supporting services	<u>7,367,081</u>	<u>—</u>	<u>—</u>	<u>7,367,081</u>
Total expenditures	<u>36,363,865</u>	<u>—</u>	<u>—</u>	<u>36,363,865</u>
Change in net assets	(2,470,148)	(666,605)	6,926,904	3,790,151
Proceeds from noncontrolling interests	4,172,424			4,172,424
Payments to noncontrolling interests	(1,486,738)	—	—	(1,486,738)
Total change in net assets	215,538	(666,605)	6,926,904	6,475,837
Net assets, beginning of year	<u>99,764,189</u>	<u>100,573,717</u>	<u>308,437,652</u>	<u>508,775,558</u>
Net assets, end of year	<u>\$ 99,979,727</u>	<u>99,907,112</u>	<u>315,364,556</u>	<u>515,251,395</u>

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING  
DISCRETELY PRESENTED COMPONENT UNIT –  
THE UNIVERSITY OF MISSISSIPPI FOUNDATION**

Statement of Activities

Year ended June 30, 2015

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Revenues, gains, and other support:				
Contributions, gifts, and bequests	\$ —	34,869,998	13,944,742	48,814,740
Dividend and interest income	1,405,085	3,445,866	—	4,850,951
Net unrealized and realized gains on investments	(517,879)	2,783,751	4,622	2,270,494
Change in value of split-interest agreements	—	—	(191,373)	(191,373)
Other income	717,926	1,396,326	69,232	2,183,484
Net assets released from restrictions/ redesignated by donor	33,585,148	(37,360,144)	3,774,996	—
Total revenues, gains, and other support	35,190,280	5,135,797	17,602,219	57,928,296
Expenses:				
Support for University activities	32,713,155	—	—	32,713,155
General and administrative expenses	2,777,658	—	—	2,777,658
Fund-raising expenses	1,184,108	—	—	1,184,108
Total expenses	36,674,921	—	—	36,674,921
Change in net assets	(1,484,641)	5,135,797	17,602,219	21,253,375
Net assets, beginning of year	18,670,882	177,908,495	192,687,904	389,267,281
Net assets, end of year	\$ 17,186,241	183,044,292	210,290,123	410,520,656

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING  
DISCRETELY PRESENTED COMPONENT UNIT –  
THE UNIVERSITY OF SOUTHERN MISSISSIPPI FOUNDATION**

Statement of Activities

Year ended June 30, 2015

	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Revenues, gains and other support:				
Contributions	\$ 1,847,693	3,684,355	2,331,508	7,863,556
Net investment gain	1,442,572	292,479	66,693	1,801,744
Change in value of split interest agreements	—	(590)	(99,904)	(100,494)
Other	44,774	32,071	22	76,867
Change in restriction by donor	(10,614)	(2,046,584)	2,057,198	—
Net assets released from restrictions	10,802,618	(10,802,618)	—	—
Total revenues, gains and other support	14,127,043	(8,840,887)	4,355,517	9,641,673
Expenses:				
Program services:				
Contributions and support for The University of Southern Mississippi	11,158,123	—	—	11,158,123
Total program services	11,158,123	—	—	11,158,123
Supporting services:				
General and administrative	1,633,572	—	—	1,633,572
Fund raising	1,071,265	—	—	1,071,265
Total supporting services	2,704,837	—	—	2,704,837
Total expenses	13,862,960	—	—	13,862,960
Change in net assets	264,083	(8,840,887)	4,355,517	(4,221,287)
Net assets, beginning of year	5,128,785	51,563,139	59,239,061	115,930,985
Net assets, end of year	\$ 5,392,868	42,722,252	63,594,578	111,709,698

See accompanying notes to financial statements.



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statement of Cash Flows

Year ended June 30, 2015

Operating activities:	
Tuition and fees	\$ 530,733,389
Grants and contracts	388,595,413
Sales and services of educational departments	61,739,701
Payments to suppliers	(830,477,429)
Payments to employees for salaries and benefits	(1,933,205,524)
Payments for utilities	(70,830,937)
Payment for scholarships and fellowships	(174,101,475)
Loans issued to students and employees	(26,721,691)
Collections of loans to students and employees	14,905,504
Auxiliary enterprise charges:	
Student housing	85,684,860
Food services	27,112,762
Bookstore	6,823,911
Athletics	133,095,676
Other auxiliary enterprises	36,986,620
Patient care services	1,043,904,871
Interest earned on loans to students	938,552
Other receipts	97,335,440
Other payments	(15,871,191)
	<u>(623,351,548)</u>
Net cash used in operating activities	
Noncapital financing activities:	
State appropriations	729,617,722
Gifts and grants for other than capital purposes	181,498,476
Private gifts for endowment purposes	1,763,733
Federal loan program receipts	497,429,356
Federal loan program disbursements	(497,191,413)
Other sources	603,685
Other uses	(4,395,602)
	<u>909,325,957</u>
Net cash provided by noncapital financing activities	
Capital and related financing activities:	
Proceeds from capital debt	210,394,262
Cash paid for capital assets	(234,314,489)
Capital appropriations received	1,900,316
Capital grants and contracts received	49,450,389
Proceeds from sales of capital assets	1,112,223
Principal paid on capital debt and leases	(86,690,541)
Interest paid on capital debt and leases	(39,461,812)
Other sources	35,135,457
Other uses	(75,684,916)
	<u>(138,159,111)</u>
Net cash used in capital and related financing activities	
Investing activities:	
Proceeds from sales and maturities of investments	399,563,519
Interest received on investments	24,081,854
Purchases of investments	(453,570,060)
	<u>(29,924,687)</u>
Net cash provided by investing activities	
Net change in cash and cash equivalents	
	117,890,611
Cash and cash equivalents, beginning of year	<u>583,739,846</u>
Cash and cash equivalents, end of the year	<u>\$ 701,630,457</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statement of Cash Flows

Year ended June 30, 2015

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (786,909,773)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	144,509,434
Self-insured claims expense	13,317,074
Provision for uncollectible patient accounts receivable	118,266,527
Other	7,928,806
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Receivables, net	(129,096,725)
Inventories	(1,268,661)
Prepaid expenses	(11,148,419)
Other assets	(49,176,820)
Increase (decrease) in liabilities:	
Accounts payable and accrued liabilities	15,792,648
Unearned revenue	18,180,355
Deposits refundable	12,690
Accrued leave liability	3,424,323
Loans to students and employees	(570,951)
Other liabilities	33,387,944
Total adjustments	<u>163,558,225</u>
Net cash used in operating activities	<u>\$ (623,351,548)</u>
Reconciliation of cash and cash equivalents:	
Current assets – cash and cash equivalents	\$ 446,042,478
Noncurrent assets – restricted cash and cash equivalents	<u>255,587,979</u>
Cash and cash equivalents, end of year	<u>\$ 701,630,457</u>
Noncash capital related financing and investing activities:	
Capital assets acquired through donations and capital leases	\$ 57,729,480
Capital assets appropriated by the State of Mississippi	75,648,301

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(1) Summary of Significant Accounting Policies**

**(a) Nature of Operations**

Through its member universities, the State of Mississippi Institutions of Higher Learning (IHL System) serves the state, national and international communities by providing its students with academic instruction, by conducting research and other activities that advance fundamental knowledge and by disseminating knowledge to the people of Mississippi and throughout the world.

**(b) Reporting Entity**

The Mississippi Constitution was amended in 1943 to create a separate legal entity and establish a Board of Trustees of State Institutions of Higher Learning (Board). This constitutional Board provides management and control of Mississippi's system of universities. The Board meets monthly and oversees the eight public universities, the University of Mississippi Medical Center and various off-campus centers and locations throughout the state. Each of these member universities is a member of the IHL System. The IHL System is considered a component unit of the State of Mississippi reporting entity.

The current twelve Board members of the IHL System were appointed by the Governor and approved by the Senate for twelve year terms as follows: one from each of the seven congressional districts, one from each of the three Supreme Court Districts, and two appointed from the state-at-large. The Mississippi Constitution was amended in 2003 to change the length of terms and appointment districts for Board members. New appointments occur from the three current Supreme Court districts for terms of nine years.

Each of the eight universities and the University of Mississippi Medical Center 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 these corporations is for the acquisition, construction and equipping of facilities and land for the various universities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the educational building corporations are deemed to be material component units of the IHL System but are presented on a blended basis in the accompanying financial statements due to the significance of their activities to respective member university's operations. These blended component units provide services entirely, or almost entirely, to their respective universities. See note 9 for detailed educational building corporation activities.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

The following is a list of abbreviations used throughout the report for the member universities of the State of Mississippi Institutions of Higher Learning (collectively the IHL System):

ASU	Alcorn State University
DSU	Delta State University
JSU	Jackson State University
MSU	Mississippi State University
MUW	Mississippi University for Women
MVSU	Mississippi Valley State University
UM	University of Mississippi
USM	University of Southern Mississippi
UMMC	University of Mississippi Medical Center
IHL Executive Office	Institutions of Higher Learning – Executive Office
MCVS	Mississippi Commission for Volunteer Services – Off-campus entity

The IHL System reports the following discretely presented component units, which also have separate stand-alone audits performed, which can be obtained by requesting a copy from the finance department of each respective university below:

### **Mississippi State University Foundation, Inc.**

The Mississippi State University Foundation, Inc. is a legally separate, tax-exempt not for profit entity established to solicit and manage funds for the benefit of Mississippi State University.

### **University of Mississippi Foundation**

The University of Mississippi Foundation is a legally separate, tax-exempt not for profit nonstock corporation formed for the benefit of the University of Mississippi.

### **University of Southern Mississippi Foundation**

The University of Southern Mississippi Foundation is a not for profit entity formed to provide support to the University of Southern Mississippi and its students.

These foundations are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including ASC 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information in the IHL System's financial reporting entity for these differences.

These foundations act primarily as fund-raising organizations to supplement the resources that are available to the respective universities in support of their programs. The governing body of each foundation is self-perpetuating and consists of graduates and friends of the respective universities. Although the respective universities do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, which the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the respective universities, these foundations are considered discretely presented component units of the IHL System.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The Mississippi State University Foundation, Inc., the University of Mississippi Foundation, and the University of Southern Mississippi Foundation each make distributions to their respective Universities for support. During the year ended June 30, 2015, support distributions were as follows:

Mississippi State University Foundation, Inc.	\$	27,865,923
University of Mississippi Foundation		32,713,155
University of Southern Mississippi Foundation		11,158,123

**(c) Basis of Accounting**

The financial statements of the IHL System have been prepared in accordance with GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” as amended by GASB Statement No. 35, “Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities.” The IHL System is reporting as a special-purpose government engaged in business-type activities. In accordance with business-type activity reporting, the IHL System presents management’s discussion and analysis, statements of net position, statements of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant transactions among departments, campuses, and auxiliary units of the IHL System have been eliminated.

Grant and contract revenues, which are received or receivable from external sources, are recognized as revenues to the extent of related expenses or satisfaction of eligibility requirements. State appropriations are recognized as nonoperating revenues when eligibility requirements are satisfied.

**(d) New Accounting Standards**

On June 30, 2014, the IHL System adopted GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires cost-sharing entities providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan’s net pension liability or net pension asset, which is measured as the total pension liability less the amount of the pension plan’s fiduciary net position. The total pension liability is determined by discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan’s fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits. When plan assets are insufficient to pay benefits, the discount rate used is a blended rate comprised of the expected rate of return over the period when projected plan assets exist to pay benefits, and then a tax-exempt, high-quality municipal bond rate for the periods when projected plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. Prior to adopting this Statement, the IHL System reported pension expense based on cash contributions to the Public Employees’ Retirement System (PERS) (pension plan administrator). In addition to the reporting changes described above, implementation of this

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Statement resulted in the adjustment of fiscal year 2015 beginning unrestricted net position, reducing it by \$1,918,130,648.

The IHL System elected to implement GASB 68 on June 30, 2014, (end of fiscal year 2014) because it was not practical to implement at the beginning of fiscal year 2014 due to lack of available information to prepare comparative financial statements related to the implementation. As a result, net pension liability is recorded at the beginning of fiscal year 2015. The following schedule summarizes the impact on beginning net position:

<u>Net position</u>	
June 30, 2014, as previously reported	\$ 3,660,638,103
Effect of adoption of GASB 68	<u>(1,918,130,648)</u>
June 30, 2014, as restated	<u>\$ 1,742,507,455</u>

During fiscal year 2015, the IHL System adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, effective concurrently with the implementation of GASB Statement No. 68. This statement addresses an issue in Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to the implementation of that statement by employers and nonemployer contributing entities.

(e) **Recently Issued Accounting Standards**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement generally requires investments to be measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuations techniques will be required to be used that are appropriate with defined approaches. Disclosures are required to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement is effective for fiscal years beginning after June 15, 2015.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees not within the scope of Statement 68. Requirements are also established for assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet the criteria within the scope of Statement 67. This statement is effective for fiscal years beginning after June 15, 2015.

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements

June 30, 2015

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes financial reporting standards for Other Post-Employment Benefit Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for fiscal years beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This statement establishes accounting and financial reporting standards for Other Post-Employment Benefit Plans (OPEB) that are administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for fiscal years beginning after June 15, 2017.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement establishes the hierarchy of GAAP for state and local governments. This Statement is effective for fiscal years beginning after June 15, 2015.

The impact of these pronouncements on the IHL System's financial statements is currently being evaluated and has not yet been fully determined.

**(f) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Significant estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements, included as other current assets and as other current liabilities, relating to the IHL System's patient services. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is a least a reasonable possibility that recorded estimates associated with these 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 and expenses incurred through the end of the reporting period. The determinations of 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, 2015 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 operations currently.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The IHL System's investments are invested in various types of investment securities within 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 investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the IHL System's financial statements.

In connection with the preparation of the financial statements of the IHL System, management evaluated subsequent events through December 16, 2015 which was the date the financial statements were available to be issued.

**(g) Cash Equivalents**

The IHL System considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**(h) Short-Term Investments**

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

**(i) Accounts Receivable, Net**

Accounts receivable consist of tuition and fee charges to students and patient accounts receivable at UMMC. 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 IHL System's grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

**(j) Student Notes Receivable, Net**

Student notes receivable consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net position as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net position.

**(k) Inventories**

Inventories consist of bookstore, physical plant, agriculture, printing, central supply, food service supply, and various hospital inventories. These inventories are generally valued at the lower of cost or market, on the first-in, first-out (FIFO) basis.

**(l) Prepaid Expenses**

Recorded items consist of expenditures that are related to projects, programs, activities, or revenues of future fiscal periods.



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(m) *Restricted Cash and Cash Equivalents and Restricted Short-Term Investments***

Cash, cash equivalents, and short-term investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are classified as noncurrent assets in the statement of net position.

**(n) *Endowment Investments***

The IHL System's endowment investments recorded at fair value, 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.

**(o) *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 statement of revenues, expenses, and changes in net position. Investments in partnerships for which there are no quoted market prices are valued at net asset value.

**(p) *Capital Assets***

Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair value at the date of donation. For movable property, the IHL System's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See note 5 for additional details concerning useful lives and salvage values. The IHL System uses the composite method for library book depreciation if the books are considered to have a useful life of greater than one year. 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 if material.

**(q) *Deferred Inflows and Outflows***

The IHL System has deferred inflows of resources. The deferred inflows of resources are an acquisition of net assets by the IHL System that is applicable to a future reporting period and include pension related deferred inflows.

The IHL System has deferred outflows of resources. The deferred outflows of resources are consumption of net assets by the IHL System that are applicable to a future reporting period and include the unamortized amounts for losses on the refunding of bond debt and pension related deferred outflows.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Deferred inflows and outflows related to pension are related to the implementation of GASB No. 68, which was effective at the beginning of fiscal year 2015. See note 1(d) and note 14.

**(r) *Net Pension Liability***

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the IHL System's proportionate share of liability and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**(s) *Accounts Payable and Accrued Liabilities***

Recorded items consist of amounts owed to vendors, contractors, or accrued amounts such as interest, wages, and salaries.

**(t) *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 18 hours per month for fifteen years of service and above.

Nine-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to fifteen years of service; and 16 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, employees are paid up to 240 hours of accumulated leave. At retirement, employees are paid up to 240 hours of accumulated major medical leave.

**(u) *Unearned Revenues***

Unearned revenues include amounts received for tuition and 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.

**(v) *Deposits Refundable***

Deposits refundable represent good faith deposits from students to reserve housing assignments, key deposits and post breakage deposits in the residence halls of the member universities of the IHL System.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

(w) ***Noncurrent Liabilities***

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

(x) ***Government Advances Refundable***

The IHL System participates in the Federal Perkins Loan and Nursing Loan Programs, which are funded through a combination of federal and institutional resources. The portion of these programs that has been funded with federal funds is ultimately refundable to the U.S. government upon the termination of IHL System's participation in the programs. The portion that would be refundable if the programs were terminated has been presented as other long-term liabilities and approximated \$59.7 million as of June 30, 2015.

(y) ***Income Taxes***

As an integral part of the State of Mississippi, a governmental entity, the IHL System is generally not subject to federal income tax, however, income generated from activities unrelated to the IHL System's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

(z) ***Classification of Revenues and Expenses***

The IHL System has classified its revenues as either operating or nonoperating 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, and (5) patient care revenues. 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.

**Nonoperating Revenues and Expenses**

Nonoperating revenues have the characteristics of nonexchange transactions. Nonoperating revenues include activities that have the characteristics of nonexchange 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 nonoperating revenues by GASB No. 9, and GASB No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

### **(aa) Auxiliary Enterprise Activities**

Auxiliary enterprises typically exist to furnish goods or services to students, faculty, or staff, and charge a fee directly related to, although not necessarily equal to, the cost of the goods or services. One distinguishing characteristic of auxiliary enterprises is that they are managed as essentially self-supporting activities.

Auxiliary enterprises include residence halls, athletics, food services, bookstore, convenience store, laundry and faculty and staff housing. The general public may be served incidentally by auxiliary enterprises.

### **(bb) Patient Care Revenues**

UMMC's hospital and clinical service revenues are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including contractual allowances and estimated retroactive adjustments under reimbursement programs with third-party payors, less an allowance for doubtful accounts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based upon patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. UMMC is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the Medicare intermediary.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology for certain services and at prospectively determined rates for all other services. UMMC is reimbursed for cost reimbursable services at tentative rates with final settlement determined after submission of annual cost reports by UMMC and audits thereof by Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 27.2% and 31.7%, respectively, of UMMC's net patient service revenues for the year ended June 30, 2015.

UMMC also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to UMMC under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

**(cc) Hospital Reimbursement**

The University Hospitals and Health System (UHHS) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2011 for the Jackson Campus and June 30, 2012 for Holmes County Hospital.

During FY 2009, UHHS received notification that Medicare had designated the Recovery Audit Contractor (RAC) for the region that includes the State of Mississippi. The RAC program is intended to identify and recover improper Medicare payments made to health care providers as far back as three years from the current date. While UHHS believes all claims submitted to Medicare are supported by the services provided, the RAC could make adjustments based on differing interpretation of the regulations. Audits of Medicare claims began in FY 2010 and are expected to continue in the future. Based on recent audit experiences and reviews of planned audit activities, the reserve balance at the end of fiscal year 2015, which is recorded in other current liabilities, was approximately \$9.0 million, consistent with previous years.

Over five years ago, the Division of Medicaid (DOM) notified all providers in the State of Mississippi of a change in the methodology used to reimburse outpatient services. DOM had adopted a payment methodology for outpatient services at a fixed cost to charge ratio that was increased each year by an inflationary index. At that time, DOM issued letters to all providers of an updated reimbursement percentage based on more current cost data. At June 30, 2015, UHHS maintains a reserve of approximately \$12.1 million, in other current liabilities, for Medicaid rate recalculations and other adjustments for prior fiscal years.

**(dd) 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 scholarship allowances, which reduce operating revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash.

Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed 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.

**(ee) Net Position**

The IHL System adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* in fiscal year 2013, and, as a result, began reporting equity balances (previously referred to as Net Assets) as "Net Position." Net position represents the difference between assets and liabilities in a statement of net position and is displayed in three components – net investment in capital assets; restricted (distinguishing between major categories of restrictions); and unrestricted.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

*Net investment in capital assets* reflect the IHL System's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such debt is excluded from the calculation of net investment in capital assets.

*Restricted, nonexpendable* net position consist of endowment and similar type funds which donors or other outside sources have stipulated, as a condition of the gift instrument, the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Restricted, expendable* net position includes resources that the IHL System is legally or contractually obligated to spend in accordance with restrictions imposed by external parties. When both restricted and unrestricted resources are available for use, it is generally the University's policy to utilize restricted resources first, and then unrestricted resources as needed.

*Unrestricted* net position represent resources derived from student tuition and fees, state appropriations, net patient service revenue, sales and services of educational activities and auxiliary enterprises. Auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff. While unrestricted net position may be designated for specific purposes by action of management or the Board, they are available for use at the discretion of the governing board, to meet current expenses for any purpose.

**(2) Cash and Investments**

**(a) Policies**

**Cash, Cash Equivalents and Short-Term Investments**

Investment policies as set forth by the IHL System Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. Investment policy at the System is governed by State statute (Section 27-105-33, MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998.

The collateral for public entities' deposits in financial institutions is 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 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.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

### Investments

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.

A summary of cash and investments as of June 30, 2015 is as follows:

Cash	\$ 446,042,478
Restricted cash and cash equivalents	255,587,979
U.S. government agency obligations	288,008,826
U.S. Treasury obligations	198,612,317
Certificates of deposit	54,919,130
Corporate bonds and notes	4,575,838
Commercial mortgage backed securities	3,133,647
Collateralized mortgage obligations	31,274,338
Municipal bonds	49,380,494
Money market funds	1,487,739
Fixed income mutual funds	22,788,041
Asset backed securities	1,207,860
Domestic equity securities	11,473,588
International equity mutual funds	24,059,755
Domestic equity mutual funds	31,006,565
Equity hedge funds	25,162,270
Miscellaneous	109,108,770
Total	<u>\$ 1,557,829,635</u>

**(b) 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 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, 2015.

**(c) Interest Rate Risk**

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.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

As of June 30, 2015, the IHL System had the following investments subject to interest rate risk:

	2015				
	Years to maturity				
	Fair value	Less than 1	1 – 5	6 – 10	More than 10
U.S. government agency obligations	\$ 288,008,826	67,274,461	121,193,340	67,427,908	32,113,117
U.S. Treasury obligations	198,612,317	81,262,627	117,343,693	—	5,997
Corporate bonds and notes	4,575,838	977,552	2,879,807	606,362	112,117
Commercial mortgage backed securities	3,133,647	—	1,654,360	280,604	1,198,683
Collateralized mortgage obligations	31,274,338	728,094	8,533,479	—	22,012,765
Municipal bonds	49,380,494	2,800,496	21,959,485	17,550,092	7,070,421
Fixed income mutual funds	22,788,041	59,168	7,772,327	14,956,546	—
Asset backed securities	1,207,860	—	—	1,207,860	—
Total	\$ <u>598,981,361</u>	<u>153,102,398</u>	<u>281,336,491</u>	<u>102,029,372</u>	<u>62,513,100</u>

**(d) Credit Risk**

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The IHL System does not have a formal investment policy that addresses credit risk.

As of June 30, 2015, the IHL System had the following investments recorded at fair value subject to credit risk:

Credit rating:

AAA	\$ 38,150,832
Aaa	116,392,048
Aa1	16,643
Aa2	24,486,906
Aa3	696,332
AA	150,675,510
A1	1,269,805
A2	568,691
A3	29,880
A	3,398,112
B	1,095,463
BA	13,872
BAA	133,972
Baa1	260,408
BBB	1,098,554
BB	937,254
CCC	1,166,770
Not Rated or Unavailable	59,977,992
Total	\$ <u>400,369,044</u>



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

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

**(e) Concentration of Credit Risk**

Concentration of credit risk is defined by GASB Statement No. 40 as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The IHL System does not presently have a formal policy that addresses concentration of credit risk.

As of June 30, 2015, the IHL System had the following issuer holding investments recorded at fair value that exceeded 5% of total investments:

Issuer	2015	
	Fair value	Percentage
Federal Home Loan Bank notes	\$ 112,803,613	13.18%

**(f) 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 IHL System's exposure to foreign currency risk is limited to investments in global or pooled non-U.S. equity mutual funds, which approximated \$23.1 million at June 30, 2015.

**(3) Accounts Receivable**

Accounts receivable consisted of the following at June 30, 2015:

Type of Receivable	2015
Student tuition	\$ 93,590,517
Auxiliary enterprises and other operating activities	29,592,762
Contributions and gifts	14,008,404
Federal, state, and private grants and contracts	102,356,859
State appropriation	15,077,084
Accrued interest	2,706,997
Patient income	2,569,494,128
Other	21,034,854
Total accounts receivable	2,847,861,605
Less bad debt provision	(2,509,071,442)
Net accounts receivable	\$ 338,790,163

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(4) Notes Receivable from Students**

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from one of the IHL System's institutions.

The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the IHL System as of June 30, 2015:

	<b>Interest rates</b>	<b>June 30, 2015</b>	<b>Current portion</b>	<b>Noncurrent portion</b>
Perkins student loans	3% to 9%	\$ 70,625,994	9,825,069	60,800,925
Institutional loans	0% to 10%	58,682,966	7,457,245	51,225,721
Nursing student loans	3% to 9%	1,248,872	116,058	1,132,814
Dental student loans	3% to 9%	449,560	28,572	420,988
Medical student loans	3% to 9%	184,033	6,964	177,069
Other federal loans	3% to 9%	3,991,520	2,213,240	1,778,280
Total notes receivable		135,182,945	19,647,148	115,535,797
Less allowance for doubtful accounts		(20,526,758)	(3,806,339)	(16,720,419)
Net notes receivable		\$ 114,656,187	15,840,809	98,815,378

**(5) Capital Assets**

A summary of changes in capital assets for the year ended June 30, 2015 is presented as follows:

	<b>Balance June 30, 2014</b>	<b>Additions</b>	<b>Deletions/ Transfers</b>	<b>Balance June 30, 2015</b>
Nondepreciable capital assets:				
Land	\$ 87,278,223	3,902,414	—	91,180,637
Construction in progress	494,823,861	272,929,439	(225,359,315)	542,393,985
Livestock	1,717,663	181,646	(57,490)	1,841,819
Total nondepreciable capital assets	583,819,747	277,013,499	(225,416,805)	635,416,441
Depreciable capital assets:				
Buildings	3,072,899,167	227,401,512	(6,012,089)	3,294,288,590
Improvements other than buildings	312,650,876	24,862,215	(34,558)	337,478,533
Equipment	764,548,649	54,942,185	(21,053,132)	798,437,702
Library books	377,501,528	13,534,998	(877,345)	390,159,181
Total depreciable assets	4,527,600,220	320,740,910	(27,977,124)	4,820,364,006
Total capital assets	5,111,419,967	597,754,409	(253,393,929)	5,455,780,447

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2015</u>
Less accumulated depreciation:				
Buildings	\$ 795,325,438	61,732,419	(2,353,119)	854,704,738
Improvements other than buildings	118,667,841	11,593,551	—	130,261,392
Equipment	516,503,098	57,826,679	(17,957,225)	556,372,552
Library books	<u>315,779,808</u>	<u>14,170,949</u>	<u>(682,751)</u>	<u>329,268,006</u>
Total accumulated depreciation	<u>1,746,276,185</u>	<u>145,323,598</u>	<u>(20,993,095)</u>	<u>1,870,606,688</u>
Net capital assets	<u>\$ 3,365,143,782</u>	<u>452,430,811</u>	<u>(232,400,834)</u>	<u>3,585,173,759</u>

As of June 30, 2015, capital assets included assets under capital leases with an original cost basis of approximately \$76.8 million and accumulated amortization of approximately \$5.1 million.

Depreciation is computed on a straight-line basis with the exception of library books, for which depreciation 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 useful life</u>	<u>Salvage value</u>	<u>Capitalization threshold</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	—	—

**(6) Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities as of June 30, 2015 are as follows:

Payable to vendors and contractors	\$ 106,074,065
Accrued salaries, wages and employee withholdings	81,468,870
Accrued interest	4,932,113
Other	<u>13,955,809</u>
Total	<u>\$ 206,430,857</u>

The only noncurrent portion relates to accrued salaries, wages, and employee holdings totals \$1,176,000. All other amounts are considered current and expected to be settled within one year.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(7) Unearned Revenues**

Unearned revenues as of June 30, 2015 are as follows:

Unearned summer school revenue	\$	26,555,132
Unearned grants and contract revenue		38,013,499
Other, principally athletic activities		<u>49,851,057</u>
<b>Total</b>	<b>\$</b>	<b><u><u>114,419,688</u></u></b>

All amounts are considered current and will be fully recognized within one year.

**(8) Material Blended Component Units of the IHL System**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, the educational building corporations are deemed to be material component units of the IHL System but are presented on a blended basis in the accompanying financial statements due to the significance of their activities to respective member universities' operations. These blended component units provide services entirely, or almost entirely, to their respective universities. Condensed financial information as of June 30, 2015 is listed in the following schedule.

2015 Condensed Financial Information for Educational Building Corporations									
		ASU	DSU	JSU	MSU	MVSU	UM	USM	UMMC
Current assets	\$	91,577	—	—	—	—	21,576,257	6,251,245	6,448,568
Noncurrent assets		40,348,021	3,035,000	99,703,558	327,090,000	17,520,000	140,740,756	176,994,848	249,089,119
Total assets		<u>40,439,598</u>	<u>3,035,000</u>	<u>99,703,558</u>	<u>327,090,000</u>	<u>17,520,000</u>	<u>162,317,013</u>	<u>183,246,093</u>	<u>255,537,687</u>
Deferred Outflows of Resources		—	—	—	—	—	—	—	4,518,800
Current liabilities		576,844	520,000	3,036,849	9,570,000	335,000	19,704,000	6,251,245	6,451,427
Noncurrent liabilities		44,734,583	2,515,000	96,666,709	317,520,000	17,185,000	142,613,013	176,994,848	257,038,369
Total liabilities		<u>45,311,427</u>	<u>3,035,000</u>	<u>99,703,558</u>	<u>327,090,000</u>	<u>17,520,000</u>	<u>162,317,013</u>	<u>183,246,093</u>	<u>263,489,796</u>
Total net position	\$	<u>(4,871,829)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(3,433,309)</u>
Operating revenues	\$	2,674,188	—	—	—	1,066,889	—	—	12,225,929
Operating expenses		3,540,788	—	—	—	1,066,889	—	—	11,896,523
Total operating income (loss)		<u>(866,600)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>329,406</u>
Nonoperating revenues		8	—	4,512,369	11,113,540	—	5,398,198	7,769,599	—
Nonoperating expenses		—	520,000	4,512,369	11,113,540	—	5,398,198	7,769,599	2,356,630
Total nonoperating revenue (expenses)		<u>8</u>	<u>(520,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,356,630)</u>
Change in net position	\$	<u>(866,592)</u>	<u>(520,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,027,224)</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(9) Long-Term Liabilities**

Long-term liabilities of the IHL System consist of notes and bonds payable, capital lease obligations, and certain other liabilities that are expected to be liquidated at least one year from June 30, 2015. The various leases cover a period not to exceed five years. The IHL System 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 and notes payable consist of accrued leave liabilities, deposits refundable, notes payable, and other liabilities (government advance refundables, self-insured workers compensation, and tort claims).

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Information regarding original issue amounts, interest rates, and maturity dates for bonds, notes, and capital leases relative to the long-term liabilities for each of the universities within the IHL System as of June 30, 2015, is listed in the following schedule.

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Alcorn State University:								
Bonded debt:								
2009 Series A Student Housin \$	47,000,000	5.13% – 5.25%	2040	\$ 45,858,617	76,843	400,000	45,535,460	576,844
Total bonded debt				45,858,617	76,843	400,000	45,535,460	576,844
Other long-term liabilities:								
Pension liability				64,134,357	885,413	8,261,511	56,758,259	—
Accrued leave liabilities				4,632,504	1,533,580	1,585,698	4,580,386	943,097
Deposits refundable				595,628	6,302	—	601,930	—
Total other long-term liabilities				69,362,489	2,425,295	9,847,209	61,940,575	943,097
Total				\$ 115,221,106	2,502,138	10,247,209	107,476,035	1,519,941
Due within one year							(1,519,941)	
Total long-term liabilities							\$ 105,956,094	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Delta State University:								
Bonded debt:								
2003 Series	\$ 2,475,000	3.00% – 4.25%	2024	\$ 1,525,000	—	125,000	1,400,000	130,000
2009 Series	3,135,000	2.50% – 3.75%	2019	2,010,000	—	375,000	1,635,000	390,000
Total bonded debt				<u>3,535,000</u>	<u>—</u>	<u>500,000</u>	<u>3,035,000</u>	<u>520,000</u>
Capital leases:								
Infrastructure/Desktop/Hardware				—	151,388	6,766	144,622	35,706
Airplanes				1,069,749	—	250,086	819,663	590,338
Foundation hall and faculty apartments				16,170,000	—	380,000	15,790,000	390,000
Total capital leases				<u>17,239,749</u>	<u>151,388</u>	<u>636,852</u>	<u>16,754,285</u>	<u>1,016,044</u>
Other long-term liabilities:								
Pension liability				37,895,795	523,174	4,881,573	33,537,396	—
Accrued leave liabilities				1,407,533	152,315	—	1,559,848	204,703
Deposits refundable				136,425	—	3,268	133,157	—
Other				1,817,516	—	18,869	1,798,647	—
Total other long-term liabilities				<u>41,257,269</u>	<u>675,489</u>	<u>4,903,710</u>	<u>37,029,048</u>	<u>204,703</u>
Total				<u>\$ 62,032,018</u>	<u>826,877</u>	<u>6,040,562</u>	<u>56,818,333</u>	<u>1,740,747</u>
Due within one year							<u>(1,740,747)</u>	
Total long-term liabilities							<u>\$ 55,077,586</u>	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (Fiscal Year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Jackson State University:								
Bonded debt:								
Series 1982 – Dormitory	\$ 4,000,000	1.00%–3.00%	2021	\$ 1,120,000	—	145,000	975,000	150,000
Series 2006 – A	12,000,000	3.50%–4.25%	2031	9,795,000	—	9,795,000	—	—
Series 2007	48,165,000	5.00%	2034	48,740,571	—	48,740,571	—	—
Series 2010-A-1	31,325,000	3.00%–5.00%	2034	27,009,805	—	1,819,989	25,189,816	(14,181)
Other Borrowings	1,900,000	5.00%	2034	1,095,000	—	1,095,000	—	—
Campus Revenue Bond – 2015A	57,595,000	2.00%–5.00%	2045	—	58,787,216	—	58,787,216	123,549
Campus Revenue Bond – 2015B	13,065,000	0.69%–2.56%	2021	—	13,065,000	—	13,065,000	2,590,000
Total bonded debt				<u>87,760,376</u>	<u>71,852,216</u>	<u>61,595,560</u>	<u>98,017,032</u>	<u>2,849,368</u>
Other long-term liabilities and notes payable:								
Pension liability				113,433,632	1,566,019	14,612,031	100,387,620	—
Accrued leave liabilities				5,322,123	33,236	—	5,355,359	385,586
Deposits refundable				24,207	2,203	—	26,410	—
Federal Portion – Perkins Loan Program				1,683,435	76,669	—	1,760,104	—
Capital Leases & Other				—	1,126,518	54,885	1,071,633	92,474
Notes payable				707,113	—	92,220	614,893	95,007
Total other long-term liabilities and notes payable				<u>121,170,510</u>	<u>2,804,645</u>	<u>14,759,136</u>	<u>109,216,019</u>	<u>573,067</u>
Total				<u>\$ 208,930,886</u>	<u>74,656,861</u>	<u>76,354,696</u>	<u>207,233,051</u>	<u>3,422,435</u>
Due within one year							(3,422,435)	
Total long-term liabilities							<u>\$ 203,810,616</u>	



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (Fiscal Year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi State University:								
Bonded debt:								
Dormitory Bonds	\$ 2,250,000	3.00%	2021	\$ 610,000	—	80,000	530,000	80,000
Student Apartments	2,038,000	3.00%	2022	640,000	—	70,000	570,000	75,000
EBC – Revenue Bonds	31,865,000	3.75%–5.25%	2018	6,025,000	—	1,385,000	4,640,000	1,465,000
EBC – Revenue Bonds	17,000,000	2.00%–5.00%	2029	595,000	—	595,000	—	—
EBC – Revenue Bonds	28,790,000	2.00%–5.00%	2030	1,625,000	—	1,625,000	—	—
EBC – Revenue Bonds	58,965,000	4.00%–5.00%	2036	3,585,000	—	1,750,000	1,835,000	1,835,000
EBC – Revenue Bonds	6,110,000	4.50%–4.75%	2028	4,825,000	—	255,000	4,570,000	265,000
EBC – Revenue Bonds	29,615,000	3.00%–5.25%	2029	27,820,000	—	630,000	27,190,000	650,000
EBC – Revenue Bonds	17,105,000	3.00%–5.25%	2024	11,910,000	—	—	11,910,000	—
EBC – Revenue Bonds	54,370,000	2.00%–5.00%	2042	50,555,000	—	1,970,000	48,585,000	2,040,000
EBC – Revenue Bonds	60,470,000	2.00%–5.00%	2044	60,470,000	—	490,000	59,980,000	505,000
EBC – Revenue Bonds	89,810,000	2.00%–5.00%	2044	89,810,000	—	—	89,810,000	2,230,000
EBC – Revenue Bonds	23,435,000	0.29%–5.00%	2044	23,435,000	—	875,000	22,560,000	580,000
EBC – Revenue Bonds	56,010,000	2.00%–5.00%	2045	—	56,010,000	—	56,010,000	—
Total bonded debt				<u>281,905,000</u>	<u>56,010,000</u>	<u>9,725,000</u>	<u>328,190,000</u>	<u>9,725,000</u>
Other long-term liabilities:								
Pension liability				426,749,039	5,891,523	54,971,970	377,668,592	—
Accrued leave liabilities				24,105,527	1,125,647	—	25,231,174	1,905,475
Deposits refundable				30,305	1,330	—	31,635	—
Other				<u>13,837,235</u>	<u>70,309</u>	<u>—</u>	<u>13,907,544</u>	<u>—</u>
Total other long-term liabilities				<u>464,722,106</u>	<u>7,088,809</u>	<u>54,971,970</u>	<u>416,838,945</u>	<u>1,905,475</u>
Total				<u>\$ 746,627,106</u>	<u>63,098,809</u>	<u>64,696,970</u>	<u>745,028,945</u>	<u>11,630,475</u>
Due within one year							(11,630,475)	
Total long-term liabilities							<u>\$ 733,398,470</u>	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (Fiscal Year)	Year ended June 30, 2015			Ending balance	Due within one year
				Beginning balance	Additions	Deletions		
Mississippi University for Women:								
Capital leases:								
Various equipment				\$ 656,889	—	139,054	517,835	142,919
Other long-term liabilities:								
Pension liability				30,608,204	422,564	3,942,817	27,087,951	—
Accrued leave liabilities				1,182,846	42,633	—	1,225,479	49,019
Other				<u>1,184,812</u>	<u>—</u>	<u>70,142</u>	<u>1,114,670</u>	<u>—</u>
Total other long-term liabilities				<u>32,975,862</u>	<u>465,197</u>	<u>4,012,959</u>	<u>29,428,100</u>	<u>49,019</u>
Total				<u>\$ 33,632,751</u>	<u>465,197</u>	<u>4,152,013</u>	<u>29,945,935</u>	<u>191,938</u>
Due within one year							<u>(191,938)</u>	
Total long-term liabilities							<u>\$ 29,753,997</u>	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi Valley State University:								
Bonded debt:								
EBC – 2007	\$ 19,015,000	4.00%	2037	\$ 17,810,000	—	290,000	17,520,000	335,000
Total bonded debt				17,810,000	—	290,000	17,520,000	335,000
Other long-term liabilities:								
Pension liability				35,165,332	485,478	4,529,846	31,120,964	—
Accrued leave liabilities				1,554,476	43,074	—	1,597,550	267,096
Deposits refundable				30,258	2,665	1,272	31,651	—
Total other long-term liabilities				36,750,066	531,217	4,531,118	32,750,165	267,096
Total				\$ 54,560,066	531,217	4,821,118	50,270,165	602,096
Due within one year							(602,096)	
Total long-term liabilities							\$ 49,668,069	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Mississippi:								
Bonded debt:								
EBC – 2005	\$ 10,965,000	3.00%–4.38%	2028	\$ 7,415,000	—	400,000	7,015,000	420,000
EBC – 2006A	17,985,000	4.00%–5.00%	2026	11,075,000	—	1,215,000	9,860,000	1,275,000
EBC – 2006B-1	17,290,000	3.50%–5.00%	2027	11,495,000	—	995,000	10,500,000	1,030,000
EBC – 2008A	29,785,000	3.25%–5.00%	2034	26,030,000	—	825,000	25,205,000	855,000
EBC – 2009A	19,870,000	2.13%–4.50%	2030	16,915,000	—	790,000	16,125,000	815,000
EBC – 2009B	24,165,000	3.00%–5.00%	2021	15,655,000	—	1,915,000	13,740,000	2,010,000
EBC – 2009C	14,770,000	2.50%–4.75%	2035	13,210,000	—	415,000	12,795,000	430,000
EBC – 2011	27,995,000	2.00%–5.00%	2032	29,030,450	347,927	729,088	28,649,289	818,366
EBC – Series 2015A	15,660,000	2.00%–4.00%	2040	—	15,660,000	—	15,660,000	100,000
EBC – Series 2015B	10,125,000	0.50%–3.75%	2030	—	10,125,000	—	10,125,000	555,000
Total bonded debt				<u>130,825,450</u>	<u>26,132,927</u>	<u>7,284,088</u>	<u>149,674,289</u>	<u>8,308,366</u>
Capital Leases:								
Buildings				—	15,005,536	454,930	14,550,606	908,751
Assets under construction				<u>13,403,451</u>	<u>40,214,740</u>	<u>15,371,345</u>	<u>38,246,846</u>	<u>441,924</u>
Total capital leases				<u>13,403,451</u>	<u>55,220,276</u>	<u>15,826,275</u>	<u>52,797,452</u>	<u>1,350,675</u>
Other long-term liabilities and notes payable:								
Pension liability				253,602,291	3,501,129	32,667,946	224,435,474	—
Accrued leave liabilities				14,759,207	1,145,987	—	15,905,194	1,692,000
Deposits refundable				95,972	4,250	—	100,222	—
Notes payable				99,985	—	99,985	—	—
Other				<u>9,233,300</u>	<u>171,900</u>	<u>—</u>	<u>9,405,200</u>	<u>—</u>
Total other long-term liabilities and notes payable				<u>277,790,755</u>	<u>4,823,266</u>	<u>32,767,931</u>	<u>249,846,090</u>	<u>1,692,000</u>
Total				<u>\$ 422,019,656</u>	<u>86,176,469</u>	<u>55,878,294</u>	<u>452,317,831</u>	<u>11,351,041</u>
Due within one year							<u>(11,351,041)</u>	
Total long-term liabilities							<u>\$ 440,966,790</u>	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Southern Mississippi								
Bonded debt:								
The Village	\$ 18,725,000	3.63% – 5.00%	2032	\$ 16,975,000	—	16,580,000	395,000	395,000
EBC Refunding	24,855,000	3.63% – 5.00%	2027	19,235,000	—	17,470,000	1,765,000	1,765,000
Athletic Improvements	27,190,000	4.00% – 5.00%	2034	25,120,000	—	24,005,000	1,115,000	535,000
Dormitory Construction	49,900,000	2.75% – 5.38%	2037	49,900,000	—	115,000	49,785,000	225,000
SMBEC Series 2013	51,875,000	2.75% – 5.38%	2044	55,794,678	4,289,586	776,600	59,307,664	1,852,237
SMEBC Series 2015A	38,600,000	2.00% – 5.00%	2034	—	38,600,000	—	38,600,000	255,000
SMEBC Series 2015B	16,690,000	0.50% – 3.25%	2027	—	16,690,000	—	16,690,000	375,000
Total bonded debt				<u>167,024,678</u>	<u>59,579,586</u>	<u>58,946,600</u>	<u>167,657,664</u>	<u>5,402,237</u>
Certificates of Participation								
Parking Garage, Series 2009	15,520,000	2.00% – 5.13%	2040	14,560,000	—	305,000	14,255,000	315,000
Capital leases:								
Various equipment				2,140,990	—	518,185	1,622,805	507,480
Other long-term liabilities and notes payable:								
Pension liability				184,669,016	2,549,465	23,788,266	163,430,215	—
Accrued leave liabilities				9,990,189	205,734	132,588	10,063,335	1,180,000
Deposits refundable				32,743	10,400	9,920	33,223	—
Notes payable				1,787,632	—	454,203	1,333,429	534,008
Other				26,735,912	—	34,845	26,701,067	—
Total other long-term liabilities and notes payable				<u>223,215,492</u>	<u>2,765,599</u>	<u>24,419,822</u>	<u>201,561,269</u>	<u>1,714,008</u>
Total				<u>\$ 406,941,160</u>	<u>62,345,185</u>	<u>84,189,607</u>	<u>385,096,738</u>	<u>7,938,725</u>
Due within one year							<u>(7,938,725)</u>	
Total long-term liabilities							<u>\$ 377,158,013</u>	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Mississippi Medical Center:								
Bonded debt:								
Series 1998B	\$ 41,075,000	3.88% – 5.90%	2024	\$ 23,670,000	—	—	23,670,000	—
Series 2009	105,605,000	2.00% – 5.00%	2034	89,363,094	—	4,814,405	84,548,689	5,004,405
Series 2010A	24,870,000	5.92% – 6.69%	2032	24,870,000	—	—	24,870,000	—
Series 2010B	20,000,000	6.84%	2035	20,000,000	—	—	20,000,000	—
Series 2010C	5,130,000	2.50% – 5.00%	2020	3,424,499	—	519,083	2,905,416	534,083
Series 2012A	51,860,000	4.00% – 5.00%	2041	51,771,595	—	44,202	51,727,393	44,202
Series 2012B	53,390,000	4.07% – 4.82%	2038	54,671,871	—	—	54,671,871	—
Total bonded debt				<u>267,771,059</u>	<u>—</u>	<u>5,377,690</u>	<u>262,393,369</u>	<u>5,582,690</u>
Other long-term liabilities:								
Pension liability				928,186,080	12,814,159	119,564,926	821,435,313	—
Accrued leave liabilities				51,948,891	7,514,760	4,415,828	55,047,823	4,277,538
Other				37,763,769	831,610	551,394	38,043,985	4,827,000
Total other long-term liabilities				<u>1,017,898,740</u>	<u>21,160,529</u>	<u>124,532,148</u>	<u>914,527,121</u>	<u>9,104,538</u>
Total				<u>\$ 1,285,669,799</u>	<u>21,160,529</u>	<u>129,909,838</u>	<u>1,176,920,490</u>	<u>14,687,228</u>
Due within one year							<u>(14,687,228)</u>	
Total long-term liabilities							<u>\$ 1,162,233,262</u>	

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015					
				Beginning balance	Additions	Deletions	Ending balance	Due within one year	
IHL Board Office:									
Other long-term liabilities:									
Pension liability				\$ 14,783,193	204,091	1,904,307	13,082,977	—	
Accrued leave liabilities				795,429	22,723	—	818,152	58,328	
Other				38,406,103	4,659,270	2,417,000	40,648,373	10,206,293	
Total				\$ 53,984,725	4,886,084	4,321,307	54,549,502	10,264,621	
Due within one year							(10,264,621)		
Total long-term liabilities							\$ 44,284,881		
MCVS:									
Other long-term liabilities:									
Pension liability				\$ 1,234,182	17,039	158,982	1,092,239	—	
Accrued leave liabilities				69,517	—	9,958	59,559	6,095	
Total				\$ 1,303,699	17,039	168,940	1,151,798	6,095	
Due within one year							(6,095)		
Total long-term liabilities							\$ 1,145,703		

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Description and purpose	Original issue	Annual interest rate	Maturity (fiscal year)	Year ended June 30, 2015				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
State of Mississippi Institutions of Higher Learning – Combined:								
Total bonded debt				\$ 1,002,490,180	213,651,572	144,118,938	1,072,022,814	33,299,505
Total capital leases				33,441,079	55,371,664	17,120,366	71,692,377	3,017,118
Other long-term liabilities and notes payable:								
Pension liability				2,090,461,121	28,860,054	269,284,175	1,850,037,000	—
Accrued leave liabilities				115,768,242	11,819,689	6,144,072	121,443,859	10,968,937
Deposits refundable				945,538	27,150	14,460	958,228	—
Notes payable				17,154,730	—	951,408	16,203,322	944,015
Other				130,662,082	6,936,276	3,147,135	134,451,223	15,125,767
Total other long-term liabilities and notes payable				<u>2,354,991,713</u>	<u>47,643,169</u>	<u>279,541,250</u>	<u>2,123,093,632</u>	<u>27,038,719</u>
Total				<u>\$ 3,390,922,972</u>	<u>316,666,405</u>	<u>440,780,554</u>	3,266,808,823	<u>63,355,342</u>
Due within one year							(63,355,342)	
Total noncurrent liabilities							\$ <u>3,203,453,481</u>	



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The annual debt service requirements for the outstanding debt as of June 30, 2015 for each of the respective universities within the IHL system are as follows:

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
Alcorn State University:					
2016	\$ 576,844	—	—	2,248,938	2,825,782
2017	640,000	—	—	2,223,638	2,863,638
2018	720,000	—	—	2,192,838	2,912,838
2019	815,000	—	—	2,154,463	2,969,463
2020	915,000	—	—	2,115,788	3,030,788
2021 – 2025	6,110,000	—	—	9,884,459	15,994,459
2026 – 2030	8,840,000	—	—	8,096,953	16,936,953
2031 – 2035	11,770,000	—	—	5,542,500	17,312,500
2036 – 2040	15,148,616	—	—	2,068,500	17,217,116
Totals	\$ <u>45,535,460</u>	<u>—</u>	<u>—</u>	<u>36,528,077</u>	<u>82,063,537</u>

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
Delta State University:					
2016	\$ 520,000	1,016,044	—	828,500	2,364,544
2017	535,000	710,234	—	785,649	2,030,883
2018	555,000	744,035	—	768,993	2,068,028
2019	580,000	467,994	—	707,550	1,755,544
2020	155,000	455,000	—	689,525	1,299,525
2021 – 2025	690,000	2,560,000	—	3,046,417	6,296,417
2026 – 2030	—	2,850,978	—	2,365,412	5,216,390
2031 – 2035	—	3,995,000	—	1,545,914	5,540,914
2036 – 2040	—	3,955,000	—	486,802	4,441,802
Totals	\$ <u>3,035,000</u>	<u>16,754,285</u>	<u>—</u>	<u>11,224,762</u>	<u>31,014,047</u>

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
Jackson State University:					
2016	\$ 2,849,368	—	95,007	4,489,321	7,433,696
2017	3,283,915	—	97,879	4,404,223	7,786,017
2018	3,348,915	—	100,837	4,339,155	7,788,907
2019	3,433,915	—	103,885	4,250,523	7,788,323
2020	3,708,915	—	107,025	4,146,390	7,962,330
2021 – 2025	20,124,575	—	110,260	18,065,012	38,299,847
2026 – 2030	26,304,575	—	—	12,054,313	38,358,888
2031 – 2035	27,156,529	—	—	4,613,500	31,770,029
2036 – 2040	3,881,430	—	—	810,000	4,691,430
2041 – 2045	3,924,895	—	—	308,000	4,232,895
Totals	\$ <u>98,017,032</u>	<u>—</u>	<u>614,893</u>	<u>57,480,437</u>	<u>156,112,362</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
Mississippi State University:					
2016	\$ 9,725,000	—	—	14,514,128	24,239,128
2017	11,385,000	—	—	14,010,324	25,395,324
2018	9,775,000	—	—	13,678,756	23,453,756
2019	10,195,000	—	—	13,330,186	23,525,186
2020	10,565,000	—	—	12,956,199	23,521,199
2021 – 2025	57,145,000	—	—	57,541,651	114,686,651
2026 – 2030	55,340,000	—	—	44,521,450	99,861,450
2031 – 2035	56,985,000	—	—	31,769,173	88,754,173
2036 – 2040	59,960,000	—	—	17,721,061	77,681,061
2041 – 2045	47,115,000	—	—	4,525,923	51,640,923
Totals	\$ <u>328,190,000</u>	<u>—</u>	<u>—</u>	<u>224,568,851</u>	<u>552,758,851</u>

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
Mississippi Valley State University:					
2016	\$ 335,000	—	—	759,025	1,094,025
2017	375,000	—	—	745,625	1,120,625
2018	415,000	—	—	730,625	1,145,625
2019	460,000	—	—	714,025	1,174,025
2020	505,000	—	—	695,625	1,200,625
2021 – 2025	2,715,000	—	—	3,155,519	5,870,519
2026 – 2030	3,820,000	—	—	2,528,850	6,348,850
2031 – 2035	5,840,000	—	—	1,518,075	7,358,075
2036 – 2040	3,055,000	—	—	208,800	3,263,800
Totals	\$ <u>17,520,000</u>	<u>—</u>	<u>—</u>	<u>11,056,169</u>	<u>28,576,169</u>

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
University of Mississippi:					
2016	\$ 8,308,366	1,350,675	—	7,499,527	17,158,568
2017	8,773,366	14,546,493	—	6,979,377	30,299,236
2018	8,773,366	933,084	—	6,511,967	16,218,417
2019	9,238,366	962,424	—	6,145,898	16,346,688
2020	8,703,366	992,686	—	5,777,264	15,473,316
2021 – 2025	39,446,831	34,012,090	—	26,362,383	99,821,304
2026 – 2030	40,346,831	—	—	9,915,137	50,261,968
2031 – 2035	19,933,850	—	—	3,009,349	22,943,199
2036 – 2040	6,149,947	—	—	641,488	6,791,435
Totals	\$ <u>149,674,289</u>	<u>52,797,452</u>	<u>—</u>	<u>72,842,390</u>	<u>275,314,131</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
University of Southern Mississippi:					
2016	\$ 5,402,237	507,480	849,008	7,338,015	14,096,740
2017	4,520,000	510,106	957,691	7,442,412	13,430,209
2018	4,105,000	512,752	511,730	7,326,377	12,455,859
2019	4,420,000	92,467	355,000	7,212,978	12,080,445
2020	4,785,000	—	370,000	7,072,837	12,227,837
2021 – 2025	24,785,000	—	2,110,000	32,531,357	59,426,357
2026 – 2030	33,075,000	—	2,665,000	26,008,178	61,748,178
2031 – 2035	41,355,000	—	3,435,000	16,349,125	61,139,125
2036 – 2040	23,810,000	—	4,335,000	6,535,272	34,680,272
2041 – 2045	21,400,427	—	—	1,293,750	22,694,177
Totals	\$ 167,657,664	1,622,805	15,588,429	119,110,301	303,979,199
<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
University of Mississippi:					
Medical Center					
2016	\$ 5,582,690	—	—	12,858,463	18,441,153
2017	5,807,690	—	—	12,639,163	18,446,853
2018	6,092,690	—	—	12,352,975	18,445,665
2019	6,372,690	—	—	12,071,138	18,443,828
2020	6,672,690	—	—	11,769,750	18,442,440
2021 – 2025	37,758,036	—	—	53,554,477	91,312,513
2026 – 2030	44,703,036	—	—	43,455,959	88,158,995
2031 – 2035	57,648,631	—	—	30,541,030	88,189,661
2036 – 2040	74,606,012	—	—	14,304,846	88,910,858
2041 – 2045	17,149,204	—	—	725,598	17,874,802
Totals	\$ 262,393,369	—	—	204,273,399	466,666,768
<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
Mississippi University for Women:					
2016	\$ —	142,919	—	13,313	156,232
2017	—	146,890	—	9,341	156,231
2018	—	150,973	—	5,259	156,232
2019	—	77,053	—	1,063	78,116
Totals	\$ —	517,835	—	28,976	546,811

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

<u>University – fiscal year</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
State of Mississippi – Institutions of Higher Learning:					
2016	\$ 33,299,505	3,017,118	944,015	50,549,230	87,809,868
2017	35,319,971	15,913,723	1,055,570	49,239,752	101,529,016
2018	33,784,971	2,340,844	612,567	47,906,945	84,645,327
2019	35,514,971	1,599,938	458,885	46,587,824	84,161,618
2020	36,009,971	1,447,686	477,025	45,223,378	83,158,060
2021 – 2025	188,774,442	36,572,090	2,220,260	204,141,275	431,708,067
2026 – 2030	212,429,442	2,850,978	2,665,000	148,946,252	366,891,672
2031 – 2035	220,689,010	3,995,000	3,435,000	94,888,666	323,007,676
2036 – 2040	186,611,005	3,955,000	4,335,000	42,776,769	237,677,774
2041 – 2045	89,589,526	—	—	6,853,271	96,442,797
Totals	<u>\$ 1,072,022,814</u>	<u>71,692,377</u>	<u>16,203,322</u>	<u>737,113,362</u>	<u>1,897,031,875</u>

**(a) Jackson State University**

In February of 2015, the University issued bonds totaling \$57,595,000 (Series 2015A) and \$13,065,000 (Series 2015B) to (i) advance and current refund certain bond issues, including Series 2007, Series 2006A (ii) pay a termination fee relative to an interest rate swap agreement entered into to hedge the interest rate exposure of the Series 2007 bonds, and (iii) to purchase a student housing complex. The Series 2015A bonds bear interest at rates ranging from 2.00% to 5.00% per annum and mature on March 1, 2045. The Series 2015B bonds bear interest at 0.69% to 2.6% per annum and mature on March 1, 2021.

**(b) University of Southern Mississippi**

In June of 2015, the University issued bonds totaling \$55,290,000 (Series 2015A & 2015B) for refunding portions of bonds previously issued in June 2006 (Series 2006A & 2006B) and April 2007 (Series 2007). Outstanding coupons bear interest at rates ranging from 0.50% to 5.00% with final maturity in March 2034.

**(c) Mississippi State University**

In April of 2015, the University issued bonds totaling \$56,010,000 (Series 2015) for certain improvements and capital expenditures, including but not limited to, constructing, furnishing and equipping residence halls and a Center for America's Vets, demolishing abandoned facilities, and to pay the related costs of the issuance, sale and delivery of the Series 2015 Bonds. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in November 2044.

**(d) University of Mississippi**

In March of 2015, the University issued bonds totaling \$15,660,000 (Series 2015A) and \$10,125,000 (Series 2015B) for the construction, equipping and landscaping of an additional student residential housing facilities and for expansion and related infrastructure improvements to Vaught-Hemingway Stadium, respectively. Outstanding coupons of the Series 2015A bear interest at rates ranging from 2.00% to 4.00% payable semiannually with final maturity in November 2039. Outstanding coupons of the Series 2015B bear interest at rates ranging from 0.50% to 3.75% payable semiannually with final maturity in November 2029.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(10) Natural Classifications with Functional Classifications**

The IHL System's operating expenses by functional classification were as follows for the year ended June 30, 2015:

Functional classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships and fellowships	Commodities	Depreciation expense	Other	Total
Instruction	\$ 454,396,419	130,347,994	11,139,841	39,604,733	183,001	1,155,815	16,293,817	—	1,406,958	654,528,578
Research	141,269,009	47,856,569	8,886,500	57,353,221	3,099,134	689,802	25,028,823	—	275,026	284,458,084
Public service	81,154,750	25,160,088	6,671,696	29,594,040	935,114	227,956	9,883,756	—	29,400	153,656,800
Academic support	79,467,984	22,607,491	3,345,134	30,968,507	532,676	45,051	11,967,473	—	265,136	149,199,452
Student services	44,775,402	13,404,359	4,299,607	10,667,216	152,205	304,186	6,373,900	—	49,482	80,026,357
Institutional support	134,555,812	36,323,259	2,715,446	103,804,014	115,491	334,503	26,568,701	—	3,030,916	307,448,142
Operation of plant	52,317,652	17,387,120	109,723	41,554,654	48,343,133	—	8,980,349	—	378,049	169,070,680
Student aid	4,441,974	3,622,630	27,195	1,196,569	2,267,339	176,137,190	272,684	—	—	187,965,581
Auxiliary enterprises	68,917,618	18,975,847	14,990,607	85,414,778	13,573,870	17,851,689	24,379,699	4,353	823,207	244,931,668
Depreciation	—	—	—	—	—	—	—	144,505,081	—	144,505,081
Hospital	436,569,554	113,030,777	2,868,844	88,770,582	1,220,337	—	227,756,596	—	—	870,216,690
Loan fund expense	—	—	—	—	—	—	—	—	1,120,042	1,120,042
	<u>1,497,866,174</u>	<u>428,716,134</u>	<u>55,054,593</u>	<u>488,928,314</u>	<u>70,422,300</u>	<u>196,746,192</u>	<u>357,505,798</u>	<u>144,509,434</u>	<u>7,378,216</u>	<u>3,247,127,155</u>
Elimination entities	—	—	—	(52,731,303)	—	(24,083,137)	—	—	—	(76,814,440)
Total operating expenses	<u>\$ 1,497,866,174</u>	<u>428,716,134</u>	<u>55,054,593</u>	<u>436,197,011</u>	<u>70,422,300</u>	<u>172,663,055</u>	<u>357,505,798</u>	<u>144,509,434</u>	<u>7,378,216</u>	<u>3,170,312,715</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(11) Operating Leases**

Leased property under operating leases is composed of office rent, land, computer software and equipment. The following is a schedule by year of the future minimum rental payments required under noncancelable operating leases for the next five years:

	<u>Amount</u>
Years ending June 30, 2015:	
2016	\$ 24,606,591
2017	30,162,053
2018	15,712,623
2019	15,162,634
2020	23,360,206
2021 – 2025	53,027,384
2026 – 2030	53,027,384
2031 – 2035	<u>11,825,085</u>
Total minimum payments required	\$ <u>226,883,960</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the year ended June 30, 2015 approximated \$26.4 million.

**(12) Construction Commitments and Financing**

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

	<u>Total costs to complete</u>	<u>Funded by</u>			
		<u>Federal sources</u>	<u>State sources</u>	<u>Institutional sources</u>	<u>Other</u>
Alcorn State University	\$ 8,618,400	—	8,618,400	—	—
Delta State University	22,333,007	—	22,333,007	—	—
Jackson State University	22,702,549	—	22,702,549	—	—
Mississippi State University	386,293,125	8,531,729	89,763,188	283,869,896	4,128,312
Mississippi University for Women	763,607	—	—	763,607	—
Mississippi Valley State University	23,779,594	—	22,559,959	—	1,219,635
University of Mississippi	232,873,500	—	32,486,000	102,907,200	97,480,300
University of Southern Mississippi	46,192,897	15,145,908	21,029,723	10,017,266	—
University of Mississippi Medical Center	<u>109,891,795</u>	<u>17,902,570</u>	<u>33,765,091</u>	<u>23,191,390</u>	<u>35,032,744</u>
Totals	\$ <u>853,448,474</u>	<u>41,580,207</u>	<u>253,257,917</u>	<u>420,749,359</u>	<u>137,860,991</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(13) Donor Restricted Endowments**

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure approximated \$57.8 million as of June 30, 2015. These amounts are included in the accompanying statement of net position in “net position – expendable for other purposes”, and “net position – expendable for scholarships and fellowships”.

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

**(14) Pension and Other Employee Benefit Plans**

The Public Employees’ Retirement System of Mississippi (PERS) maintains the following separately administered pension plans:

<b>Plan type</b>	<b>Plan name</b>
Multiple-employer, defined benefit	PERS Defined Benefit Plan
Multiple-employer, defined contribution	Optional Retirement Plan (ORP) Defined Contribution Plan

The employees of the IHL System 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, 2014.

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 the IHL System’s 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](http://www.pers.ms.gov).

**(a) PERS Defined Benefit Plan**

**Plan Description**

The Public Employees’ Retirement System of Mississippi (PERS) 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, and 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

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

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 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% of their annual pay. The IHL System's contractually required contribution rate for the year ended June 30, 2015, was 15.75% of annual payroll. Employer contribution rates consist of an amount for service cost; the amount



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

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% 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 3.0% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the IHL System are recognized when legally due, based on statutory requirements.

**Employer Contributions**

The IHL System's proportionate share was calculated on the basis of historical contributions. Although GASB 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 IHL System that are not representative of future contribution effort are excluded in the determination of employers' proportionate shares. 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 IHL System's contributions used in the determination of the IHL System's proportionate share of collective pension amount reported:

	<u>IHL System</u>
Proportionate share of contributions for the fiscal year ended June 30, 2014	\$ 146,685,017
Allocation percentage of proportionate share of collective pension amount as of June 30, 2014 measurement date	15.24%
Change in proportionate share of collective pension amount from June 30, 2013 measurement date	0.34%

**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 geometric real rates of return for each

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

major asset class included in the IHL System’s target asset allocation as of June 30, 2014 are summarized in the following table:

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

**Net Pension Liability**

The net pension liability of the PERS defined benefit pension plan was determined based on the June 30, 2014 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. The IHL System’s proportion of the net pension liability at June 30, 2015 is as follows (dollars in thousands):

<b>Plan</b>	<b>IHL Sytem’s proportion of net pension liability</b>	<b>IHL System’s proportionate share of net pension liability</b>
PERS: 2015	15.24%	\$ 1,850,037

**Discount Rate**

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

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**Sensitivity of Net Pension Liability to Changes in the Discount Rate**

The following table presents IHL System’s proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 8.00%, as well as what the IHL System’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate (amounts in thousands):

	<b>1% Decrease (7.00%)</b>	<b>Current discount rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
IHL System	\$ 2,522,152	1,850,037	1,289,393

**Actuarial Assumptions and Methods**

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 last experience study was performed on data through June 30, 2012, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial methods and assumptions used to determine the most recent contribution rate reported for PERS:

Valuation date	June 30, 2014
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	3.50%
Salary increases	4.25
Investment rate of return	8.00

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

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

For the year ended June 30, 2015, the IHL System’s proportionate share of pension expense was \$153.0 million related to the PERS defined benefit plan.

Deferred outflows of resources were related to differences between expected and actual experience and contributions made after the measurement date. The difference between expected and actual

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

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 for the IHL System:

	<u>Deferred outflows</u>				<u>Deferred inflows</u>	
	<u>Differences between expected and actual experience</u>	<u>Changes in proportion and differences between employer contributions and proportionate share of contributions</u>	<u>Contributions subsequent to the measurement date</u>	<u>Total deferred outflows of resources</u>	<u>Net difference between projected and actual investment earnings on pension plan investments</u>	<u>Total deferred inflows of resources</u>
Alcorn State University	\$ 885,413	1,421,615	4,487,694	6,794,722	8,227,528	8,227,528
Delta State University	523,174	123,279	2,664,943	3,311,396	4,861,492	4,861,492
Jackson State University	1,566,019	(3,338,023)	8,271,356	6,499,352	14,551,925	14,551,925
Mississippi State University	5,891,523	3,926,582	30,812,946	40,631,051	54,745,846	54,745,846
Mississippi University for Women	422,564	557,033	2,243,470	3,223,067	3,926,598	3,926,598
Mississippi Valley State University	485,478	129,325	2,384,644	2,999,447	4,511,213	4,511,213
University of Mississippi	3,501,129	4,957,239	18,189,943	26,648,311	32,533,568	32,533,568
University of Southern Mississippi	2,549,465	1,017,859	12,934,612	16,501,936	23,690,414	23,690,414
University of Mississippi Medical Center	12,814,159	26,078,336	68,736,092	107,628,587	119,073,103	119,073,103
IHL Board Office	204,091	(175,220)	1,048,459	1,077,330	1,896,474	1,896,474
MCVS	17,039	(106,393)	78,708	(10,646)	158,328	158,328
Total	\$ <u>28,860,054</u>	<u>34,591,632</u>	<u>151,852,867</u>	<u>215,304,553</u>	<u>268,176,489</u>	<u>268,176,489</u>

Contributions subsequent to the measurement date of \$151.9M reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

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

	<b>Deferred outflow of resources year ended June 30</b>				
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>Total</b>
Alcorn State University	\$ 610,325	610,325	610,325	476,053	2,307,028
Delta State University	171,019	171,019	171,019	133,396	646,453
Jackson State University	(468,784)	(468,784)	(468,784)	(365,652)	(1,772,004)
Mississippi State University	2,597,382	2,597,382	2,597,382	2,025,959	9,818,105
Mississippi University for Women	259,153	259,153	259,153	202,138	979,597
Mississippi Valley State University	162,646	162,646	162,646	126,865	614,803
University of Mississippi	2,237,664	2,237,664	2,237,664	1,745,376	8,458,368
University of Southern Mississippi	943,737	943,737	943,737	736,113	3,567,324
University of Mississippi Medical Center	10,289,020	10,289,020	10,289,020	8,025,435	38,892,495
IHL Board Office	7,637	7,637	7,637	5,960	28,871
MCVS	(23,638)	(23,638)	(23,638)	(18,440)	(89,354)
Total	<u>\$ 16,786,161</u>	<u>16,786,161</u>	<u>16,786,161</u>	<u>13,093,203</u>	<u>63,451,686</u>

	<b>Deferred inflows of resources year ended June 30</b>					<b>Total</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
Alcorn State University	\$ 1,645,506	1,645,506	1,645,506	1,645,506	1,645,504	8,227,528
Delta State University	972,298	972,298	972,298	972,298	972,300	4,861,492
Jackson State University	2,910,385	2,910,385	2,910,385	2,910,385	2,910,385	14,551,925
Mississippi State University	10,949,170	10,949,170	10,949,170	10,949,170	10,949,166	54,745,846
Mississippi University for Women	785,320	785,320	785,320	785,319	785,319	3,926,598
Mississippi Valley State University	902,243	902,243	902,243	902,243	902,241	4,511,213
University of Mississippi	6,506,714	6,506,714	6,506,714	6,506,714	6,506,712	32,533,568
University of Southern Mississippi	4,738,083	4,738,083	4,738,083	4,738,083	4,738,082	23,690,414
University of Mississippi Medical Center	23,814,621	23,814,621	23,814,621	23,814,621	23,814,619	119,073,103
IHL Board Office	379,295	379,295	379,295	379,295	379,294	1,896,474
MCVS	31,666	31,666	31,666	31,666	31,664	158,328
Total	<u>\$ 53,635,301</u>	<u>53,635,301</u>	<u>53,635,301</u>	<u>53,635,300</u>	<u>53,635,286</u>	<u>268,176,489</u>

**(b) ORP Defined Contribution Plan**

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 of the IHL System 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 IHL System employees and in the event of death, 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 IHL system are identical to that of the PERS defined contribution 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 IHL

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

System's contributions to the ORP for the year ended June 30, 2015 were \$53.2 million, which equaled its required contribution for the period.

**(15) Self-Insured Worker's Compensation Fund**

The IHL System participates in the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund (the WC Fund). The WC Fund provides a mechanism for the institutions to fund and budget for the costs of providing worker compensation benefits to eligible employees. The WC Fund 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. Total assets and liabilities related to this activity approximated \$22.7 million at June 30, 2015 and are included in the statement of net position.

A professionally licensed actuarial firm was contracted to establish a liability for both reported and unreported insured events, which includes estimates of future payments of losses. The difference between the assets and liabilities of the fund is not expected to impact the WC Fund's ability to pay claims.

In order to minimize the amount of risk and in accordance with self-insurance general practices, the WC Fund purchases excess loss insurance to cover risks exceeding \$1,000,000 per occurrence. Excess loss insurance premiums for the year ended June 30, 2015 were approximately \$393,000. Excess loss insurance does not discharge the WC Fund from its primary liability to cover the IHL System's claims. Consequently, failure of the insurer to honor its obligation could result in losses to the WC Fund.

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the WC Fund for the years ended June 30, 2015 and 2014 (in thousands):

	<b>2015</b>	<b>2014</b>
Accrued claims at beginning of year	\$ 23,841	22,497
Incurred claims:		
Provision for insured events of the current year	9,435	8,377
Increase (decrease) in provision for insured events of prior years	(4,475)	(481)
Total incurred claims and claims adjustment expenses	4,960	7,896
Claim payments:		
Claims attributable to insured events of the current year	1,865	1,356
Claims attributable to insured events of prior years	4,336	5,196
Total payments	6,201	6,552
Total accrued claims at end of year	\$ 22,600	23,841

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$2.7 million as of June 30, 2015.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(16) Unemployment Trust Fund**

The IHL System participates in a self-funded Unemployment Trust Fund (the Unemployment Fund). The Unemployment Fund provides a mechanism for the IHL System to fund and budget for the costs of providing unemployment benefits to eligible former employees. The Unemployment Fund does not pay benefits directly to former employees. Rather, it reimburses the Mississippi Department of Employment Security for benefits it pays directly to former IHL System employees. The assets and liabilities related to this activity approximated \$3.1 million at June 30, 2015.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Unemployment Fund as of June 30, 2015. The actuarial firm recommended a minimum funding level of \$3.5 million as of June 30, 2015. They concluded that the actual assets of the Unemployment Fund, which equaled \$3.1 million at June 30, 2015 were lower than the recommended minimum. This fact will be considered by the IHL when determining future funding rates.

**(17) Tort Liability Fund and Other Contingencies**

The IHL System participates in the State Institutions of Higher Learning Tort Liability Fund (the IHL Tort Fund). In accordance with Section 11-46-1, et seq., Mississippi Code Annotated (1972), the Mississippi Tort Claims Board has authorized the Board of Trustees of State Institutions of Higher Learning (IHL Board) to establish a fund in order to self-insure a certain portion of its liability under the Mississippi Tort Claims Act and professional liability claims. The IHL Board established the IHL Tort Fund to provide self-insurance.

Effective July 1, 1993, Mississippi statute permitted tort claims to be filed against public institutions. A maximum limit of liability of \$500,000 per occurrence is currently permissible.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the IHL Tort Fund as of June 30, 2015. Total assets and liabilities related to this activity approximated \$15.2 million at June 30, 2015 and is included in the statements of net position.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the IHL Tort Fund during the years ended June 30, 2015 and 2014 (in thousands):

	<u>2015</u>	<u>2014</u>
Accrued claims at beginning of year	\$ 12,612	12,261
Incurred claims:		
Provision for insured events of the current year	4,119	3,491
Increase (decrease) in provision for insured events of prior years	<u>(1,296)</u>	<u>(135)</u>
Total incurred claims and claims adjustment expense	<u>2,823</u>	<u>3,356</u>
Claims paid:		
Claims attributable to insured events of the current year	159	124
Claims attributable to insured events of prior years	<u>2,315</u>	<u>2,881</u>
Total payments	<u>2,474</u>	<u>3,005</u>
Total accrued claims at end of year	\$ <u>12,961</u>	<u>12,612</u>

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$1.5 million as of June 30, 2015.

In addition to claims covered by the IHL Tort Fund and the UMMC Tort Fund (described more fully below), the IHL System is defendant in various other legal matters occurring in the normal course of business activities. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse impact on the IHL System's financial statements

**(18) University of Mississippi Medical Center Tort Claims Fund**

The University of Mississippi Medical Center participates in the University of Mississippi Medical Center Tort Claims Fund (UMMC Tort Claims Fund). In accordance with Section 11-46-1, et seq., Mississippi Code Annotated (1972), the Mississippi Tort Claims Board has authorized the Board of Trustees of the IHL System to establish a fund 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 limit of liability of \$500,000 per occurrence is currently permissible.

The Board of Trustees of Higher Learning has established a Medical Center Tort Claims fund to pay claims up to the maximum liability limits described above. Losses from professional and tort liability claims of the Medical Center are the responsibility of the Medical Center Tort Claims Fund.

Total assets and liabilities related to this activity approximated \$40.0 million at June 30, 2015 and is included in the Statement of Net Position.



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

A professionally licensed actuarial firm was contracted to perform an actuarial analysis to establish a liability for both reported and unreported insured events, which includes estimates of future payments of losses.

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the UMMC Tort Claims Fund for the years ended June 30, 2015 and 2014 (in thousands):

	<u>2015</u>	<u>2014</u>
Accrued claims at beginning of year	\$ 31,980	32,464
Incurred claims:		
Provision for insured events of the current year	7,146	8,210
Decrease in provision for insured events of prior years	<u>(1,613)</u>	<u>(4,346)</u>
Total incurred claims	<u>5,533</u>	<u>3,864</u>
Payments:		
Claims attributable to insured events of the current year	1,797	504
Claims attributable to insured events of prior years	<u>3,299</u>	<u>3,844</u>
Total payments	<u>5,096</u>	<u>4,348</u>
Total accrued claims at end of year	\$ <u>32,417</u>	<u>31,980</u>

At June 30, 2015, unpaid claims, included in other long-term liabilities, of \$35.9 million are presented at their net present value of \$32.4 million.

**(19) Significant Disclosures for the Discretely Presented Component Unit of the IHL System – Mississippi State University Foundation, Inc.**

**(a) Significant Accounting Policies**

**(i) Organization**

Mississippi State University Foundation, Inc. (MSUF) is a not-for-profit entity established to solicit and manage funds for the benefit of Mississippi State University. MSUF also manages funds for affiliates of the University, including Mississippi State University Alumni Association, Mississippi State University Alumni Foundation, Inc., and The Bulldog Club, Inc.

**(ii) Basis of Accounting**

The MSUF financial statements include MSUF and the Mississippi State Investment Pool in which MSUF has a significant financial interest and control. These consolidated financial statements are presented on the accrual basis of accounting and follow Financial Accounting Standards Board (FASB) statements, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted or unrestricted as follows:

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

*Permanently restricted net position* – net assets subject to donor-imposed stipulations that they be maintained permanently by MSUF. Generally, the donor of these assets permits MSUF to use all or part of the income earned on related investments for general or specific purposes in support of MSU.

*Temporarily restricted net position* – net assets subject to donor-imposed stipulations that may or will be met by actions of MSUF and/or the passage of time.

*Unrestricted net position* – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Unrestricted net assets include contributions designated to a particular college or unit for which the use or purpose is unrestricted.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or MSUF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements, except as described in note 9(d) of MSUF's financial statements for endowment funds whereby the fair value of the fund is less than the historical cost value.

### (iii) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements

June 30, 2015

the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

MSUF's investments are invested in various types of investment securities and in various companies within 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 investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in MSUF's financial statements.

#### **(iv) Investments**

##### *Overall Investment Objective*

The overall investment objective of MSUF is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund donor-designated directives and maintain each fund's inflation-adjusted impact. MSUF diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by MSUF's Investment Committee, which oversees its investment program in accordance with an established investment policy.

##### *Mississippi State Investment Pool*

MSUF, MSU, the MSU Alumni Foundation, and the MSU Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby certain assets are pooled for investment purposes. The MSU Alumni Association, Inc. was added as a participant on March 2, 2015. MSUF is the investment pool's managing member, manages the assets of the pool, and maintains separate accounts for each participant. Investment income, gains and losses, and expenses of the MSIP are allocated to each participant based on their share of ownership of the MSIP. Due to MSUF's significant financial interest in and control of the MSIP, MSUF has consolidated the MSIP reflecting the noncontrolling interests of the other three participants in its financial statements. As of June 30, 2015, MUSF's financial statements include \$59.4 million for their noncontrolling share within investments and unrestricted net position related to noncontrolling interests. MSUF recorded \$438 thousands of losses associated with these investments in fiscal 2015 which is reported in net investment income (loss).

##### *Allocation of Investment Strategies*

In addition to traditional stocks and fixed income securities, MSUF may also hold shares or units in alternative investment vehicles involving hedged, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Real asset strategies include natural resources and contributed properties held for investment. Natural resources funds

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements

June 30, 2015

generally hold interests in timber management organizations and master limited partnerships. Private equity and real asset strategies therefore often require the estimation of fair values by the fund managers in the absence of readily determinable market values. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of MSUF's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net position. Cash held for reinvestment consists of liquid short-term investments held by the investment pool.

#### *Basis of Reporting*

Investments are reported at estimated fair value. If an investment is held directly by MSUF and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds registered with the SEC are based on share prices reported by the funds as of the last business day of the fiscal year. MSUF's interests in alternative investment funds are generally reported at the net position value (NAV) reported by the fund managers, which is used a practical expedient to estimate the fair value of MSUF's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2015, MSUF had no plans or intentions to sell investments at amounts different from NAV. Properties held for investment are reported at estimated fair value based on periodic appraisals conducted by third-party appraisers who utilize the cost, sales comparison and income capitalization approaches to estimate the fair value of the investments. MSUF considers recent comparables, among other things, to adjust for any changes in fair value between the most recent appraisal date and year-end.

#### *(b) Pledges Receivable*

All unconditional promises to give are recorded at their estimated realizable value on a discounted basis using rates commensurate with the risks involved. Allowance is made for uncollectible pledges based upon management's judgment and analysis of specific accounts, past collection experience and other relevant factors.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Pledges receivable, net, are summarized as follows at June 30, 2015:

Unconditional promises expected to be collected in:

Less than one year	\$ 10,152,495
One year to five years	22,738,141
Over five years	8,517,019
	41,407,655
Less unamortized discount (rates ranging from 1% to 5%)	(5,148,849)
Total incurred claims	36,258,806
Less allowance for uncollectible pledges	(826,511)
	\$ 35,432,295

**(c) Investments**

Investments are summarized as follows at June 30, 2015:

Short-term investments	\$	4,677,914
Global fixed income		100,020,834
Global equities		167,987,738
Real assets		51,424,962
Diversifying strategies		76,906,108
Contributed properties held for investment		30,980,754
Cash surrender value of life insurance		1,877,510
		\$ 433,875,820

Total investments include a portion of an investment vehicle controlled by MSUF that approximated \$59.4 million as of June 30, 2015. These investments represent the amounts related to noncontrolling interests included within the accompanying financial statements.

MSUF has entered into various split interest agreements, including charitable remainder unitrusts and charitable gift annuities, whereby MSUF serves as trustee. The assets held under these split interest agreements are included in investments at June 30, 2015 with an approximate fair value of \$7.3 million.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The following schedule summarizes net investment income in the statement of activities for the year ended June 30, 2015:

Dividends and interest (net of expenses of \$548,745)	\$ 10,256,776
Net realized and unrealized (losses)	<u>(11,965,959)</u>
	<u>\$ (1,709,183)</u>

**(d) Fair Value Measurements**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 prices (unadjusted) in active markets for identical assets or liabilities that MSUF 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 asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

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.

Shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable, are classified as Level 2 or Level 3. Because the net asset value reported by each fund is used as a practical expedient to estimate the fair value of MSUF's interest therein, its classification in Level 2 is based on MSUF's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2, otherwise the investment is classified in Level 3. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

The following table summarizes MSUF's assets by major category in the fair value hierarchy as of June 30, 2015:

	June 30, 2015			Total	Redemption or Liquidation	Days' Notice
	Level 1	Level 2	Level 3			
<b>Recurring:</b>						
Short-term investments	\$ 4,677,914	—	—	4,677,914	Daily	1
<b>Global fixed income:</b>						
Interest-rate sensitive	59,171,161	8,206,979	—	67,378,140	Daily	1
Credit sensitive	32,642,694	—	—	32,642,694	Daily	1
<b>Total global fixed income</b>	<b>91,813,855</b>	<b>8,206,979</b>	<b>—</b>	<b>100,020,834</b>		
<b>Global equities:</b>						
Domestic	52,143,403	5,371,865	—	57,515,268	Daily	1-3
Non-U.S.	89,743,802	—	—	89,743,802	Daily	1
Private equity	—	—	5,732,669	5,732,669	Illiquid (1)	(1)
Hedged equity	—	—	14,995,999	14,995,999	Annually	75
<b>Total equities</b>	<b>141,887,205</b>	<b>5,371,865</b>	<b>20,728,668</b>	<b>167,987,738</b>		
<b>Real assets:</b>						
Real estate	—	—	11,256,863	11,256,863	Illiquid (1)	(1)
Natural resources	—	—	40,168,099	40,168,099	Illiquid (2)	(2)
<b>Total real assets</b>	<b>—</b>	<b>—</b>	<b>51,424,962</b>	<b>51,424,962</b>		
Diversifying strategies	6,140,410	—	70,765,698	76,906,108	(3)	(3)
Contributed properties held for investment	—	—	30,980,754	30,980,754	(4)	(4)
Cash-surrender value of life insurance	—	1,877,510	—	1,877,510	(5)	(5)
<b>Total investments</b>	<b>\$ 244,519,384</b>	<b>15,456,354</b>	<b>173,900,082</b>	<b>433,875,820</b>		
<b>Nonrecurring:</b>						
Present value of amounts due from externally managed trust:						
\$	—	—	40,230,993	40,230,993		
Liabilities under split interest agreements	—	—	4,794,949	4,794,949		

<sup>1</sup> These funds have ten-year terms or twelve-year terms, with extensions of one to four years, and are expected to liquidate prior to fund closing; future commitments to these funds approximate \$12,000,000 at June 30, 2015. Private equity and venture capital investments are generally made through limited partnerships. Under the terms of such agreements, the MSIP may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. MSUF cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.

<sup>2</sup> MSIP invests in four natural resource investments, three of which have terms ending in 2019, 2022, 2024; the fourth has no lock up period. Investments with lockup periods are subject to one or more one to two-year extensions. The investment with no lock up period is a master limited partnership that allows for monthly redemptions, with thirty days notice. Future commitments to these funds approximate \$11,000,000 at June 30, 2015.

<sup>3</sup> Generally, MSIP's investments in diversifying strategies (or hedge funds) allow early redemption for specified fees. With the exception of the Level 1 diversifying strategy investment, which has daily redemption, the terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 3 to 180 days notice after the initial lock up period, which may be from one to three years. At June 30, 2015 MSUF had no diversifying strategy investments for which an otherwise redeemable investment was not redeemable.

<sup>4</sup> Bulldog Forest properties may be held in perpetuity or liquidated at the MSUF's discretion. Other properties are for immediate sale.

<sup>5</sup> MSUF currently has no plans to surrender these policies prior to maturity, but cash would be realized in a minimal amount of time if an insurance policy is cancelled.

At June 30, 2015, MSUF had future funding commitments of approximately \$11 million related to investments. In addition, all of MSUF's investments can be redeemed or liquidated on a daily basis except for private equity and real estate investments which require a much longer period to liquidate.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The following tables present MSUF's activities for the year ended June 30, 2015 for investments classified in Level 3:

	<u>Equities</u>	<u>Real assets</u>	<u>Diversifying strategies</u>	<u>Contributed property</u>	<u>Total</u>
Beginning value					
as of July 1, 2014	\$ 17,962,409	46,537,187	49,350,393	31,188,074	145,038,063
Acquisitions	1,305,455	9,250,765	48,000,000	2,470,860	61,027,080
Dispositions	(854,479)	(1,956,337)	(27,626,922)	(1,290,064)	(31,727,802)
Net realized and unrealized gains (losses)	<u>2,315,283</u>	<u>(2,406,653)</u>	<u>1,042,227</u>	<u>(1,388,116)</u>	<u>(437,259)</u>
Fair value at June 30, 2015	<u>\$ 20,728,668</u>	<u>51,424,962</u>	<u>70,765,698</u>	<u>30,980,754</u>	<u>173,900,082</u>

(e) **Net Position**

Temporarily restricted and permanently restricted net position at June 30, 2015 were available for the following purposes:

	<u>Net assets temporarily restricted</u>	<u>Net assets permanently restricted</u>
Specified college programs	\$ 37,750,863	106,875,074
Student financial aid	34,245,694	128,995,396
Research	2,645,806	15,148,942
Faculty and staff support	8,668,713	49,330,080
Facilities	13,030,936	6,985,463
Other	<u>3,565,100</u>	<u>8,029,601</u>
	<u>\$ 99,907,112</u>	<u>315,364,556</u>

(f) **Endowment Net Assets**

The FASB issued FASB ASC 958, *Not-for-Profit Entities*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

MSUF's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds. As a result, MSUF classifies as permanently restricted net position the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

is not classified in permanently restricted net position is classified in temporarily restricted net position until the amounts are appropriated for expenditures in accordance with the donor agreements.

At June 30, 2015 MSUF's endowment consists of approximately 1,200 individual donor-restricted endowment funds established for a variety of purposes. As required by U.S. generally accepted accounting principles, net position associated with endowment funds, including funds designated by the Board of Directors of MSUF (the Board) to function as endowments, is classified and reported based on the existence or absence of donor-imposed restrictions.

MSUF's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment asset. Over the long-term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers. The annual rate for spendable transfers, distributed semi-annually, is 4.0% of the investment pool's average unit value over the most recent 36-month period. In addition, each endowed fund is assessed an annual 1.5% administrative fee. This fee covers administrative costs related to the operations of the MSIP, and is a portion of the funding mechanism for the operations of MSUF.

MSUF's investment objectives are to provide an annualized real (adjusted for inflation) rate of return of 5.50% or more in order to preserve, or increase, the purchasing power of endowment capital, while generating an income stream to support activities of the funds held for the colleges and units of MSU. This policy is designed to tolerate volatility in short and intermediate-term performance. The endowment assets are invested as a part of the investment pool. To satisfy its long-term rate of return objectives, the pool embraces a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). MSUF, through the MSIP, targets a diversified asset allocation that includes global equities, fixed income, natural resources, and hedge strategies to achieve long-term objectives within prudent risk constraints.

Endowment net asset composition by type of fund as of June 30, 2015:

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (766,278)	48,813,760	257,042,208	305,089,690
Board-designated endowment funds	<u>21,574,109</u>	<u>—</u>	<u>—</u>	<u>21,574,109</u>
	<u>\$ 20,807,831</u>	<u>48,813,760</u>	<u>257,042,208</u>	<u>326,663,799</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Changes in endowment net assets for the fiscal year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 21,375,410	61,010,423	249,420,706	331,806,539
Investment return:				
Investment income	906,446	3,709,982	—	4,616,428
Net appreciation (realized and unrealized)	<u>(875,300)</u>	<u>(3,554,020)</u>	<u>17,217</u>	<u>(4,412,103)</u>
Total investment return	31,146	155,962	17,217	204,325
Contributions	—	—	5,188,428	5,188,428
Appropriation of endowment assets for expenditure	(855,975)	(12,564,623)	—	(13,420,598)
Other changes:				
Other transfers	257,250	211,998	2,415,857	2,885,105
Change in restrictions by donor	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Endowment net assets, end of year	\$ <u>20,807,831</u>	<u>48,813,760</u>	<u>257,042,208</u>	<u>326,663,799</u>

**(g) Funds with Deficiencies**

As a result of market declines for certain recently established endowments, the fair value of certain donor-restricted endowments was less than the historical cost value (original gift/book value) of such funds (underwater) by approximately \$766 thousand at June 30, 2015.

These losses have been recorded as reductions in unrestricted net assets in accordance with U.S. generally accepted accounting principles. Future gains will be used to restore this deficiency in unrestricted net assets before any net appreciation above the historical cost value of such funds increases temporarily restricted net assets.

**(20) Significant Disclosures for the Discretely Presented Component Unit of the IHL System – University of Mississippi Foundation**

**(a) Significant Accounting Policies**

**(i) Organization**

The University of Mississippi Foundation (UMF) is a nonprofit, nonstock corporation formed for the benefit of The University of Mississippi (UM). UMF promotes, encourages, and assists educational, scientific, literary, research, and service activities of UM and its affiliates.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

### (ii) Basis of Accounting

These financial statements, which are presented on the accrual basis of accounting and follow Financial Accounting Standards Board (FASB) statements, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net position and transactions into three classes – permanently restricted, temporarily restricted or unrestricted as follows:

*Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by UMF. Generally, the donor of these assets permits UMF to use all or part of the income earned on related investments for general or specific purposes in support of UM.

*Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that will be met by actions of UMF and/or the passage of time.

*Unrestricted net assets* – net assets that represent resources granted from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or UMF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(iii) Use of Estimates**

UMF prepares its financial statements in accordance with U.S. generally accepted accounting principles, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Such estimates include the present value discount rates applied to the pledges receivable and liabilities under remainder trusts, allowance for uncollectible pledges, fair market values of certain investments including real estate, partnership and member interests, and depreciation of property and equipment. Actual results could differ significantly from those estimates.

UMF's investments are primarily invested in various types of investment securities within many 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 investment securities, it is reasonably possible that changes in the fair value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in UMF's financial statements.

**(iv) Investments**

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which include certain private equity investments and hedge funds) are based on quoted market prices and other observable inputs such as quoted prices for similar assets, quoted prices in inactive markets, or inputs corroborated by observable market data. UMF's partnership and member interests are generally reported at the net position value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value of the UMF's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2015, UMF had no plans or intentions to sell investments at amounts different from NAV. UMF's real estate investments are also carried at fair value based on appraisal values at the date of receipt and as subsequently updated. Both realized and unrealized gains and losses are classified in the accompanying statement of activities based on restrictions put in place by the donor.

**(b) Pledges Receivable**

UMF obtains pledges through fund-raising projects in support of various activities. At June 30, 2015, pledges mature at various dates through 2036 (approximately \$11.0 million is due in fiscal year 2016, \$18.3 million is due in total during the period including fiscal year 2017 through fiscal year 2021, and \$17.9 million is due thereafter). A summary of pledges receivable as of June 30, 2015 are as follows:

Temporarily restricted	\$	32,918,752
Permanently restricted		<u>14,228,737</u>
		47,147,489
Allowances for doubtful pledges		(7,603,938)
Present value discounts (ranging from 1.6% to 6.1%)		<u>(7,936,224)</u>
	\$	<u><u>31,607,327</u></u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

(c) **Investments**

UMF's investments, aggregated by investment strategy, with related liquidity information consist of the following at June 30, 2015:

	<u>2015</u>	<u>Liquidation period</u>
Investment strategy:		
Fixed income:		
U.S. Government securities	\$ 1,566,262	Daily
Corporate bonds	18,577,303	Daily
Certificates of deposit	510,855	Annually
Other fixed income securities	<u>50,631,349</u>	Daily
Total fixed income	<u>71,285,769</u>	
Equities:		
Common stocks	10,028,888	Daily
Common stock funds	67,452,492	Daily
Mutual funds	5,769,565	Daily
Index funds	<u>44,021,956</u>	Daily
Total equities	<u>127,272,901</u>	
Hedge funds	120,675,963	Various <sup>1</sup>
Venture capital	59,498,831	Illiquid <sup>2</sup>
Real estate:		
Real estate owned	4,600,673	Illiquid
Timber fund	12,231,787	Illiquid <sup>3</sup>
Partnership interest	<u>750,000</u>	Illiquid <sup>4</sup>
Total real estate	17,582,460	
Other short-term investments	<u>5,714,252</u>	Daily
Total investments	<u>\$ 402,030,176</u>	

<sup>1</sup> The majority of these hedge funds have liquidation terms that allow UMF to liquidate its investment in the fund on a quarterly basis but require prior notification ranging from 30 to 65 days

<sup>2</sup> These venture capital investments have liquidation terms that allow UMF to liquidate its investment in the different funds after 7 to 12 years depending on the investment.

<sup>3</sup> This fund represent interest in a partnership that invests solely in timber land and allows for liquidation after a 10-year term.

<sup>4</sup> This investment represents a 49% interest in a commercial property. The investment would be liquidated upon the sale of the property.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2015

(d) ***Fair Value Measurement***

ASC Topic 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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: Unadjusted quoted prices in active markets for identical assets or liabilities that are observable at the measurement date;
- Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and
- Level 3: Significant unobservable inputs for the asset or liability that reflects the reporting entity's own estimates about the assumptions that market participants would use in pricing the 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. In accordance with ASU 2009-12, *Investments that can be Redeemed at Net position Value on the Measurement Date or in the Near Term*, may be classified as Level 2. NAV is used as a practical expedient to estimate the fair value of such investments unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2015, UMF had no plans or intentions to sell investments at amounts different from NAV.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2015.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:				
U.S. Government securities	\$ —	1,566,262	—	1,566,262
Corporate bonds	—	18,577,303	—	18,577,303
Certificates of deposit	—	510,855	—	510,855
Other fixed income securities	40,179,204	10,452,145	—	50,631,349
Total fixed income	<u>40,179,204</u>	<u>31,106,565</u>	<u>—</u>	<u>71,285,769</u>
Equities:				
Common stocks	10,028,888			10,028,888
Common stock funds	23,187,289	44,265,203		67,452,492
Mutual funds	5,769,565			5,769,565
Index funds	44,021,956			44,021,956
Total equities	<u>83,007,698</u>	<u>44,265,203</u>	<u>—</u>	<u>127,272,901</u>
Hedge funds	—	86,407,473	34,268,490	120,675,963
Venture capital	—	—	59,498,831	59,498,831
Real estate:				
Real estate owned	—	—	4,600,673	4,600,673
Timber fund	—	—	12,231,787	12,231,787
Partnership interest	—	—	750,000	750,000
Total real estate	<u>—</u>	<u>—</u>	<u>17,582,460</u>	<u>17,582,460</u>
Other short-term investments	5,714,252	—	—	5,714,252
Total investments	<u>\$ 128,901,154</u>	<u>161,779,241</u>	<u>111,349,781</u>	<u>402,030,176</u>
Beneficial interest in perpetual trust	\$ 757,652	308,959	—	1,066,611

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At June 30, 2015, UMF had no outstanding unfunded commitments related to investments. In addition, all of UMF's investments can be redeemed or liquidated on a daily basis except for real estate investments which require a much longer period to liquidate.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The following table includes a rollforward of the amounts for the year ended June 30, 2015 for investments classified within Level 3:

	<u>Real estate</u>	<u>Venture capital and private equity</u>	<u>Beneficial interest in remainder trust</u>	<u>Hedge Funds</u>	<u>Total</u>
Balance as of June 30, 2014	\$ 18,192,578	25,518,456	—	28,384,737	72,095,771
Net realized and unrealized gain	(47,460)	3,409,944	—	915,178	4,277,662
Net purchases (sales)	<u>(562,658)</u>	<u>30,570,431</u>	<u>—</u>	<u>4,968,575</u>	<u>34,976,348</u>
Balance as of June 30, 2015	<u>\$ 17,582,460</u>	<u>59,498,831</u>	<u>—</u>	<u>34,268,490</u>	<u>111,349,781</u>

(e) **Net Position**

Permanently restricted net position at June 30, 2015 were available for the following purposes:

Academic and program support	\$ 37,007,735
Scholarship support	93,164,265
Faculty support	66,401,886
Library support	<u>13,716,237</u>
Total	<u>\$ 210,290,123</u>

The vast majority of temporarily restricted net position at June 30, 2015 were available for academic and program support.

(f) **Net Asset Classification of Endowment Funds**

The FASB issued FASB ASC 958, *Not-for-Profit Entities*, which provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and expands disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

UMF's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds. As a result, UMF classifies as permanently restricted net position the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified in temporarily restricted net position until the amounts are appropriated for expenditures in accordance with the donor agreements.



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

UMF has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income, greater than the rate of inflation plus any distribution needs, thus protecting the assets against inflation. UMF's Board and Joint Committee on Investments agree that investing in securities with higher return expectations outweighs their short-term volatility risk. As a result, the majority of assets are invested in equity or equity-like securities. Fixed income securities are used to lower the short-term volatility of the portfolio and to provide income stability, especially during periods of weak or negative equity market returns. Cash is not a strategic asset of the portfolio, but is a residual to the investment process and used to meet short-term liquidity needs. The primary performance objective of UMF is to achieve a total return, net of investment management fees and expenses, in excess of inflation and the spending rate.

Income available for spending is determined by a total return system and is approved by the Board of Directors of UMF. The amount to be spent for the endowed purpose is calculated based on a percentage of a 3-year moving average of the endowment's market value. The objective is to provide relatively stable spending allocations. However, no portion of the original gift value of the endowed assets will be allocated for spending.

Changes in donor-restricted endowment net assets for the year ended June 30, 2015 is as follows:

	<b>2015</b>			
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
Donor-restricted endowment net assets (deficit), June 30, 2014	\$ —	101,280,327	192,336,712	293,617,039
Contributions and transfers to endowment	—	—	15,997,132	15,997,132
Appropriation for expenditures	—	(8,854,211)	—	(8,854,211)
Investment return:				
Investment income	—	17,785,231	—	17,785,231
Net appreciation (depreciation)	(2,501)	(12,497,150)	4,622	(12,495,029)
Donor-restricted endowment net assets, June 30, 2015	<u>\$ (2,501)</u>	<u>97,714,197</u>	<u>208,338,466</u>	<u>306,050,162</u>

As a result of unfavorable volatility in the financial markets, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's original value. Deficiencies of this nature are reported in unrestricted net assets. Subsequent gains that restore the fair value of assets of the endowment fund to the required level are classified as an increase in unrestricted net assets. There were endowment funds with deficiencies totaling approximately \$3,000 as of June 30, 2015.

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements

June 30, 2015

#### (21) Significant Disclosures for the Discretely Presented Component Unit of the IHL System – University of Southern Mississippi Foundation

##### (a) Significant Accounting Policies

###### (i) Organization

The University of Southern Mississippi Foundation (USMF) is a not-for-profit entity organized under the laws of the State of Mississippi to provide support to The University of Southern Mississippi (USM) and its students. USMF depends on the University to provide the staff and facilities for its operations.

Foundation Aviation Holdings, LLC was formed by USMF in October 2008 as a single member limited liability company. USMF's consolidated financial statements include the accounts of Foundation Aviation Holdings, LLC. All significant intercompany accounts and intercompany transactions have been eliminated.

###### (ii) Basis of Accounting

The consolidated financial statements, which are presented on the accrual basis of accounting, and follow Financial Accounting Standards Board (FASB) statements, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into three classes – permanently restricted, temporarily restricted and unrestricted as follows:

*Permanently restricted net assets* – net assets subject to donor-imposed stipulations that they be maintained permanently by USMF. Generally, only a portion of the income earned on related investments may be expended for general or specific purposes in support of the USM.

*Temporarily restricted net assets* – net assets subject to donor-imposed stipulations that may or will be met by actions of USMF and/or the passage of time. To the extent that restricted resources from multiple donors are available for the same purpose, USMF expends such gifts on a “first in, first out” basis.

*Unrestricted net assets* – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless the use of the underlying net asset is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements

June 30, 2015

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved. Amortization of the discount is recorded as contribution revenue and recognized in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

Income and realized and unrealized gains (losses) on investments of permanently restricted net assets are reported:

- as increases (decreases) in permanently restricted net assets if the terms of the gift or USMF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund.
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements.

#### **(iii) Use of Estimates**

USMF prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Such estimates include the allowance for uncollectible pledges, the fair market value of certain real estate, depreciation of property and equipment, and the present value discount applied to pledges receivable, the present value of externally managed trusts and the liabilities for gift annuity contracts. Actual results could differ significantly from those estimates.

USMF's investments are held in various types of investment securities across a variety of 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 investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in USMF's consolidated financial statements.

#### **(iv) Investments**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value. Hedge funds and real estate investment funds are reported at the net asset value reported by the fund managers, which is used as a practical expedient to estimate the fair value of the Foundation's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from net asset value. At June 30, 2015 and 2014, the USMF had no plans or intentions to sell investments at amounts different from net asset value. Other investments, which consist primarily of pooled investment funds and real estate, are recorded at fair value. The fair value of real estate is based on recent appraisals. Transactions are accounted for on a trade date basis.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(v) Pledges**

All unconditional pledges to give are recorded at their estimated realizable value on a discounted basis at rates commensurate with the risk involved. Management's estimate of the allowance for uncollectible pledges is based on an analysis of economic conditions, financial information about donors and current receivable levels and agings.

**(b) Pledges Receivable**

Pledges receivable, net, are summarized as follows at June 30, 2015:

Unconditional promises expected to be collected in:

Less than one year	\$ 4,901,798
One year to five years	7,668,581
More than five years	139,176
	12,709,555
Less unamortized discounts ranging from 0.72% to 5.15%	(363,514)
	12,346,041
Less allowance for uncollectible pledges	(294,000)
	\$ 12,052,041

**(c) Investments**

Investments are summarized as follows at June 30, 2015:

Investment strategy:

Fixed income:	
U.S. government securities	\$ 2,699,292
Corporate bonds	5,846,610
Mutual funds	25,636,245
Index funds	—
Other fixed income securities	4,030,927
Total fixed income	38,213,074
Equities:	
Common stocks	—
Mutual and common stock funds	49,368,285
Index funds	—
Total equities	49,368,285

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

Alternative investments:		
Hedge funds	\$	5,356,096
Real estate owned		—
Real estate investment funds		2,419,042
Total alternative investments		<u>7,775,138</u>
Cash surrender value of insurance policies		2,397,134
Other		71,032
Total investments	\$	<u><u>97,824,663</u></u>

The following schedule summarizes net investment gain and its classification in the statement of activities:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Dividends and interest (net of expenses of \$350,000)	\$ 1,596,462	210,242	13,666	1,820,370
Realized (losses) gains, net	(57,982)	2,232,578	11,430	2,186,026
Unrealized gains, net	<u>(95,908)</u>	<u>(2,150,341)</u>	<u>41,597</u>	<u>(2,204,652)</u>
	<u>\$ 1,442,572</u>	<u>292,479</u>	<u>66,693</u>	<u>1,801,744</u>

**(d) Fair Value Measurements**

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in FASB ASC 820 prioritizes the inputs used in valuation techniques into three levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that USMF 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 asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Financial Statements

June 30, 2015

The following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual and common stock funds, index funds, and commodity funds, U.S. Government securities, corporate bonds and common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Corporate bonds:* Valued based on inputs corroborated by observable market data.

*Other fixed income securities:* Valued at either the closing price reported on the active market on which the individual securities are traded or based on inputs corroborated by observable market data.

*Hedge funds and Real estate investment funds:* At June 30, 2015, \$7,775,138 are valued at the net asset value of underlying investments as determined by the fund managers. USMF's management also takes into consideration the audited financial information to determine overall reasonableness of the recorded value.

*Cash surrender value of insurance policies:* Valued at the cash surrender value of the life insurance contract as determined by the life insurance company.

*Real estate and other:* Valued on the basis of recent appraisals.

The following is a description of the valuation methodologies used for other assets and liabilities measured at fair value:

*Amounts due from externally managed trusts:* Valued based on the present value of the estimated future cash receipts from the assets of the trust using appropriate discount rates.

*Gift annuities payable:* Valued based on the present value of projected future distributions to the annuity beneficiaries using appropriate discount rates.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while USMF believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*Recently Implemented Accounting Standards:* In May 2015, FASB issued ASU No. 2015-07, Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (ASU 2015-07). This ASU eliminates the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient as discussed in FASB Subtopic 820-10. In fiscal year 2015, USMF elected to early adopt the provisions of ASU 2015-07 and applied retrospective application to all prior periods presented in the notes to the consolidated financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

The following tables set forth by level, within the fair value hierarchy, as well as assets measured at NAV, USMF's assets at fair value or net position value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments measured at NAV</u>	<u>Total</u>
Investment strategy:					
Fixed income:					
U.S. Government securities	\$ 2,699,292	—	—	—	2,699,292
Corporate bonds	—	5,846,610	—	—	5,846,610
Mutual Funds	25,636,245	—	—	—	25,636,245
Other fixed income securities	2,231,175	1,799,752	—	—	4,030,927
Total fixed income	<u>30,566,712</u>	<u>7,646,362</u>	<u>—</u>	<u>—</u>	<u>38,213,074</u>
Equities:					
Mutual and common stock funds	49,368,285	—	—	—	49,368,285
Total equities	<u>49,368,285</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>49,368,285</u>
Alternative investments:					
Hedge funds	—	—	—	5,356,096	5,356,096
Real estate investment funds	—	—	—	2,419,042	2,419,042
Total alternative investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,775,138</u>	<u>7,775,138</u>
Cash surrender value of insurance policies	—	—	2,397,134	—	2,397,134
Other	—	—	71,032	—	71,032
Total investments	<u>\$ 79,934,997</u>	<u>7,646,362</u>	<u>2,468,166</u>	<u>7,775,138</u>	<u>97,824,663</u>
Present value of amounts due from externally managed trusts					
Gift annuities payable	\$ —	—	817,080	—	817,080
	—	—	305,330	—	305,330

At June 30, 2015, USMF had no outstanding unfunded commitments related to investments. In addition, all of USMF's investments can be redeemed or liquidated on a daily basis except for real estate investments which require a much longer period to liquidate.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

*Level 3 Gains and Losses*

The tables below set forth a summary of changes in the fair value or net position value of USMF's Level 3 assets for the year ended June 30, 2015:

<u>Level 3</u>	<u>Life insurance contracts</u>	<u>Real estate</u>	<u>Other</u>	<u>Total</u>
Balance, June 30, 2014	\$ 2,327,070	90,000	46,032	2,463,102
Acquisitions	—	—	25,000	25,000
Dispositions	(6,687)	(90,000)	—	(96,687)
Change in cash surrender value	76,751	—	—	76,751
Balance, June 30, 2015	\$ <u>2,397,134</u>	<u>—</u>	<u>71,032</u>	<u>2,468,166</u>

(e) *Temporarily Restricted Net position*

Temporarily restricted net position at June 30, 2015 were available for the following purposes:

Student financial aid	\$ 20,970,063
Academic divisions	3,506,432
Research	243,240
Operation and maintenance of plant	7,339,218
Library	690,134
Athletics	368,047
Faculty and staff support	2,396,084
Other restricted purposes	<u>7,209,034</u>
Total	\$ <u>42,722,252</u>

(f) *Permanently Restricted Net Assets*

Permanently restricted net assets at June 30, 2015 were available for the following purposes:

Student financial aid	\$ 37,596,381
Academic divisions	5,354,919
Research	181,190
Operation and maintenance of plant	3,778,768
Library	2,983,621
Faculty and staff support	10,171,311
Other restricted purposes	<u>3,528,388</u>
Total	\$ <u>63,594,578</u>



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

**(g) Endowment Net Assets**

At June 30, 2015, USMF has 863 individual funds which function as endowment funds that are established for a variety of purposes to support the USM. The endowment funds include both donor-restricted endowment funds and funds designated by the Foundation's Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including board-designated funds to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FASB ASC 958, *Not-for-Profit Entities*, provides guidance about the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and disclosures about endowment funds (both donor-restricted and board-designated endowment funds), regardless of whether an organization is subject to UPMIFA. The Mississippi legislature enacted House Bill 1104 adopting UPMIFA during the 2012 legislative session. The legislation was effective July 1, 2012.

USMF's Board of Directors has reviewed the terms of UPMIFA as enacted by the Mississippi legislature and has determined that its donor agreements for permanent endowments provide for the preservation of the original gift of the donor-restricted endowment funds. As a result, the Foundation classifies as permanently restricted net assets the original gift donated to the permanent endowment and the original value of subsequent gifts. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until the amounts are expended in accordance with the donor agreements.

USMF has established investment policies to ensure the assets of the Foundation's endowment are managed in a prudent fashion in accordance with sound investment principles and UPMIFA. USMF's Board of Directors sets and approves the investment policies and charges the Investment Committee with implementation and subsequent ongoing monitoring of the policies. USMF's investment objectives for endowments are to provide a real total return that preserves the purchasing power of the endowment's assets while generating an income stream to support the USM. The primary performance objective of the endowment is to earn a total return, net of investment fees, within prudent levels of risk, equal to or greater than the spending rate plus administrative fees and the desired rate of growth.

USMF's spending policy is designed to promote positive growth in the market value of the endowment sufficient to offset reasonable spending over an extended period of time. The spending policy is approved annually by the USMF's Board of Directors. In accordance with UPMIFA, the Board may expend as much of an endowment fund as the Board determines to be prudent for the uses and purposes for which the endowment fund was established. The spending rate was approximately 4% for the years ended June 30, 2015 and 2014. In addition, applicable endowment funds were assessed a 1.75% administrative fee. This fee provides a significant portion of the funding for the development programs of USMF. No portion of the original gift value of permanent endowments is allocated for spending or charged a fee.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Notes to Financial Statements

June 30, 2015

During the year ended June 30, 2015, USMF had the following endowment related activity:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2014	\$ 1,841,375	22,197,861	54,633,599	78,672,835
Contributions	102,862	1,361,989	2,853,147	4,317,998
Net investment income	31,139	260,300	4,895	296,334
Other income	(1,102)	—	22	(1,080)
Change in restriction by donor	—	(32,862)	2,057,198	2,024,336
Expenses	(176,085)	(2,305,157)	—	(2,481,242)
Transfers	3,886	18,079	21,795	43,760
Endowment net assets, June 30, 2015	\$ <u>1,802,075</u>	<u>21,500,210</u>	<u>59,570,656</u>	<u>82,872,941</u>

At June 30, 2015, the endowment net asset composition by type of fund consists of the following:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment- type funds	\$ —	21,500,210	59,570,656	81,070,866
Board-designated endowment- type funds	<u>1,802,075</u>	<u>—</u>	<u>—</u>	<u>1,802,075</u>
Endowment net assets, June 30, 2015	\$ <u>1,802,075</u>	<u>21,500,210</u>	<u>59,570,656</u>	<u>82,872,941</u>

**COMBINING SUPPLEMENTAL INFORMATION**

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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Net Position

June 30, 2015

Assets	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	M CVS	Elimination entries	Total
<b>Current assets:</b>													
Cash and cash equivalents	\$ 35,106,285	1,770,154	10,568,569	81,146,392	8,162,173	8,873,461	44,449,040	37,864,600	201,730,129	15,584,834	786,841	—	446,042,478
Short-term investments	5,669,715	137,461	250,000	9,202,433	—	3,016,582	81,414,260	3,700,849	78,534,473	4,565,496	—	—	186,491,269
Accounts receivable, net	9,950,985	6,751,809	25,980,925	59,389,364	4,738,421	3,404,113	49,203,411	24,915,523	151,608,382	2,393,850	453,380	—	338,790,163
Student notes receivable, net	577,416	338,823	67,757	4,266,651	103,522	—	7,028,509	2,158,645	560,544	738,942	—	—	15,840,809
Inventories	260,680	215,595	206,980	2,011,752	—	553,853	1,063,276	346,734	24,916,578	494,733	—	—	30,070,181
Prepaid expenses	—	73,544	9,014	24,803,849	431,020	67,796	1,338,983	4,977,692	3,547,415	13,056	—	—	35,262,569
Other current assets	—	—	—	—	—	—	—	—	515,000	—	—	—	515,000
<b>Total current assets</b>	<b>51,565,081</b>	<b>9,287,386</b>	<b>37,083,245</b>	<b>180,820,441</b>	<b>13,435,136</b>	<b>15,915,805</b>	<b>184,497,479</b>	<b>73,964,043</b>	<b>461,412,521</b>	<b>23,790,911</b>	<b>1,240,221</b>	<b>—</b>	<b>1,053,012,269</b>
<b>Noncurrent assets:</b>													
Restricted cash and cash equivalents	3,007,700	(482,457)	2,137,575	62,831,819	(835,668)	—	12,140,354	3,228,219	173,560,437	—	—	—	255,587,979
Restricted short-term investments	14,483,677	—	—	—	—	161,930	—	—	1,225,921	—	—	—	15,871,528
Endowments investments	—	—	16,774,959	38,207,799	3,877,651	1,642,359	89,250,675	3,947,169	75,467,735	36,276,213	—	—	265,444,560
Other long-term investments	—	8,296,192	—	71,838,822	8,007,362	1,246,317	181,309,686	47,437,368	37,030,997	32,689,367	535,710	—	388,391,821
Student notes receivable, net	—	1,355,291	1,816,558	12,238,525	1,190,505	—	18,696,272	25,064,465	6,926,801	31,526,961	—	—	98,815,378
Capital assets, net	148,180,404	119,114,705	264,394,351	863,933,259	97,673,833	97,716,149	876,100,800	552,843,926	560,605,683	4,610,649	—	—	3,585,173,759
Other noncurrent assets	633,619	—	26,299	—	—	114,807	69,900	—	4,568,464	—	—	—	5,413,089
<b>Total noncurrent assets</b>	<b>166,305,400</b>	<b>128,283,731</b>	<b>285,149,742</b>	<b>1,049,050,224</b>	<b>109,913,683</b>	<b>100,881,562</b>	<b>1,177,567,687</b>	<b>632,521,147</b>	<b>859,386,038</b>	<b>105,103,190</b>	<b>535,710</b>	<b>—</b>	<b>4,614,698,114</b>
<b>Total assets</b>	<b>217,870,481</b>	<b>137,571,117</b>	<b>322,232,987</b>	<b>1,229,870,665</b>	<b>123,348,819</b>	<b>116,797,367</b>	<b>1,362,065,166</b>	<b>706,485,190</b>	<b>1,320,798,559</b>	<b>128,894,101</b>	<b>1,775,931</b>	<b>—</b>	<b>5,667,710,383</b>
<b>Deferred outflows of resources:</b>													
Deferred amount of refundings	—	—	—	2,490,027	—	—	—	—	3,458,794	4,711,760	—	—	10,660,581
Pension related deferred outflows	6,794,722	3,311,396	6,499,352	40,631,051	3,223,067	2,999,447	26,648,311	16,501,936	107,628,587	1,077,330	(10,646)	—	215,304,553
<b>Total assets and deferred outflows of resources</b>	<b>\$ 224,665,203</b>	<b>140,882,513</b>	<b>328,732,339</b>	<b>1,272,991,743</b>	<b>126,571,886</b>	<b>119,796,814</b>	<b>1,388,713,477</b>	<b>726,445,920</b>	<b>1,433,138,906</b>	<b>129,971,431</b>	<b>1,765,285</b>	<b>—</b>	<b>5,893,675,517</b>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2015

	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	MCVS	Elimination entries	Total
<b>Liabilities</b>													
Current liabilities:													
Accounts payable and accrued liabilities	\$ 4,088,842	2,798,413	12,846,112	27,448,970	3,192,166	2,003,551	32,180,823	19,702,384	99,762,168	2,022,935	384,493	—	206,430,857
Unearned revenues	1,986,868	574,868	2,836,266	30,110,730	1,449,896	140,604	46,858,723	16,232,433	14,229,300	—	—	—	114,419,688
Accrued leave liabilities – current portion	943,097	204,703	385,586	1,905,475	49,019	267,096	1,692,000	1,180,000	4,277,538	58,328	6,095	—	10,968,937
Long-term liabilities – current portion	576,844	1,536,044	3,036,849	9,725,000	142,919	335,000	9,659,041	6,758,725	10,409,690	10,206,293	—	—	52,386,405
Other current liabilities	—	—	—	85,439	376,644	66,761	6,825,065	45,915	30,584,361	—	—	—	37,984,185
Total current liabilities	7,595,651	5,114,028	19,104,813	69,275,614	5,210,644	2,813,012	97,215,652	43,919,457	159,263,057	12,287,556	390,588	—	422,190,072
Noncurrent liabilities:													
Net pension liability	56,758,259	33,537,396	100,387,620	377,668,592	27,087,951	31,120,964	224,435,474	163,430,215	821,435,313	13,082,977	1,092,239	—	1,850,037,000
Deposits refundable	601,930	133,157	26,410	31,635	—	31,651	100,222	33,223	—	—	—	—	958,228
Accrued leave liabilities	3,637,289	1,355,145	4,969,773	23,325,699	1,176,460	1,330,454	14,213,194	8,883,335	50,770,285	759,824	53,464	—	110,474,922
Long-term liabilities	44,958,616	18,253,241	96,666,709	318,465,000	374,916	17,185,000	192,812,700	178,110,173	256,810,679	29,432,707	—	—	1,153,069,741
Other long-term liabilities	—	1,798,647	1,760,104	13,907,544	1,114,670	—	9,405,200	26,701,067	33,216,985	1,009,373	—	—	88,913,590
Total noncurrent liabilities	105,956,094	55,077,586	203,810,616	733,398,470	29,753,997	49,668,069	440,966,790	377,158,013	1,162,233,262	44,284,881	1,145,703	—	3,203,453,481
Total liabilities	113,551,745	60,191,614	222,915,429	802,674,084	34,964,641	52,481,081	538,182,442	421,077,470	1,321,496,319	56,572,437	1,536,291	—	3,625,643,553
Deferred inflows of resources:													
Pension related deferred inflows	8,227,528	4,861,492	14,551,925	54,745,846	3,926,598	4,511,213	32,533,568	23,690,414	119,073,103	1,896,474	158,328	—	268,176,489
Total liabilities and deferred inflows of resources	\$ 121,779,273	65,053,106	237,467,354	857,419,930	38,891,239	56,992,294	570,716,010	444,767,884	1,440,569,422	58,468,911	1,694,619	—	3,893,820,042
<b>Net Position</b>													
Net investment in capital assets	\$ 106,486,453	99,346,440	167,086,957	580,946,218	97,155,999	80,310,956	687,813,934	369,761,720	346,778,255	4,598,973	—	—	2,540,285,905
Restricted for:													
Nonexpendable:													
Scholarship and fellowships	—	—	8,051,980	2,728,141	823,889	799,432	8,080,723	569,090	—	983,961	—	—	22,037,216
Research	—	—	—	4,826,225	—	—	129,617	—	—	—	—	—	4,955,842
Other purposes	10,946,838	—	—	8,221,353	286,659	—	43,404,988	—	25,033,429	39,802,301	—	—	127,695,568
Expendable:													
Scholarships and fellowships	—	—	8,715,508	2,954,372	496,610	1,195,486	6,808,752	443,662	4,049,782	36,650,971	—	—	61,315,143
Research	—	—	—	22,596,145	—	—	5,066,201	—	26,807,184	—	—	—	54,469,530
Capital projects	—	—	1,377,927	548,003	1,797,417	85,650	5,930,455	—	—	—	—	—	9,739,452
Debt service	—	2,226,563	(685,328)	4,142,286	—	71,715	—	7,677,356	1,082,081	9,010	—	—	14,523,683
Loans	1,568,409	—	310,606	3,171,703	223,275	—	18,360,550	5,838,450	4,034,988	—	—	—	33,507,981
Other purposes	—	278,624	—	1,426,140	—	876,441	21,500,969	4,469,678	66,262,262	—	1,307,096	—	96,121,210
Unrestricted	(16,115,770)	(26,022,220)	(93,592,665)	(215,988,773)	(13,103,202)	(20,535,160)	20,901,278	(107,081,920)	(481,478,497)	(10,542,696)	(1,236,430)	—	(964,796,055)
Total net position	\$ 102,885,930	75,829,407	91,264,985	415,571,813	87,680,647	62,804,520	817,997,467	281,678,036	(7,430,516)	71,502,520	70,666	—	1,999,855,475

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

	<u>Alcorn State University</u>	<u>Delta State University</u>	<u>Jackson State University</u>	<u>Mississippi State University</u>	<u>Mississippi University for Women</u>	<u>Mississippi Valley State University</u>	<u>University of Mississippi</u>	<u>University of Southern Mississippi</u>	<u>University of Mississippi Medical Center</u>	<u>IHL Board Office</u>	<u>MCVS</u>	<u>Elimination entries</u>	<u>Total</u>
Operating revenues:													
Tuition and fees	\$ 24,957,254	21,093,800	70,542,703	206,409,769	18,401,873	13,690,396	278,327,474	129,514,463	29,114,499	—	—	—	792,052,231
Less:													
Scholarship allowances	(11,379,978)	(4,678,169)	(23,999,495)	(70,732,840)	(6,330,627)	(6,969,381)	(74,750,825)	(43,983,666)	(3,794,006)	—	—	—	(246,618,987)
Bad debt expense	(150,802)	(119,986)	(401,898)	(1,280,052)	(136,022)	(71,120)	(616,495)	—	—	—	—	—	(2,776,375)
Net tuition and fees	13,426,474	16,295,645	46,141,310	134,396,877	11,935,224	6,649,895	202,960,154	85,530,797	25,320,493	—	—	—	542,656,869
Federal appropriations	—	—	—	18,137,773	—	—	—	—	—	—	—	—	18,137,773
Federal grants and contracts	13,257,089	2,628,346	34,407,006	100,035,954	164,263	6,140,345	37,444,053	37,877,690	41,768,790	4,999,505	3,593,498	(35,437,519)	246,879,020
State grants and contracts	118,505	1,641,551	1,494,213	21,458,976	6,594,464	16,650	15,836,043	9,877,226	10,896,693	41,956	—	(24,083,137)	43,893,140
Nongovernmental grants and contracts	659,776	3,541,915	2,972,389	14,689,450	2,539,474	—	33,089,914	13,602,689	10,686,486	1,015,601	34,729	—	82,832,423
Sales and services of educational departments	1,104,069	1,378,541	2,678,299	41,736,224	1,423,837	1,714,379	7,784,918	2,722,438	846,359	4,025,030	37,827	(3,165,783)	62,286,138
Auxiliary enterprises:													
Student housing	8,627,214	4,217,368	12,379,789	24,561,074	2,185,841	3,716,948	24,265,999	16,304,185	—	—	—	—	96,258,418
Food services	4,156,438	3,159,319	10,671,266	2,187,892	1,795,664	3,022,817	2,807,920	2,938,666	—	—	—	—	30,739,982
Bookstore	58,799	102,533	—	716,055	138,486	1,330,962	702,250	1,283,000	2,349,158	—	—	—	6,681,243
Athletics	—	—	—	49,620,102	—	—	60,621,473	13,021,954	—	—	—	—	123,263,529
Other auxiliary revenues	651,653	1,778,351	3,664,145	12,023,109	180,581	1,455,170	11,122,997	4,169,926	3,178,218	2,100,952	—	—	40,325,102
Less auxiliary enterprise scholarship allowances	(3,025,057)	(649,746)	(9,182,058)	(7,502,798)	(1,390,884)	—	(6,060,878)	(2,220,891)	—	—	—	—	(30,032,312)
Interest earned on loans to students	—	16,205	—	290,943	—	—	497,905	4,480	—	—	—	—	916,692
Patient care revenues	—	—	—	—	—	—	—	—	1,043,115,837	—	—	—	1,043,115,837
Other operating revenues	2,707,584	733,538	5,826,115	5,514,491	159,086	957,370	9,952,845	4,673,005	42,867,944	16,168,850	16,261	(14,128,001)	75,449,088
Total operating revenues	41,742,544	34,843,566	111,052,474	417,866,122	25,726,036	25,004,536	401,025,593	189,785,165	1,181,137,137	28,351,894	3,682,315	(76,814,440)	2,383,402,942
Operating expenses:													
Salaries and wages	36,166,836	26,689,697	79,510,302	308,064,986	20,542,232	21,175,332	203,633,047	141,598,117	651,448,954	8,527,448	509,223	—	1,497,866,174
Fringe benefits	10,753,129	8,258,008	17,682,278	100,332,333	5,956,861	7,504,209	56,473,245	49,184,893	170,203,586	2,257,812	109,780	—	428,716,134
Travel	1,974,827	1,402,404	3,896,586	17,675,824	520,668	1,289,848	14,801,138	7,760,865	5,358,009	332,817	41,607	—	55,054,593
Contractual services	13,336,940	12,866,482	47,552,161	79,134,693	8,252,482	8,497,646	75,365,776	53,325,674	164,720,851	22,491,801	3,383,808	(52,731,303)	436,197,011
Utilities	3,836,031	2,484,966	4,895,295	15,510,031	2,733,757	1,908,192	12,894,635	10,533,388	14,772,452	853,553	—	—	70,422,300
Scholarships and fellowships	7,445,027	5,754,719	21,753,809	32,680,760	5,895,238	5,300,999	50,148,556	22,826,385	6,321,367	38,619,332	—	(24,083,137)	172,663,055
Commodities	4,247,786	4,039,385	6,440,692	47,012,372	2,021,616	4,749,360	23,934,081	17,255,227	247,374,287	367,922	63,070	—	357,505,798
Depreciation	4,043,058	3,929,852	8,054,588	32,665,470	2,612,731	2,329,300	29,761,531	16,694,368	44,249,006	169,530	—	—	144,509,434
Other operating expenses	169,933	56,012	2,676,532	—	—	—	1,041,966	—	786,082	2,637,389	10,302	—	7,378,216
Total operating expenses	81,973,567	65,481,525	192,462,243	633,076,469	48,535,585	52,754,886	468,053,975	319,178,917	1,305,234,594	76,257,604	4,117,790	(76,814,440)	3,170,312,715
Operating loss	(40,231,023)	(30,637,959)	(81,409,769)	(215,210,347)	(22,809,549)	(27,750,350)	(67,028,382)	(129,393,752)	(124,097,457)	(47,905,710)	(435,475)	—	(786,909,773)

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2015

	<u>Alcorn State University</u>	<u>Delta State University</u>	<u>Jackson State University</u>	<u>Mississippi State University</u>	<u>Mississippi University for Women</u>	<u>Mississippi Valley State University</u>	<u>University of Mississippi</u>	<u>University of Southern Mississippi</u>	<u>University of Mississippi Medical Center</u>	<u>IHL Board Office</u>	<u>MCVS</u>	<u>Elimination entries</u>	<u>Total</u>
Nonoperating revenue (expenses):													
State appropriations	\$ 30,105,034	22,596,413	48,872,950	180,278,300	16,726,946	17,857,290	92,594,137	86,060,895	189,256,003	48,661,818	549,619	—	733,559,405
Gifts and grants	13,044,227	6,400,832	23,277,439	62,336,654	5,646,373	10,137,214	29,673,478	30,142,832	11,495,454	35,600	—	—	192,190,103
Investment income, net of investment expense	351,479	255,492	273,209	1,922,709	284,737	158,193	4,792,920	937,266	3,801,785	4,453,791	10,652	—	17,242,233
Interest expense on capital assets-related debt	(2,271,438)	—	(4,512,369)	(5,926,081)	(17,177)	(771,670)	(5,357,999)	(7,198,880)	(11,869,113)	—	—	—	(37,924,727)
Other nonoperating revenues	—	217,964	—	1,031,500	78,756	—	—	—	15,931	347,481	—	—	1,691,632
Other nonoperating expenses	(34,000)	—	(24,666)	(1,504,084)	(1,635,056)	—	(206,413)	—	—	(283,958)	(8,620)	—	(3,696,797)
<b>Total net nonoperating revenues</b>	<b>41,195,302</b>	<b>29,470,701</b>	<b>67,886,563</b>	<b>238,138,998</b>	<b>21,084,579</b>	<b>27,381,027</b>	<b>121,496,123</b>	<b>109,942,113</b>	<b>192,700,060</b>	<b>53,214,732</b>	<b>551,651</b>	<b>—</b>	<b>903,061,849</b>
Income (loss) before other revenues, expenses, gains and losses	964,279	(1,167,258)	(13,523,206)	22,928,651	(1,724,970)	(369,323)	54,467,741	(19,451,639)	68,602,603	5,309,022	116,176	—	116,152,076
Capital grants and gifts	—	—	—	304,081	—	—	41,861,654	9,139,293	10,710,764	—	—	—	62,015,792
State appropriations restricted for capital purposes	704,974	5,587,584	7,384,334	14,183,891	5,183,464	12,194,838	5,929,899	18,784,632	5,395,245	299,440	—	—	75,648,301
Additions to permanent endowments	1,415,000	—	—	—	125,171	62,989	9,429	—	214,133	—	—	—	1,826,722
Other additions	6,702,653	25,000	—	—	587,051	—	205,121	713,145	—	—	—	—	8,232,970
Other deletions	(259,720)	—	—	(1,190,840)	(670,821)	—	(771,645)	(1,300,383)	(2,334,432)	—	—	—	(6,527,841)
<b>Changes in net position</b>	<b>9,527,186</b>	<b>4,445,326</b>	<b>(6,138,872)</b>	<b>36,225,783</b>	<b>3,499,895</b>	<b>11,888,504</b>	<b>101,702,199</b>	<b>7,885,048</b>	<b>82,588,313</b>	<b>5,608,462</b>	<b>116,176</b>	<b>—</b>	<b>257,348,020</b>
Net position, beginning of the year, as restated	93,358,744	71,384,081	97,403,857	379,346,030	84,180,752	50,916,016	716,295,268	273,792,988	(90,018,829)	65,894,058	(45,510)	—	1,742,507,455
Net position, end of the year	\$ 102,885,930	75,829,407	91,264,985	415,571,813	87,680,647	62,804,520	817,997,467	281,678,036	(7,430,516)	71,502,520	70,666	—	1,999,855,475

See accompanying independent auditors' report.



STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2015

	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	MCVS	Elimination entries	Total
Operating activities:													
Tuition and fees	\$ 13,162,759	16,295,645	30,588,799	137,273,762	11,728,027	6,646,205	203,823,138	85,920,716	25,294,338	—	—	—	530,733,389
Grants and contracts	17,161,845	8,153,834	38,520,888	133,654,860	9,613,047	6,347,568	90,421,292	66,730,209	67,886,022	5,998,277	3,628,227	(59,520,656)	388,595,413
Sales and services of educational departments	1,104,069	1,378,541	2,100,793	42,155,694	1,412,899	1,714,379	7,719,060	2,722,438	769,405	3,790,579	37,827	(3,165,783)	61,739,701
Payments to suppliers	(20,049,492)	(18,329,948)	(60,714,445)	(145,013,844)	(10,425,593)	(14,239,605)	(95,355,479)	(79,954,340)	(411,785,387)	(23,852,115)	(3,488,484)	52,731,303	(830,477,429)
Payments to employees for salaries and benefits	(47,086,255)	(38,001,624)	(99,339,859)	(410,968,908)	(26,397,031)	(28,951,155)	(260,025,874)	(191,472,146)	(819,304,208)	(10,995,800)	(662,664)	—	(1,933,205,524)
Payments for utilities	(3,836,031)	(2,484,966)	(4,895,295)	(15,507,690)	(2,698,311)	(1,886,516)	(13,094,024)	(10,542,099)	(15,032,452)	(853,553)	—	—	(70,830,937)
Payment for scholarships and fellowships	(7,445,027)	(5,754,719)	(30,935,866)	(32,683,760)	(5,895,238)	(5,300,999)	(50,037,738)	(23,030,454)	(6,321,367)	(30,779,444)	—	24,083,137	(174,101,475)
Loans issued to students and employees	—	(56,012)	—	(5,378,349)	—	—	(3,005,360)	(6,017,967)	(1,865,184)	(10,398,819)	—	—	(26,721,691)
Collections of loans to students and employees	—	(69,760)	—	3,949,647	—	669	2,549,684	5,544,791	1,824,731	1,105,742	—	—	14,905,504
Auxiliary enterprise charges:													
Student housing	6,842,301	3,706,351	12,381,992	24,348,532	1,419,620	3,716,948	17,639,868	15,629,248	—	—	—	—	85,684,860
Food services	3,172,880	3,159,319	8,937,174	2,298,246	1,223,044	3,022,817	2,347,195	2,952,087	—	—	—	—	27,112,762
Bookstore	58,799	102,533	—	716,055	138,486	1,330,962	680,817	1,317,243	2,479,016	—	—	—	6,823,911
Athletics	—	—	6,420,982	49,982,151	—	—	63,468,678	13,223,865	—	—	—	—	133,095,676
Other auxiliary enterprises	651,653	2,428,097	3,664,145	7,568,691	187,954	1,455,170	11,472,976	4,155,665	3,177,508	2,224,761	—	—	36,986,620
Patient care services	—	—	—	—	—	—	—	—	1,043,904,871	—	—	—	1,043,904,871
Interest earned on loans to students	—	—	—	—	—	—	497,905	—	107,159	—	—	—	938,552
Other receipts	2,728,360	1,394,140	4,220,778	23,653,160	159,086	1,203,237	10,394,567	6,842,554	44,681,435	16,169,863	16,261	(14,128,001)	97,335,440
Other payments	(2,000)	(25,211)	—	—	—	—	(15,339,882)	—	(398,117)	(95,679)	(10,302)	—	(15,871,191)
Net cash used in operating activities	(33,536,139)	(28,103,780)	(89,049,914)	(183,951,753)	(19,534,010)	(24,940,320)	(25,843,177)	(105,978,190)	(64,582,230)	(47,352,900)	(479,135)	—	(623,351,548)
Noncapital financing activities:													
State appropriations	28,702,618	22,980,267	47,908,518	179,759,412	16,726,946	17,663,338	92,331,181	86,515,083	188,234,396	48,246,344	549,619	—	729,617,722
Gifts and grants for other than capital purposes	—	6,113,673	23,277,439	63,818,816	5,716,929	10,137,215	30,283,633	30,655,317	11,495,454	—	—	—	181,498,476
Private gifts for endowment purposes	1,415,000	—	—	—	125,171	—	9,429	—	214,133	—	—	—	1,763,733
Federal loan program receipts	34,094,777	20,824,264	79,738,338	108,425,515	14,605,866	19,433,083	100,790,843	86,826,481	32,690,189	—	—	—	497,429,356
Federal loan program disbursements	(34,094,777)	(20,825,936)	(79,738,338)	(108,069,472)	(14,605,866)	(19,433,083)	(100,790,843)	(86,951,010)	(32,682,088)	—	—	—	(497,191,413)
Other sources	—	—	—	15,743	338,668	—	173,910	23,833	15,931	35,600	—	—	603,685
Other uses	—	—	—	(1,011,594)	(1,642,310)	—	(968,578)	—	(712,648)	(60,472)	—	—	(4,395,602)
Net cash provided by noncapital financing activities	30,117,618	29,092,268	71,185,957	242,938,420	21,265,404	27,800,553	121,829,575	117,069,704	199,255,367	48,221,472	549,619	—	909,325,957

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Cash Flows

Year ended June 30, 2015

	<b>Alcorn State University</b>	<b>Delta State University</b>	<b>Jackson State University</b>	<b>Mississippi State University</b>	<b>Mississippi University for Women</b>	<b>Mississippi Valley State University</b>	<b>University of Mississippi</b>	<b>University of Southern Mississippi</b>	<b>University of Mississippi Medical Center</b>	<b>IHL Board Office</b>	<b>MCVS</b>	<b>Elimination entries</b>	<b>Total</b>
Capital and related financing activities:													
Proceeds from capital debt	\$ —	151,388	68,525,000	56,010,000	—	—	26,128,288	59,579,586	—	—	—	—	210,394,262
Cash paid for capital assets	256,525	(351,334)	(2,870,518)	(77,710,926)	(1,103,872)	(1,061,992)	(71,844,934)	(19,816,492)	(59,757,733)	(53,213)	—	—	(234,314,489)
Capital appropriations received	—	(5,587,584)	—	2,806,426	686,269	—	1,023,927	2,971,278	—	—	—	—	1,900,316
Capital grants and contracts received	13,044,227	5,937,584	—	303,782	—	—	11,085,608	8,469,445	10,609,743	—	—	—	49,450,389
Proceeds from sales of capital assets	—	—	—	1,095,125	—	—	—	13,163	3,935	—	—	—	1,112,223
Principal paid on capital debt and leases	(400,000)	(794,838)	(2,252,220)	(9,725,000)	(139,054)	(290,000)	(7,715,441)	(60,223,988)	(5,150,000)	—	—	—	(86,690,541)
Interest paid on capital debt and leases	(2,271,438)	—	(5,206,681)	(6,224,706)	(17,177)	(771,670)	(5,426,180)	(7,690,331)	(11,853,629)	—	—	—	(39,461,812)
Other sources	—	—	16,385,258	15,949,135	—	5,219	2,362,670	433,175	—	—	—	—	35,135,457
Other uses	—	—	(68,525,000)	(422,180)	—	—	(1,951,078)	(4,786,658)	—	—	—	—	(75,684,916)
Net cash provided by (used in) capital and related financing activities	10,629,314	(644,784)	6,055,839	(17,918,344)	(573,834)	(2,118,443)	(46,337,140)	(21,050,822)	(66,147,684)	(53,213)	—	—	(138,159,111)
Investing activities:													
Proceeds from sales and maturities of investments	1,415,000	2,000,000	5,077,116	76,789,432	4,450,000	1,514,265	119,008,812	18,863,864	129,980,736	40,464,294	—	—	399,563,519
Interest received on investments	351,479	298,229	273,209	3,155,115	443,658	62,989	4,130,525	937,802	9,584,678	4,861,638	(17,468)	—	24,081,854
Purchases of investments	(1,415,000)	(4,000,000)	(5,424,386)	(76,664,699)	(3,950,680)	(56,138)	(155,442,151)	(24,648,383)	(140,740,501)	(41,288,864)	60,742	—	(453,570,060)
Net cash provided by (used in) investing activities	351,479	(1,701,771)	(74,061)	3,279,848	942,978	1,521,116	(32,302,814)	(4,846,717)	(1,175,087)	4,037,068	43,274	—	(29,924,687)
Net increase (decrease) in cash and cash equivalents	7,562,272	(1,358,067)	(11,882,179)	44,348,171	2,100,538	2,262,906	17,346,444	(14,806,025)	67,350,366	4,852,427	113,758	—	117,890,611
Cash and cash equivalents – beginning of year	30,551,713	2,645,764	24,588,323	99,630,040	5,225,967	6,610,555	39,242,950	55,898,844	307,940,200	10,732,407	673,083	—	583,739,846
Cash and cash equivalents – end of year	\$ 38,113,985	1,287,697	12,706,144	143,978,211	7,326,505	8,873,461	56,589,394	41,092,819	375,290,566	15,584,834	786,841	—	701,630,457

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2015

	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	MCVS	Elimination entries	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	\$ (40,231,023)	(30,637,959)	(81,409,769)	(215,210,347)	(22,809,549)	(27,750,350)	(67,028,382)	(129,393,752)	(124,097,457)	(47,905,710)	(435,475)	—	(786,909,773)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:													
Depreciation expenses	4,043,058	3,929,852	8,054,588	32,665,470	2,612,731	2,329,300	29,761,531	16,694,368	44,249,006	169,530	—	—	144,509,434
Self-insurance claims expense	—	—	—	—	—	—	—	—	5,533,396	7,783,678	—	—	13,317,074
Provision for uncollectible patient accounts receivable	—	119,986	4,611,330	1,280,052	136,022	71,120	616,495	—	111,147,900	283,622	—	—	118,266,527
Other	—	128,246	212,000	(5,103)	827,845	258,223	764,807	624,712	—	5,158,485	(40,409)	—	7,928,806
Changes in assets and liabilities:													
(Increase) decrease in assets:													
Receivables, net	1,543,636	598,799	(2,467,802)	(3,525,848)	442,837	250,933	(17,743,845)	8,684,667	(114,757,627)	(1,774,683)	(347,792)	—	(129,096,725)
Inventories	(8,711)	20,248	(166,370)	375,616	—	(209,113)	28,538	11,904	(1,260,179)	(60,594)	—	—	(1,268,661)
Prepaid expenses	—	1,429	—	(13,902,621)	94,139	(48,296)	2,076,248	269,987	355,832	4,863	—	—	(11,148,419)
Other assets	—	(508)	99,516	(29,470,255)	(338,195)	3,127,499	6,774,461	(17,590,348)	1,300,239	(13,068,583)	(10,646)	—	(49,176,820)
Increase (decrease) in liabilities:													
Accounts payable and accrued liabilities	557,522	(503,734)	689,515	3,310,982	672,360	13,211	6,781,079	(2,296,700)	6,803,703	(601,564)	366,274	—	15,792,648
Unearned revenue	532,939	(76,907)	(11,756,314)	7,915,545	59,095	(10,829)	18,315,737	1,579,997	1,621,092	—	—	—	18,180,355
Deposits refundable	6,302	(3,268)	2,203	1,330	—	1,393	4,250	480	—	—	—	—	12,690
Accrued leave liability	(52,118)	152,315	33,236	(1,125,647)	42,633	43,074	1,145,987	73,146	3,098,932	22,723	(9,958)	—	3,424,323
Loans to students and employees	—	—	—	—	—	—	(414,238)	(156,713)	—	—	—	—	(570,951)
Other liabilities	72,256	(1,832,279)	(6,952,047)	33,739,073	(1,273,928)	(3,016,485)	(6,925,845)	15,520,062	1,422,933	2,635,333	(1,129)	—	33,387,944
Total adjustments	6,694,884	2,534,179	(7,640,145)	31,258,594	3,275,539	2,810,030	41,185,205	23,415,562	59,515,227	552,810	(43,660)	—	163,558,225
Net cash provided by (used in) operating activities	\$ (33,536,139)	(28,103,780)	(89,049,914)	(183,951,753)	(19,534,010)	(24,940,320)	(25,843,177)	(105,978,190)	(64,582,230)	(47,352,900)	(479,135)	—	(623,351,548)
Noncash capital related financing and investing activities:													
Capital assets acquired through donations and capital lease obligations	\$ —	—	—	—	—	—	57,348,490	279,969	101,021	—	—	—	57,729,480
Capital appropriations from the State of Mississippi	704,974	5,587,584	7,384,334	14,183,891	5,183,464	12,194,838	5,929,899	18,784,632	5,395,245	299,440	—	—	75,648,301

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Required Supplementary Information (Unaudited)  
 Schedule of Proportionate Share of Net Pension Liability  
 Year ended June 30, 2015

	<b>Proportionate share of the net pension liability</b>	<b>Proportionate share of the net pension liability</b>	<b>FY 2014 Covered-employee payroll</b>	<b>Proportionate share of the net pension liability as a percentage of its covered-employee payroll</b>	<b>PERS fiduciary net position as a percentage of the total pension liability</b>
Alcorn State University: 2015	0.47%	\$ 56,758,259	28,572,870	199.00%	67.00%
Delta State University: 2015	0.28	33,537,396	16,883,175	199.00	67.00
Jackson State University: 2015	0.83	100,387,620	50,536,476	199.00	67.00
Mississippi State University: 2015	3.11	377,668,592	190,123,441	199.00	67.00
Mississippi University for Women: 2015	0.22	27,087,951	13,636,438	199.00	67.00
Mississippi Valley State University: 2015	0.26	31,120,964	15,666,711	199.00	67.00
University of Mississippi: 2015	1.85	224,435,474	112,983,803	199.00	67.00
University of Southern Mississippi: 2015	1.35	163,430,215	82,272,965	199.00	67.00
University of Mississippi Medical Center: 2015	6.76	821,435,313	413,521,568	199.00	67.00
IHL Board Office: 2015	0.10	13,082,977	6,586,146	199.00	67.00
M CVS: 2015	0.01	1,092,239	549,848	199.00	67.00
<b>Total</b>	<b>15.24%</b>	<b>\$ 1,850,037,000</b>	<b>931,333,441</b>	<b>199.00%</b>	<b>67.00%</b>

Schedule of Proportionate Share of Contributions  
 Year ended June 30, 2015

	<b>Proportionate share of contributions</b>	<b>Required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>FY 2015 Covered-employee payroll</b>	<b>Contributions as a percentage of covered-employee payroll</b>
Alcorn State University: 2015	\$ 4,487,694	(4,487,694)	—	28,493,295	15.75%
Delta State University: 2015	2,664,943	(2,664,943)	—	16,920,273	15.75
Jackson State University: 2015	8,271,356	(8,271,356)	—	52,516,546	15.75
Mississippi State University: 2015	30,812,946	(30,812,946)	—	195,637,752	15.75
Mississippi University for Women: 2015	2,243,470	(2,243,470)	—	14,244,254	15.75
Mississippi Valley State University: 2015	2,384,644	(2,384,644)	—	15,140,597	15.75
University of Mississippi: 2015	18,189,943	(18,189,943)	—	115,491,702	15.75
University of Southern Mississippi: 2015	12,934,612	(12,934,612)	—	82,124,521	15.75
University of Mississippi Medical Center: 2015	68,736,092	(68,736,092)	—	436,419,632	15.75
IHL Board Office: 2015	1,048,459	(1,048,459)	—	6,656,883	15.75
M CVS: 2015	78,708	(78,708)	—	499,733	15.75
<b>Total</b>	<b>\$ 151,852,867</b>	<b>(151,852,867)</b>	<b>—</b>	<b>964,145,188</b>	<b>15.75%</b>

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

### Notes to Required Supplementary Information

June 30, 2015

**(1) Schedule of Proportionate Share of Net Pension Liability**

This schedule presents historical trend information about the IHL System'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. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

**(2) Schedule of Proportionate Share of IHL System's Contributions**

The required contributions and percentage of those contributions actually made are presented in the schedule. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

**(3) Changes in Assumptions and Benefit Terms**

*Changes of assumptions:* Amounts reported for fiscal year 2015 reflect no changes in assumptions.

*Changes of benefit terms:* Amounts reported for fiscal year 2015 reflect no changes in benefit terms.

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## **REPORT ON INTERNAL CONTROL AND COMPLIANCE**

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**KPMG LLP**  
Suite 1100  
One Jackson Place  
188 East Capitol Street  
Jackson, MS 39201-2127

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
State of Mississippi Institutions of Higher Learning:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the State of Mississippi Institutions of Higher Learning (the IHL System), a component unit of the State of Mississippi (the State), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise IHL System's basic financial statements, and have issued our report thereon dated December 16, 2015. Our report includes a reference to other auditors who audited the financial statements of the University of Mississippi Medical Center Education Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund, as described in our report on the IHL System's financial statements.

As described in our report on the IHL System's financial statements, the financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund, and the State Institutions of Higher Learning Tort Liability Fund were not audited in accordance with *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the IHL System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IHL System's internal control. Accordingly, we do not express an opinion on the effectiveness of the IHL System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the IHL System's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the IHL System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the IHL System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Jackson, Mississippi  
December 16, 2015

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**COMPONENT UNIT ADDITIONAL INFORMATION  
FOR INCLUSION IN THE STATE OF MISSISSIPPI  
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2015

Assets	IHL System only	DFA reclass entry	MSU Foundation	UM Foundation	USM Foundation	Foundation eliminations	Total
Current assets:							
Equity in internal investment pool	\$ —	—	—	—	—	—	—
Cash and cash equivalents	446,042,478	—	4,079,094	7,730,829	1,014,651	—	458,867,052
Short-term investments	186,491,269	—	4,677,914	5,714,252	—	—	196,883,435
Accounts receivable, net	338,790,163	(31,224,730)	—	—	—	—	307,565,433
Affiliate lease and accounts receivable	—	—	—	—	634,855	(634,855)	—
Notes and pledges receivable, net	15,840,809	—	8,687,432	7,390,370	4,648,209	—	36,566,820
Due from other governments	—	31,224,730	—	—	—	—	31,224,730
Inventories	30,070,181	—	—	—	—	—	30,070,181
Prepaid expenses	35,262,369	—	—	—	—	—	35,262,369
Other current assets	515,000	—	544,636	—	361,048	—	1,420,684
Total current assets	<u>1,053,012,269</u>	<u>—</u>	<u>17,989,076</u>	<u>20,835,451</u>	<u>6,658,763</u>	<u>(634,855)</u>	<u>1,097,860,704</u>
Noncurrent assets:							
Investments	388,391,821	—	142,765,100	90,265,762	—	—	621,422,683
Notes and pledges receivable, net	98,815,378	—	26,744,863	24,216,957	7,403,832	—	157,181,030
Restricted assets:							
Cash and cash equivalents	255,587,979	—	5,688,326	—	—	—	261,276,305
Short term investments	15,871,528	—	—	—	—	—	15,871,528
Investments	265,444,560	—	326,663,799	306,050,162	97,824,663	(57,806,958)	938,176,226
Capital assets, net of accumulated depreciation	3,585,173,759	—	9,335,303	2,778,494	69,485	—	3,597,357,041
Other noncurrent assets	5,413,089	—	—	2,384,575	817,080	—	8,614,744
Total noncurrent assets	<u>4,614,698,114</u>	<u>—</u>	<u>511,197,391</u>	<u>425,695,950</u>	<u>106,115,060</u>	<u>(57,806,958)</u>	<u>5,599,899,557</u>
Total assets	<u>5,667,710,383</u>	<u>—</u>	<u>529,186,467</u>	<u>446,531,401</u>	<u>112,773,823</u>	<u>(58,441,813)</u>	<u>6,697,760,261</u>
Deferred outflows of resources:							
Deferred loss on refunding of debt	10,660,581	—	—	—	—	—	10,660,581
Pension related deferred outflows	215,304,553	—	—	—	—	—	215,304,553
Total deferred outflows of resources	<u>225,965,134</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>225,965,134</u>
Total assets and deferred outflows of resources	<u>5,893,675,517</u>	<u>—</u>	<u>529,186,467</u>	<u>446,531,401</u>	<u>112,773,823</u>	<u>(58,441,813)</u>	<u>6,923,725,395</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2015

<b>Liabilities and Net Position</b>	<b>IHL System only</b>	<b>DFA reclass entry</b>	<b>MSU Foundation</b>	<b>UM Foundation</b>	<b>USM Foundation</b>	<b>Foundation eliminations</b>	<b>Total</b>
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 206,430,857	(568,633)	9,140,123	—	758,795	—	215,761,142
Due to primary government	—	568,633	—	—	—	—	568,633
Unearned revenues	114,419,688	—	—	—	—	—	114,419,688
Bonds and notes payable	34,243,520	—	—	—	—	—	34,243,520
Lease obligations payable	3,017,118	—	—	—	—	(197,141)	2,819,977
Current portion of noncurrent liabilities	26,094,704	—	719,433	828,439	46,134	—	27,688,710
Other current liabilities	37,984,185	—	—	5,385,420	—	—	43,369,605
Total current liabilities	<u>422,190,072</u>	<u>—</u>	<u>9,859,556</u>	<u>6,213,859</u>	<u>804,929</u>	<u>(197,141)</u>	<u>438,871,275</u>
Noncurrent liabilities:							
Bonds and notes payable	1,053,982,616	—	—	—	—	—	1,053,982,616
Lease obligations payable	68,675,259	—	—	—	—	(437,714)	68,237,545
Net pension liability	1,850,037,000	—	—	—	—	—	1,850,037,000
Other noncurrent liabilities	230,758,606	—	4,075,516	29,796,886	259,196	—	264,890,204
Total noncurrent liabilities	<u>3,203,453,481</u>	<u>—</u>	<u>4,075,516</u>	<u>29,796,886</u>	<u>259,196</u>	<u>(437,714)</u>	<u>3,237,147,365</u>
Total liabilities	<u>3,625,643,553</u>	<u>—</u>	<u>13,935,072</u>	<u>36,010,745</u>	<u>1,064,125</u>	<u>(634,855)</u>	<u>3,676,018,640</u>
Deferred inflows of resources:							
Pension related deferred inflows	268,176,489	—	—	—	—	—	268,176,489
Total liabilities and deferred inflows of resources	<u>3,893,820,042</u>	<u>—</u>	<u>13,935,072</u>	<u>36,010,745</u>	<u>1,064,125</u>	<u>(634,855)</u>	<u>3,944,195,129</u>
Net position:							
Net investment in capital assets	2,540,285,905	—	9,335,303	2,778,494	69,485	—	2,552,469,187
Restricted for:							
Other purposes	269,676,999	—	99,907,112	183,044,292	42,722,252	—	595,350,655
Permanent endowments:							
Nonexpendable	154,688,626	—	315,364,556	210,290,123	63,594,578	—	743,937,883
Unrestricted	(964,796,055)	—	90,644,424	14,407,747	5,323,383	(57,806,958)	(912,227,459)
Total net position	<u>\$ 1,999,855,475</u>	<u>—</u>	<u>515,251,395</u>	<u>410,520,656</u>	<u>111,709,698</u>	<u>(57,806,958)</u>	<u>2,979,530,266</u>

See accompanying independent auditors' report.



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Combining Schedule of Activities

Year ended June 30, 2015

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net position					Total
		Charges for services	Operating grants and contributions	Capital grants and contributions	IHL System	MSU Foundation	UM Foundation	USM Foundation	Foundation Eliminations	
IHL System	\$ 3,221,238,454	1,994,436,960	391,742,356	62,015,792	(773,043,346)	—	—	—	—	(773,043,346)
MSU Foundation	33,678,179	—	36,730,556	—	—	3,052,377	—	—	—	3,052,377
UM Foundation	36,674,921	—	37,053,482	—	—	—	378,561	—	—	378,561
USM Foundation	13,862,960	—	5,608,915	—	—	—	—	(8,254,045)	—	(8,254,045)
Total universities	\$ <u>3,305,454,514</u>	<u>1,994,436,960</u>	<u>471,135,309</u>	<u>62,015,792</u>	<u>(773,043,346)</u>	<u>3,052,377</u>	<u>378,561</u>	<u>(8,254,045)</u>	<u>—</u>	<u>(777,866,453)</u>
General revenues:										
Interest and investment income					17,242,233	(1,581,243)	6,930,072	1,701,250	(4,699,310)	19,593,002
Other					202,114,705	—	—	—	—	202,114,705
Payment from State of Mississippi					809,207,706	—	—	—	—	809,207,706
Contributions to permanent endowments					1,826,722	5,004,703	13,944,742	2,331,508	—	23,107,675
Total general revenues and contributions					<u>1,030,391,366</u>	<u>3,423,460</u>	<u>20,874,814</u>	<u>4,032,758</u>	<u>(4,699,310)</u>	<u>1,054,023,088</u>
Change in net position					\$ <u>257,348,020</u>	<u>6,475,837</u>	<u>21,253,375</u>	<u>(4,221,287)</u>	<u>(4,699,310)</u>	<u>276,156,635</u>
Net position – beginning of the year, as restated										<u>2,703,373,631</u>
Net position – end of the year										\$ <u>2,979,530,266</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Accounts Receivable Disclosure

June 30, 2015

	<u>Per IHL System</u>	<u>DFA Reclass</u>	<u>Total</u>
Student tuition	\$ 93,590,517	—	93,590,517
Auxiliary enterprises and other operating activities	29,592,762	—	29,592,762
Contributions and gifts	14,008,404	—	14,008,404
Federal, state, and private grants and contracts	102,356,859	(16,147,646)	86,209,213
State appropriations	15,077,084	(15,077,084)	—
Accrued interest	2,706,997	—	2,706,997
Other	21,034,854	—	21,034,854
Patient income	2,569,494,128	—	2,569,494,128
Total accounts receivable	2,847,861,605	(31,224,730)	2,816,636,875
Less bad debt provision	(2,509,071,442)	—	(2,509,071,442)
Net accounts receivable	<u>\$ 338,790,163</u>	<u>(31,224,730)</u>	<u>307,565,433</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Notes and Pledges Receivable Disclosure

June 30, 2015

	<u>Interest rates</u>		<u>Total</u>	<u>Current portion</u>	<u>Noncurrent portion</u>
From students:					
Perkins student loans	3% to 9%	\$	70,625,994	9,825,069	60,800,925
Nursing student loans	3% to 9%		1,248,872	116,058	1,132,814
Other federal loans	3% to 9%		3,991,520	2,213,240	1,778,280
Institutional loans	0% to 10%		58,682,966	7,457,245	51,225,721
Medical student loans	3% to 9%		184,033	6,964	177,069
Dental student loans	3% to 9%		449,560	28,572	420,988
Notes and pledges:					
Foundations			<u>87,816,112</u>	<u>22,820,014</u>	<u>64,996,098</u>
Total notes and pledges receivable			222,999,057	42,467,162	180,531,895
Less allowance for doubtful accounts			<u>29,251,207</u>	<u>5,900,342</u>	<u>23,350,865</u>
Net notes and pledges receivable		\$	<u><u>193,747,850</u></u>	<u><u>36,566,820</u></u>	<u><u>157,181,030</u></u>
Foundation notes and pledges, before allowance for doubtful accounts:					
MSU Foundation		\$	36,258,806	8,890,079	27,368,727
UM Foundation			39,211,265	9,168,337	30,042,928
USM Foundation			<u>12,346,041</u>	<u>4,761,598</u>	<u>7,584,443</u>
		\$	<u><u>87,816,112</u></u>	<u><u>22,820,014</u></u>	<u><u>64,996,098</u></u>
Summary of allowance for doubtful accounts:					
IHL Universities		\$	20,526,758	3,806,339	16,720,419
MSU Foundation			826,511	202,647	623,864
UM Foundation			7,603,938	1,777,967	5,825,971
USM Foundation			<u>294,000</u>	<u>113,389</u>	<u>180,611</u>
		\$	<u><u>29,251,207</u></u>	<u><u>5,900,342</u></u>	<u><u>23,350,865</u></u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Assets under Capital Lease Disclosure

June 30, 2015

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Delta State University	\$ 19,017,530	2,639,377	16,378,153
University of Mississippi	55,053,310	1,229,708	53,823,602
University of Southern Mississippi	1,993,738	1,035,807	957,931
Mississippi University for Women	725,000	207,165	517,835
	<u>\$ 76,789,578</u>	<u>5,112,057</u>	<u>71,677,521</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Capital Assets Disclosure

Year ended June 30, 2015

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2015</u>
Nondepreciable capital assets:				
Land	\$ 87,770,723	3,902,414	—	91,673,137
Construction in progress	494,823,861	272,929,439	(225,359,315)	542,393,985
Livestock	1,717,663	181,646	(57,490)	1,841,819
Total nondepreciable capital assets	<u>584,312,247</u>	<u>277,013,499</u>	<u>(225,416,805)</u>	<u>635,908,941</u>
Depreciable capital assets:				
Improvements other than buildings	312,650,876	24,862,215	(34,558)	337,478,533
Buildings	3,088,338,567	226,365,059	(6,012,089)	3,308,691,537
Equipment	776,070,417	54,725,734	(21,139,897)	809,656,254
Library books	377,501,528	13,534,998	(877,345)	390,159,181
Total depreciable capital assets	<u>4,554,561,388</u>	<u>319,488,006</u>	<u>(28,063,889)</u>	<u>4,845,985,505</u>
Total capital assets	<u>5,138,873,635</u>	<u>596,501,505</u>	<u>(253,480,694)</u>	<u>5,481,894,446</u>
Less accumulated depreciation:				
Improvements other than buildings	118,667,841	11,593,551	—	130,261,392
Buildings	801,765,346	61,675,757	(2,387,321)	861,053,782
Equipment	524,667,738	58,021,336	(18,734,849)	563,954,225
Library books	315,769,389	14,181,368	(682,751)	329,268,006
Total accumulated depreciation	<u>1,760,870,314</u>	<u>145,472,012</u>	<u>(21,804,921)</u>	<u>1,884,537,405</u>
Net capital assets	\$ <u>3,378,003,321</u>	<u>451,029,493</u>	<u>(231,675,773)</u>	<u>3,597,357,041</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Construction Commitments and Financing Disclosure

June 30, 2015

	<b>Cost to complete</b>	<b>Funded by</b>			
		<b>Federal sources</b>	<b>State sources</b>	<b>Institutional funds</b>	<b>Other</b>
Alcorn State University	\$ 8,618,400	—	8,618,400	—	—
Delta State University	22,333,007	—	22,333,007	—	—
Jackson State University	22,702,549	—	22,702,549	—	—
Mississippi State University	386,293,125	8,531,729	89,763,188	283,869,896	4,128,312
Mississippi University for Women	763,607	—	—	763,607	—
Mississippi Valley State University	23,779,594	—	22,559,959	—	1,219,635
University of Mississippi	232,873,500	—	32,486,000	102,907,200	97,480,300
University of Southern Mississippi	46,192,897	15,145,908	21,029,723	10,017,266	—
University of Mississippi Medical Center	109,891,795	17,902,570	33,765,091	23,191,390	35,032,744
Total Construction Commitments	\$ 853,448,474	41,580,207	253,257,917	420,749,359	137,860,991

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Long-Term Liabilities Disclosure (Rollforward)

Year ended June 30, 2015

	<b>Balance June 30, 2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2015</b>	<b>Due within 1 year</b>
Bonded debt	\$ 1,002,490,180	213,651,572	144,118,938	1,072,022,814	33,299,505
Notes payable	17,154,730	—	951,408	16,203,322	944,015
	<u>1,019,644,910</u>	<u>213,651,572</u>	<u>145,070,346</u>	<u>1,088,226,136</u>	<u>34,243,520</u>
Capital lease obligations	32,642,411	56,170,332	17,755,221	71,057,522	2,819,977
Other long-term liabilities:					
Pension liability	2,090,461,121	28,860,054	269,284,175	1,850,037,000	—
Accrued leave liability	115,768,242	11,819,689	6,144,072	121,443,859	10,968,937
Deposits refundable	945,538	27,150	14,460	958,228	—
Funds held in trust for others	24,213,270	18,532	871,727	23,360,075	828,439
Other noncurrent liabilities	142,807,664	8,270,212	4,261,124	146,816,752	15,891,334
Total other long-term liabilities	<u>2,374,195,835</u>	<u>48,995,637</u>	<u>280,575,558</u>	<u>2,142,615,914</u>	<u>27,688,710</u>
Total	\$ <u>3,426,483,156</u>	<u>318,817,541</u>	<u>443,401,125</u>	3,301,899,572	<u>64,752,207</u>
Due within one year				(64,752,207)	
Total long-term liabilities				\$ <u>3,237,147,365</u>	

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Debt Service Disclosure (IHL System Only by Institution)

June 30, 2015

	<u>Total</u>	<u>Bonded debt</u>	<u>Bonded debt interest</u>	<u>Notes payable</u>	<u>Notes payable interest</u>	<u>Capital leases</u>	<u>Capital lease interest</u>	<u>Total interest</u>
<b>IHL System Universities Only:</b>								
2016	\$ 87,809,868	33,299,505	47,614,823	944,015	716,763	3,017,118	2,217,644	50,549,230
2017	101,529,016	35,319,971	46,493,809	1,055,570	693,833	15,913,723	2,052,110	49,239,752
2018	84,645,327	33,784,971	45,317,054	612,567	670,156	2,340,844	1,919,735	47,906,945
2019	84,161,618	35,514,971	44,108,871	458,885	652,100	1,599,938	1,826,853	46,587,824
2020	83,158,060	36,009,971	42,820,064	477,025	634,275	1,447,686	1,769,039	45,223,378
2021 – 2025	431,708,067	188,774,442	190,230,774	2,220,260	2,886,556	36,572,090	11,023,945	204,141,275
2026 – 2030	366,891,672	212,429,442	144,248,396	2,665,000	2,332,444	2,850,978	2,365,412	148,946,252
2031 – 2035	323,007,676	220,689,010	91,776,096	3,435,000	1,566,656	3,995,000	1,545,914	94,888,666
2036 – 2040	237,677,774	186,611,005	41,721,733	4,335,000	568,234	3,955,000	486,802	42,776,769
2041 – 2045	96,442,797	89,589,526	6,853,271	—	—	—	—	6,853,271
	<u>\$ 1,897,031,875</u>	<u>1,072,022,814</u>	<u>701,184,891</u>	<u>16,203,322</u>	<u>10,721,017</u>	<u>71,692,377</u>	<u>25,207,454</u>	<u>737,113,362</u>
<b>Alcorn State University:</b>								
2016	\$ 2,825,782	576,844	2,248,938	—	—	—	—	2,248,938
2017	2,863,638	640,000	2,223,638	—	—	—	—	2,223,638
2018	2,912,838	720,000	2,192,838	—	—	—	—	2,192,838
2019	2,969,463	815,000	2,154,463	—	—	—	—	2,154,463
2020	3,030,788	915,000	2,115,788	—	—	—	—	2,115,788
2021 – 2025	15,994,459	6,110,000	9,884,459	—	—	—	—	9,884,459
2026 – 2030	16,936,953	8,840,000	8,096,953	—	—	—	—	8,096,953
2031 – 2035	17,312,500	11,770,000	5,542,500	—	—	—	—	5,542,500
2036 – 2040	17,217,116	15,148,616	2,068,500	—	—	—	—	2,068,500
	<u>\$ 82,063,537</u>	<u>45,535,460</u>	<u>36,528,077</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,528,077</u>
<b>Delta State University:</b>								
2016	\$ 2,364,544	520,000	101,529	—	—	1,016,044	726,971	828,500
2017	2,030,883	535,000	85,055	—	—	710,234	700,594	785,649
2018	2,068,028	555,000	66,738	—	—	744,035	702,255	768,993
2019	1,755,544	580,000	45,881	—	—	467,994	661,669	707,550
2020	1,299,525	155,000	31,813	—	—	455,000	657,712	689,525
2021 – 2025	6,296,417	690,000	59,831	—	—	2,560,000	2,986,586	3,046,417
2026 – 2030	5,216,390	—	—	—	—	2,850,978	2,365,412	2,365,412
2031 – 2035	5,540,914	—	—	—	—	3,995,000	1,545,914	1,545,914
2036 – 2040	4,441,802	—	—	—	—	3,955,000	486,802	486,802
	<u>\$ 31,014,047</u>	<u>3,035,000</u>	<u>390,847</u>	<u>—</u>	<u>—</u>	<u>16,754,285</u>	<u>10,833,915</u>	<u>11,224,762</u>
<b>Jackson State University:</b>								
2016	\$ 7,433,696	2,849,368	4,471,581	95,007	17,740	—	—	4,489,321
2017	7,786,017	3,283,915	4,389,355	97,879	14,868	—	—	4,404,223
2018	7,788,907	3,348,915	4,327,245	100,837	11,910	—	—	4,339,155
2019	7,788,323	3,433,915	4,241,661	103,885	8,862	—	—	4,250,523
2020	7,962,330	3,708,915	4,140,668	107,025	5,722	—	—	4,146,390
2021 – 2025	38,299,847	20,124,575	18,062,525	110,260	2,487	—	—	18,065,012
2026 – 2030	38,358,888	26,304,575	12,054,313	—	—	—	—	12,054,313
2031 – 2035	31,770,029	27,156,529	4,613,500	—	—	—	—	4,613,500
2036 – 2040	4,691,430	3,881,430	810,000	—	—	—	—	810,000
2041 – 2045	4,232,895	3,924,895	308,000	—	—	—	—	308,000
	<u>\$ 156,112,362</u>	<u>98,017,032</u>	<u>57,418,848</u>	<u>614,893</u>	<u>61,589</u>	<u>—</u>	<u>—</u>	<u>57,480,437</u>
<b>Mississippi State University:</b>								
2016	\$ 24,239,128	9,725,000	14,514,128	—	—	—	—	14,514,128
2017	25,395,324	11,385,000	14,010,324	—	—	—	—	14,010,324
2018	23,453,756	9,775,000	13,678,756	—	—	—	—	13,678,756
2019	23,525,186	10,195,000	13,330,186	—	—	—	—	13,330,186
2020	23,521,199	10,565,000	12,956,199	—	—	—	—	12,956,199
2021 – 2025	114,686,651	57,145,000	57,541,651	—	—	—	—	57,541,651
2026 – 2030	99,861,450	55,340,000	44,521,450	—	—	—	—	44,521,450
2031 – 2035	88,754,173	56,985,000	31,769,173	—	—	—	—	31,769,173
2036 – 2040	77,681,061	59,960,000	17,721,061	—	—	—	—	17,721,061
2041 – 2045	51,640,923	47,115,000	4,525,923	—	—	—	—	4,525,923
	<u>\$ 552,758,851</u>	<u>328,190,000</u>	<u>224,568,851</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>224,568,851</u>



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information  
 Schedule of Debt Service Disclosure (IHL System Only by Institution)  
 June 30, 2015

	<u>Total</u>	<u>Bonded debt</u>	<u>Bonded debt interest</u>	<u>Notes payable</u>	<u>Notes payable interest</u>	<u>Capital leases</u>	<u>Capital lease interest</u>	<u>Total interest</u>
<b>Mississippi University for Women:</b>								
2016	\$ 156,232	—	—	—	—	142,919	13,313	13,313
2017	156,231	—	—	—	—	146,890	9,341	9,341
2018	156,232	—	—	—	—	150,973	5,259	5,259
2019	78,116	—	—	—	—	77,053	1,063	1,063
	<u>\$ 546,811</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>517,835</u>	<u>28,976</u>	<u>28,976</u>
<b>Mississippi Valley State University:</b>								
2016	\$ 1,094,025	335,000	759,025	—	—	—	—	759,025
2017	1,120,625	375,000	745,625	—	—	—	—	745,625
2018	1,145,625	415,000	730,625	—	—	—	—	730,625
2019	1,174,025	460,000	714,025	—	—	—	—	714,025
2020	1,200,625	505,000	695,625	—	—	—	—	695,625
2021 – 2025	5,870,519	2,715,000	3,155,519	—	—	—	—	3,155,519
2026 – 2030	6,348,850	3,820,000	2,528,850	—	—	—	—	2,528,850
2031 – 2035	7,358,075	5,840,000	1,518,075	—	—	—	—	1,518,075
2036 – 2040	3,263,800	3,055,000	208,800	—	—	—	—	208,800
	<u>\$ 28,576,169</u>	<u>17,520,000</u>	<u>11,056,169</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,056,169</u>
<b>University of Mississippi:</b>								
2016	\$ 17,158,568	8,308,366	6,068,729	—	—	1,350,675	1,430,798	7,499,527
2017	30,299,236	8,773,366	5,681,138	—	—	14,546,493	1,298,239	6,979,377
2018	16,218,417	8,773,366	5,341,037	—	—	933,084	1,170,930	6,511,967
2019	16,346,688	9,238,366	5,004,308	—	—	962,424	1,141,590	6,145,898
2020	15,473,316	8,703,366	4,665,937	—	—	992,686	1,111,327	5,777,264
2021 – 2025	99,821,304	39,446,831	18,325,024	—	—	34,012,090	8,037,359	26,362,383
2026 – 2030	50,261,968	40,346,831	9,915,137	—	—	—	—	9,915,137
2031 – 2035	22,943,199	19,933,850	3,009,349	—	—	—	—	3,009,349
2036 – 2040	6,791,435	6,149,947	641,488	—	—	—	—	641,488
	<u>\$ 275,314,131</u>	<u>149,674,289</u>	<u>58,652,147</u>	<u>—</u>	<u>—</u>	<u>52,797,452</u>	<u>14,190,243</u>	<u>72,842,390</u>
<b>University of Southern Mississippi:</b>								
2016	\$ 14,096,740	5,402,237	6,592,430	849,008	699,023	507,480	46,562	7,338,015
2017	13,430,209	4,520,000	6,719,511	957,691	678,965	510,106	43,936	7,442,412
2018	12,455,859	4,105,000	6,626,840	511,730	658,246	512,752	41,291	7,326,377
2019	12,080,445	4,420,000	6,547,209	355,000	643,238	92,467	22,531	7,212,978
2020	12,227,837	4,785,000	6,444,284	370,000	628,553	—	—	7,072,837
2021 – 2025	59,426,357	24,785,000	29,647,288	2,110,000	2,884,069	—	—	32,531,357
2026 – 2030	61,748,178	33,075,000	23,675,734	2,665,000	2,332,444	—	—	26,008,178
2031 – 2035	61,139,125	41,355,000	14,782,469	3,435,000	1,566,656	—	—	16,349,125
2036 – 2040	34,680,272	23,810,000	5,967,038	4,335,000	568,234	—	—	6,535,272
2041 – 2045	22,694,177	21,400,427	1,293,750	—	—	—	—	1,293,750
	<u>\$ 303,979,199</u>	<u>167,657,664</u>	<u>108,296,553</u>	<u>15,588,429</u>	<u>10,659,428</u>	<u>1,622,805</u>	<u>154,320</u>	<u>119,110,301</u>
<b>University of Mississippi Medical Center:</b>								
2016	\$ 18,441,153	5,582,690	12,858,463	—	—	—	—	12,858,463
2017	18,446,853	5,807,690	12,639,163	—	—	—	—	12,639,163
2018	18,445,665	6,092,690	12,352,975	—	—	—	—	12,352,975
2019	18,443,828	6,372,690	12,071,138	—	—	—	—	12,071,138
2020	18,442,440	6,672,690	11,769,750	—	—	—	—	11,769,750
2021 – 2025	91,312,513	37,758,036	53,554,477	—	—	—	—	53,554,477
2026 – 2030	88,158,995	44,703,036	43,455,959	—	—	—	—	43,455,959
2031 – 2035	88,189,661	57,648,631	30,541,030	—	—	—	—	30,541,030
2036 – 2040	88,910,858	74,606,012	14,304,846	—	—	—	—	14,304,846
2041 – 2045	17,874,802	17,149,204	725,598	—	—	—	—	725,598
	<u>\$ 466,666,768</u>	<u>262,393,369</u>	<u>204,273,399</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>204,273,399</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Debt Service Disclosures (Combined)

June 30, 2015

<u>Fiscal years ended</u>	<u>Total</u>	<u>Bonded debt</u>	<u>Bonded debt interest</u>	<u>Notes payable</u>	<u>Notes payable interest</u>	<u>Capital leases</u>	<u>Capital lease interest</u>	<u>Total interest</u>
2016	\$ 87,612,727	33,299,505	47,614,823	944,015	716,763	2,819,977	2,217,644	50,549,230
2017	101,529,016	35,319,971	46,493,809	1,055,570	693,833	15,913,723	2,052,110	49,239,752
2018	84,645,327	33,784,971	45,317,054	612,567	670,156	2,340,844	1,919,735	47,906,945
2019	83,723,904	35,514,971	44,108,871	458,885	652,100	1,162,224	1,826,853	46,587,824
2020	83,158,060	36,009,971	42,820,064	477,025	634,275	1,447,686	1,769,039	45,223,378
2021 – 2025	431,708,067	188,774,442	190,230,774	2,220,260	2,886,556	36,572,090	11,023,945	204,141,275
2026 – 2030	366,891,672	212,429,442	144,248,396	2,665,000	2,332,444	2,850,978	2,365,412	148,946,252
2031 – 2035	323,007,676	220,689,010	91,776,096	3,435,000	1,566,656	3,995,000	1,545,914	94,888,666
2036 – 2040	237,677,774	186,611,005	41,721,733	4,335,000	568,234	3,955,000	486,802	42,776,769
2041 – 2045	96,442,797	89,589,526	6,853,271	—	—	—	—	6,853,271
	<u>\$ 1,896,397,020</u>	<u>1,072,022,814</u>	<u>701,184,891</u>	<u>16,203,322</u>	<u>10,721,017</u>	<u>71,057,522</u>	<u>25,207,454</u>	<u>737,113,362</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2015

	<u>Original issue</u>	<u>Balance outstanding June 30, 2015</u>	<u>Interest rate</u>	<u>Maturity date</u>
Alcorn State University:				
Bonds:				
2009 Series A Student Housing Project	\$ 47,000,000	45,535,460	5.13%–5.25%	09/2039
Delta State University:				
Bonds:				
Student Housing, 2003	2,475,000	1,400,000	3.00%–4.25%	12/2023
Student Housing, 2009	3,135,000	1,635,000	2.50%–3.75%	12/2018
	<u>5,610,000</u>	<u>3,035,000</u>		
Jackson State University:				
Bonds:				
Series 1982 – Dormitory	4,000,000	975,000	1.00%–3.00%	12/2020
Series 2010A-1	31,325,000	25,189,816	3.00%–5.00%	03/2034
Series 2015A	57,595,000	58,787,216	2.00%–5.00%	03/2045
Series 2015B	13,065,000	13,065,000	0.69%–2.56%	03/2021
	<u>105,985,000</u>	<u>98,017,032</u>		
Notes:				
Housing project	2,222,000	614,893	3.00%	12/2021
Mississippi State University:				
Bonds:				
Dormitory bonds	2,250,000	530,000	3.00%	12/2021
Student apartments	2,038,000	570,000	3.00%	12/2022
EBC-Revenue	31,865,000	4,640,000	3.75%–5.25%	12/2018
EBC-Revenue	58,965,000	1,835,000	4.00%–5.00%	06/2036
EBC-Revenue	6,110,000	4,570,000	4.13%–5.00%	08/2028
EBC-Revenue	29,615,000	27,190,000	2.50%–5.25%	08/2029
EBC-Revenue	17,105,000	11,910,000	2.75%–5.00%	08/2024
EBC-Revenue	54,370,000	48,585,000	2.00%–5.00%	12/2042
EBC-Revenue	60,470,000	59,980,000	2.00%–5.00%	08/2043
EBC-Revenue	89,810,000	89,810,000	2.00%–5.00%	08/2043
EBC-Revenue	23,435,000	22,560,000	0.29%–4.81%	08/2043
EBC-Revenue	56,010,000	56,010,000	2.00%–5.00%	08/2045
	<u>432,043,000</u>	<u>328,190,000</u>		
Mississippi Valley State University:				
Bonds:				
EBC – 2007	19,015,000	17,520,000	4.00%	03/2037

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2015

	<u>Original issue</u>	<u>Balance outstanding June 30, 2015</u>	<u>Interest rate</u>	<u>Maturity date</u>
The University of Mississippi:				
Bonds:				
EBC – 2005	\$ 10,965,000	7,015,000	3.50%–4.38%	12/2027
EBC – 2006A	17,985,000	9,860,000	4.00%–5.00%	08/2025
EBC – 2006B-1	17,290,000	10,500,000	3.63%–5.00%	10/2026
EBC – 2008A	29,785,000	25,205,000	3.50%–5.00%	10/2033
EBC – 2009A	19,870,000	16,125,000	3.00%–4.50%	10/2029
EBC – 2009B	24,165,000	13,740,000	3.25%–5.00%	10/2020
EBC – 2009C	14,770,000	12,795,000	2.50%–4.75%	11/2034
EBC – 2011	27,995,000	28,649,289	3.00%–5.00%	10/2031
EBC – 2015A	15,660,000	15,660,000	2.00%–4.00%	11/2040
EBC – 2015B	10,125,000	10,125,000	0.50%–3.75%	11/2030
	<u>188,610,000</u>	<u>149,674,289</u>		
The University of Southern Mississippi:				
Bonds:				
The Village	18,725,000	395,000	3.63%–5.00%	03/2032
EBC refunding	24,855,000	1,765,000	3.63%–5.00%	03/2027
Athletic improvements	27,190,000	1,115,000	4.00%–5.00%	03/2034
Dormitory construction	49,900,000	49,785,000	2.75%–5.38%	09/2036
SMEBC Series 2013	51,875,000	55,018,078	2.00%–5.00%	09/2043
SMEBC Series 2015A	38,600,000	38,600,000	2.00%–5.00%	03/2034
SMEBC Series 2015B	16,690,000	20,979,586	0.50%–3.25%	03/2034
	<u>227,835,000</u>	<u>167,657,664</u>		
Notes:				
Stadium scoreboard	3,160,000	1,333,429	1.29%	09/2017
Parking garage	15,520,000	14,255,000	2.00%–5.13%	09/2039
	<u>18,680,000</u>	<u>15,588,429</u>		
University Medical Center:				
Bonds:				
Series 1998B	41,075,000	23,670,000	3.88%–5.90%	12/2023
Series 2009	105,605,000	84,548,689	2.00%–5.00%	06/2034
Series 2010A	24,870,000	24,870,000	5.92%–6.69%	06/2032
Series 2010B	20,000,000	20,000,000	6.84%	06/2035
Series 2010C	5,130,000	2,905,416	2.50%–5.00%	06/2020
Series 2012A	51,860,000	51,727,393	4.00%–5.00%	06/2041
Series 2012B	53,390,000	54,671,871	4.06%–4.82%	06/2038
	<u>301,930,000</u>	<u>262,393,369</u>		
Total	\$ <u><u>1,348,930,000</u></u>	<u><u>1,088,226,136</u></u>		

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Functional Expenses Disclosure

Year ended June 30, 2015

<b>Functional classification</b>	<b>Salaries and wages</b>	<b>Fringe benefits</b>	<b>Travel</b>	<b>Contractual services</b>	<b>Utilities</b>	<b>Scholarships and fellowships</b>	<b>Commodities</b>	<b>Depreciation expense</b>	<b>Other</b>	<b>Total</b>
Instruction	\$ 454,396,419	130,347,994	11,139,841	39,604,733	183,001	1,155,815	16,293,817	—	1,406,958	654,528,578
Research	141,269,009	47,856,569	8,886,500	57,353,221	3,099,134	689,802	25,028,823	—	275,026	284,458,084
Public service	81,154,750	25,160,088	6,671,696	29,594,040	935,114	227,956	9,883,756	—	29,400	153,656,800
Academic support	79,467,984	22,607,491	3,345,134	30,968,507	532,676	45,051	11,967,473	—	265,136	149,199,452
Student services	44,775,402	13,404,359	4,299,607	10,667,216	152,205	304,186	6,373,900	—	49,482	80,026,357
Institutional support	134,555,812	36,323,259	2,715,446	117,017,639	115,491	334,503	26,568,701	—	3,030,916	320,661,767
Operation of plant	52,317,652	17,387,120	109,723	41,554,654	48,343,133	—	8,980,349	—	378,049	169,070,680
Student aid	4,441,974	3,622,630	27,195	1,196,569	2,267,339	176,137,190	272,684	—	—	187,965,581
Auxiliary enterprises	68,917,618	18,975,847	14,990,607	85,414,778	13,573,870	17,851,689	24,379,699	4,353	823,207	244,931,668
Depreciation	—	—	—	—	—	—	—	145,325,140	—	145,325,140
Hospital	436,569,554	113,030,777	2,868,844	88,770,582	1,220,337	—	227,756,596	—	—	870,216,690
Loan fund expenses	—	—	—	—	—	—	—	—	1,120,042	1,120,042
Interest	—	—	—	—	—	—	—	—	37,924,727	37,924,727
Inter-campus eliminations	—	—	—	(52,731,304)	—	(24,083,137)	—	—	—	(76,814,441)
<b>Total operating expenses</b>	<b>\$ 1,497,866,174</b>	<b>428,716,134</b>	<b>55,054,593</b>	<b>449,410,635</b>	<b>70,422,300</b>	<b>172,663,055</b>	<b>357,505,798</b>	<b>145,329,493</b>	<b>45,302,943</b>	<b>3,222,271,125</b>

See accompanying independent auditors' report.