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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Reports Thereon)

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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FINANCIAL AUDIT REPORT

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KPMG LLP
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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 years ended June 30, 2017 and 2016, 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 audits. 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 9.6% and 10.4% of total assets and 1.4% of total revenues of the IHL System's business-type activities as of and for the years ended June 30, 2017 and 2016, 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 audits 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 risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation

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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 audits opinions.

Opinions

In our opinion, based on our audits 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, 2017 and 2016, and the changes in financial position, and where applicable, cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

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 15 and the required supplementary information on pages 138 through 140 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 audits 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 audits were conducted for the purpose of forming opinions on the basic financial statements. The 2017 combining supplemental information on pages 131 through 137 and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report section on pages 143 through 157 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 statements or to the basic

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financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, 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 21, 2017, 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 solely 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 effectiveness of IHL System's 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 21, 2017

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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, 2017 and 2016

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 29,000 individuals. Faculty makes up approximately 6,000 of the total employee count. The system offers over 800 degree programs and awarded approximately 17,700 degrees in academic year 2017.

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) Statement No. 14, *The Financial Reporting Entity*, 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*, and 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, 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 No. 34 and 35, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – An Amendment of GASB Statement No. 34*, and present financial data for the fiscal period ending June 30, 2017. 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.

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 |
| MCVS | Mississippi Commission for Volunteer Services – Off-campus entity |
| IHL System | Summary of all of the above |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

The discussion and analysis below provides an overview of the financial position and activities of the IHL System for the years ended June 30, 2017 and 2016. 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

The IHL System recorded an increase in net position of \$28.8 million in fiscal year 2017. This increase was primarily the result of an increase in capital assets, net of related debt of \$215.1 million and a \$24.8 million increase in net position expendable for other purposes, which was partially offset by the \$227.7 million decrease from unrestricted activities.

| Financial highlights (in millions) | Year ended June 30 | | |
|---|--------------------|-------|---------|
| | 2015 | 2016 | 2017 |
| Total operating revenues | \$ 2,383 | 2,540 | 2,525 |
| Total operating expenses | 3,170 | 3,412 | 3,556 |
| Operating loss | (787) | (872) | (1,031) |
| State appropriations | 734 | 753 | 711 |
| Gifts | 192 | 192 | 194 |
| Investment income | 17 | 20 | 33 |
| Interest expense on capital asset-related debt | (38) | (39) | (42) |
| Other nonoperating revenues, net and other revenue, expenses, gains and losses | 139 | 119 | 164 |
| Increase in net position | 257 | 173 | 29 |
| Net position, beginning of the year | 3,661 | 2,000 | 2,173 |
| Adjustment to beginning of year net position, related to pension | (1,918) | — | — |
| Net position, end of year | \$ 2,000 | 2,173 | 2,202 |

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.

At the beginning of fiscal year 2015 the IHL System implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which impacted the beginning of the year net position for fiscal year 2015 as shown in the table above.

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

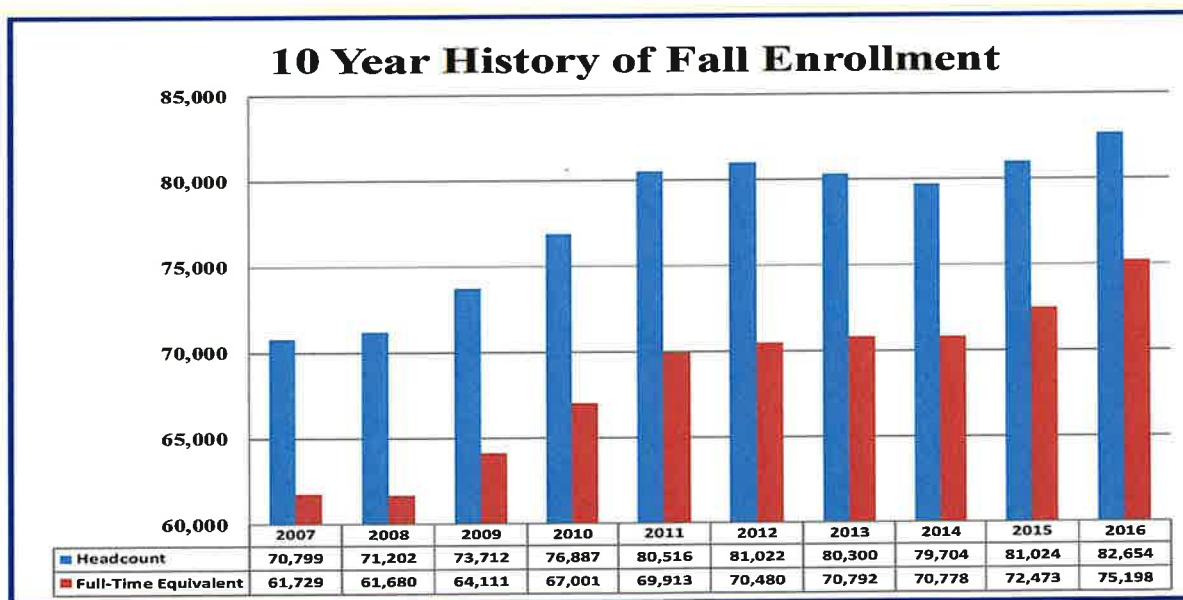
Net Position, and the Statement of Cash Flows; and the Statement of Financial Position and Statement of Activities for the discretely presented component units.

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 years 2017 and 2016 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 Statements 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 years ended June 30, 2017 and 2016. 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 20.8% and 21.8% of total IHL System net revenues for fiscal years 2017 and 2016, respectively, 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 Statements 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.



STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

Statements of Net Position

The Statements 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 Statements 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 Statements of Net Position provides a picture of the net position and its availability for expenditure.

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) | | | | | |
|--|-------------------------|----------------------|----------------------|-----------------------|--------------|
| | June 30, 2015 | June 30, 2016 | June 30, 2017 | Changes between years | |
| | | | | 2015 to 2016 | 2016 to 2017 |
| Assets: | | | | | |
| Current assets | \$ 1,053,012,269 | 1,146,356,658 | 1,141,188,950 | 8.9 % | (0.5)% |
| Capital assets, net | 3,585,173,759 | 3,874,246,454 | 4,075,419,713 | 8.1 | 5.2 |
| Other assets | 1,029,524,355 | 986,908,174 | 1,011,170,211 | (4.1) | 2.5 |
| Deferred outflows | 225,965,134 | 502,780,121 | 643,940,266 | 122.5 | 28.1 |
| Total assets and deferred outflows of resources | \$ 5,893,675,517 | 6,510,291,407 | 6,871,719,140 | 10.5 % | 5.6 % |
| Liabilities: | | | | | |
| Current liabilities | \$ 422,190,072 | 438,008,672 | 431,190,267 | 3.7 % | (1.6)% |
| Noncurrent liabilities | 3,203,453,481 | 3,831,860,414 | 4,229,368,829 | 19.6 | 10.4 |
| Deferred inflows | 268,176,489 | 67,548,820 | 9,514,525 | (74.8) | (85.9) |
| Total liabilities and deferred inflows of resources | \$ 3,893,820,042 | 4,337,417,906 | 4,670,073,621 | 11.4 % | 7.7 % |
| Net position (deficit): | | | | | |
| Investment in capital assets, net of debt | \$ 2,540,285,905 | 2,677,754,149 | 2,892,895,380 | 5.4 % | 8.0 % |
| Restricted – nonexpendable | 154,688,626 | 153,991,341 | 167,928,926 | (0.5) | 9.1 |
| Restricted – expendable | 269,676,999 | 263,152,959 | 290,583,123 | (2.4) | 10.4 |
| Unrestricted | (964,796,055) | (922,024,948) | (1,149,761,910) | 4.4 | (24.7) |
| Total net position | \$ 1,999,855,475 | 2,172,873,501 | 2,201,645,519 | 8.7 % | 1.3 % |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

At June 30, 2017, 2016, and 2015 current assets totaled \$1.14 billion, \$1.15 billion and \$1.05 billion, respectively, and consisted primarily of cash and cash equivalents, short-term investments and net receivables. Current assets decreased 0.5% (\$5.2 million) and increased 8.9% (\$93.3 million) from June 30, 2016 to 2017 and June 30, 2015 to 2016, respectively. Cash and cash equivalents and short-term investments constituted approximately 62.2% and 59.5% of current assets as of June 30, 2017 and 2016, respectively, while net receivables constituted approximately 31.2% and 32.7% of current assets as of June 30, 2017 and 2016, respectively. Approximately 33.0% and 33.5% of these net receivables are amounts due from gifts, contracts and grants and the State of Mississippi for appropriations as of June 30, 2017 and 2016, respectively, while 39.5% (2017) and 38.7% (2016) 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 \$107.9 million and \$100.2 million at June 30, 2017 and 2016, respectively.

At June 30, 2017 and 2016, noncurrent assets totaled \$5.1 billion and \$4.9 billion, respectively, which included capital assets of \$4.1 billion (2017) and \$3.9 billion (2016), respectively. Noncurrent cash and investments that are restricted externally by endowment arrangements or specific grant and contract arrangements and unspent bond proceeds approximated \$214.2 million and \$201.2 million at June 30, 2017 and 2016, respectively. One other significant noncurrent asset of the IHL System was student notes receivable, which equaled \$99.6 million and \$100.0 million at June 30, 2017 and 2016, respectively. In total, noncurrent assets increased 4.6% (\$225.4 million) during the past twelve months. The majority of this increase has been seen in the accumulation of net capital assets of \$201.2 million since 2016 (5.2%). Specifically, the IHL System's inventory of buildings has increased in pre-depreciation value by a total of \$187.9 million since June 30, 2016. 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, 2017 and 2016, current liabilities equaled \$431.2 million and \$438.0 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 decreased 1.6% (\$6.8 million) from June 30, 2016 to 2017 and increased 3.7% (\$15.8 million) from June 30, 2015 to 2016. In more detail, significant decreases were incurred in the areas of accounts payable and accrued liabilities (\$12.9 million) and long term liabilities current portion (\$4.1 million).

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end. Noncurrent liabilities equaled \$4.2 billion and \$3.8 billion at June 30, 2017 and 2016, respectively. These liabilities have increased 10.4% (\$397.5 million) since June 30, 2016. The principal reason for this increase was the change in the IHL System's proportionate share of the collective net pension liability reported by Public Employees' Retirement System of Mississippi (PERS), from \$2.4 billion to \$2.8 billion as of June 30, 2016 to 2017.

Deferred outflows of resources increased in 2017 while deferred inflows of resources decreased in 2017, primarily due to the impact of net pension liabilities. The IHL System recorded \$616.4 million and \$477.1 million of pension-related deferred outflows at the end of fiscal year 2017 and 2016, respectively, 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, \$7.5 million and \$65.4 million of pension-related deferred inflows at June 30, 2017 and 2016, respectively, 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

Restricted nonexpendable net position equaled \$167.9 million and \$154.0 million at June 30, 2017 and 2016, 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 9.1%, or \$13.9 million, from June 30, 2016 to 2017 and decreased 0.5%, or \$697 thousand, from June 30, 2015 to 2016.

Restricted expendable net position equaled \$290.6 million and \$263.2 million at June 30, 2017 and 2016, 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 10.4%, or \$27.4 million, from June 30, 2016 to 2017 and has decreased 2.4%, or \$6.5 million, from June 30, 2015 to 2016.

Unrestricted net position (deficit) equaled \$(1.1) billion and \$(922.0) million at June 30, 2017 and 2016 respectively, and represents those assets that are available to the IHL System for any lawful purpose. The value of unrestricted net position has decreased 24.7%, or \$227.7 million, from June 30, 2016 to 2017 and increased 4.4%, or \$42.8 million from June 30, 2015 to 2016. The change from 2014 to 2015 was primarily the result of the implementation of GASB Statement No. 68, under which IHL System recognized a liability for its net pension obligation.

Statements of Revenues, Expenses and Changes in Net Position

The Statements 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 Statements of Net Position are based on the activity presented in the Statements of Revenues, Expenses and Changes in Net Position. The purpose of the statements 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) | | | | | |
|---|---------------------|---------------|-----------------|-----------------------|--------------|
| | Years ended June 30 | | | Changes between years | |
| | 2016 | 2016 | 2017 | 2016 to 2016 | 2016 to 2017 |
| Operating revenues | \$ 2,383,402,942 | 2,539,686,979 | 2,525,496,552 | 6.6 % | (0.6)% |
| Operating expenses | 3,170,312,715 | 3,411,932,544 | 3,556,425,430 | 7.6 | 4.2 |
| Operating loss | (786,909,773) | (872,245,565) | (1,030,928,878) | (10.8) | (18.2) |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

| Summary of Revenues, Expenses and Changes in Net Position (Condensed) - Continued | | | | | |
|---|---------------------|---------------|---------------|-----------------------|--------------|
| | Years ended June 30 | | | Changes between years | |
| | 2015 | 2016 | 2017 | 2015 to 2016 | 2016 to 2017 |
| Nonoperating revenues | \$ 903,061,849 | 917,290,331 | 900,121,765 | 1.6 | (1.9) |
| Income before other revenues, expenses, gains or losses | 116,152,076 | 45,044,766 | (130,807,113) | (61.2) | (390.4) |
| Other revenues, expenses, gains or losses | 141,195,944 | 127,973,260 | 159,579,131 | (9.4) | 24.7 |
| Change in net position | 257,348,020 | 173,018,026 | 28,772,018 | (32.8) | (83.4) |
| Net position, beginning of the year | 3,660,638,103 | 1,999,855,475 | 2,172,873,501 | (45.4) | 8.7 |
| Adjustment to beginning of year net position, related to pension | (1,918,130,648) | — | — | (100.0) | — |
| Net position, end of the year | \$ 1,999,855,475 | 2,172,873,501 | 2,201,645,519 | 8.7 % | 1.3 % |

Operating Revenues

Operating revenues for the IHL System equaled \$2.5 billion for both fiscal years 2017 and 2016. Operating revenues increased 6.6% (or \$156.3 million) during 2016 and decreased 0.6% (or \$14.2 million) during 2017. Major components of operating revenues are the UMMC patient care revenues (42.5% in 2017 and 42.8% in 2016), net tuition and fees (24.3% in 2017 and 22.7% in 2016), grants and contracts revenues (15.2% in 2017 and 15.6% in 2016), and sales and service revenues from auxiliary activities (12.1% in 2017 and 11.5% in 2016). The following table summarizes the IHL System's operating revenues for the past three fiscal years.

| | Operating Revenues | | | Changes between years | |
|---|--------------------|---------------|---------------|-----------------------|--------------|
| | 2015 | 2016 | 2017 | 2015 to 2016 | 2016 to 2017 |
| Tuition and fees, net | \$ 542,656,869 | 577,003,159 | 613,457,701 | 6.3 % | 6.3 % |
| Grants and contracts | 373,604,583 | 396,811,348 | 384,564,505 | 6.2 | (3.1) |
| Federal appropriations | 18,137,773 | 18,796,056 | 13,749,480 | 3.6 | (26.8) |
| Sales and services of educational departments | 62,286,138 | 62,918,323 | 62,287,600 | 1.0 | (1.0) |
| Auxiliary enterprises, net | 267,235,962 | 293,171,765 | 306,185,083 | 9.7 | 4.4 |
| Patient care revenues | 1,043,115,837 | 1,086,205,305 | 1,074,214,704 | 4.1 | (1.1) |
| Other | 76,365,780 | 104,781,023 | 71,037,479 | 37.2 | (32.2) |
| Total operating revenues | \$ 2,383,402,942 | 2,539,686,979 | 2,525,496,552 | 6.6 % | (0.6)% |

Net tuition and fee revenues increased 6.3% (\$36.5 million) and 6.3% (\$34.3 million) during fiscal year 2017 and 2016, respectively. All IHL System institutions raised their in-state tuition rates during 2017 (average increase of 4.6%). At institutions where nonresident surcharges exist, non-Mississippi residents also paid a higher tuition rate during 2017 (average increase of 4.3%). These rate increases, coupled with the positive enrollment growth across the IHL System, resulted in an increase in tuition and fees, net.

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Grants and contracts revenue decreased 3.1% (\$12.2 million) during fiscal year 2017 and increased 6.2% (\$23.2 million), during fiscal year 2016, due to temporary decreases and timing differences in both federal and state funding of student aid, research, and other various grants and contracts.

Patient care revenue at the UMMC reached \$1.1 billion in 2017 and 2016, a decrease of \$12.0 million, or 1.1%, during 2017 and \$43.1 million, or 4.1%, during 2016. This decrease was primarily due to reimbursement decreases from both commercial and government payers.

Operating Expenses

Operating expenses for the IHL System totaled \$3.6 billion for fiscal year 2017 compared to \$3.4 billion in 2016. Operating expenses increased 7.6% (\$241.6 million) during 2016, and an additional 4.2% (\$144.5 million) during 2017. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 64.6% of the total in 2017 and 62.6% in 2016. Other major components include contractual services (12.4% in 2017 and 13.1% in 2016), commodities (10.2% during 2017 and 11.1% during 2016), and scholarships and fellowships (5.0% during 2017 and 5.1% during 2016). The following table summarizes the IHL System's operating expenses (by major object category) for the past three fiscal years.

| | Operating Expenses | | | Changes between years | |
|------------------------------|---------------------|---------------|---------------|-----------------------|--------------|
| | Years ended June 30 | | | | |
| | 2016 | 2016 | 2017 | 2015 to 2016 | 2016 to 2017 |
| By major object category: | | | | | |
| Salaries and wages | \$ 1,497,866,174 | 1,579,864,383 | 1,603,139,386 | 5.5 % | 1.5 % |
| Fringe benefits | 428,716,134 | 554,689,495 | 695,316,787 | 29.4 | 25.4 |
| Travel | 55,054,593 | 57,412,800 | 55,904,251 | 4.3 | (2.6) |
| Contractual services | 436,197,011 | 445,904,691 | 441,605,911 | 2.2 | (1.0) |
| Utilities | 70,422,300 | 64,855,950 | 64,571,389 | (7.9) | (0.4) |
| Scholarships and fellowships | 172,663,055 | 174,677,726 | 176,595,522 | 1.2 | 1.1 |
| Commodities | 357,505,798 | 377,571,345 | 361,903,237 | 5.6 | (4.1) |
| Depreciation | 144,509,434 | 147,049,697 | 151,955,292 | 1.8 | 3.3 |
| Other | 7,378,216 | 9,906,457 | 5,433,655 | 34.3 | (45.2) |
| Total operating expenses | \$ 3,170,312,715 | 3,411,932,544 | 3,556,425,430 | 7.6 % | 4.2 % |

IHL System's personnel costs (salaries, wages and fringe benefits) increased 7.7% (\$163.9 million) during 2017 and 10.8% (\$208.0 million) during 2016. All of the IHL System's institutions incorporated general market adjustments or benchmark raises for their faculty and staff during 2016, along with authorized pay increases for promotion-in-rank or additional position responsibilities. For 2017, institutions mainly provided pay increases for promotion-in-rank or additional position responsibilities. The range of these pay raises varied from institution to institution. UMMC (\$81.1 million) and UM (\$24.3 million) had the largest expense increase in this category, while the other institutions had smaller increases. Contractual services decreased 1.0% (\$4.3 million) and increased 2.2% (\$9.7 million), respectively, during 2017 and 2016. The cost for commodities decreased (4.1% or \$15.7 million) and increased (5.6% or \$20.1 million), respectively, during 2017 and 2016. Scholarships and fellowships expenses increased 1.1% (\$1.9 million) and 1.2% (\$2.0 million), respectively, during 2017 and 2016.

As an alternative presentation model, the IHL System's last three 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

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services that the universities generally provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

| | Operating Expenses | | | Changes between years | |
|-------------------------------------|---------------------|---------------|---------------|-----------------------|--------------|
| | Years ended June 30 | | | | |
| | 2015 | 2016 | 2017 | 2015 to 2016 | 2016 to 2017 |
| By function: | | | | | |
| Instruction | \$ 654,528,578 | 693,173,858 | 733,853,271 | 5.9 % | 5.9 % |
| Research | 284,458,084 | 326,037,408 | 361,047,290 | 14.6 | 10.7 |
| Public service | 153,656,800 | 164,910,728 | 168,750,793 | 7.3 | 2.3 |
| Academic support | 149,199,452 | 152,034,846 | 163,168,879 | 1.9 | 7.3 |
| Student services | 80,026,357 | 85,584,099 | 94,430,501 | 6.9 | 10.3 |
| Institutional support | 307,448,142 | 331,452,856 | 304,904,729 | 7.8 | (8.0) |
| Operations and maintenance of plant | 169,070,680 | 176,865,669 | 174,677,090 | 4.6 | (1.2) |
| Student aid | 187,965,581 | 179,806,532 | 178,442,239 | (4.3) | (0.8) |
| Auxiliary enterprises | 244,931,668 | 254,007,583 | 275,511,842 | 3.7 | 8.5 |
| Depreciation | 144,505,081 | 147,044,210 | 151,947,801 | 1.8 | 3.3 |
| Hospital | 870,216,690 | 981,069,973 | 1,027,373,142 | 12.7 | 4.7 |
| Other | 1,120,042 | 512,543 | 353,940 | (54.2) | (30.9) |
| Eliminations | (76,814,440) | (80,567,761) | (78,036,087) | 4.9 | (3.1) |
| Total operating expenses | \$ 3,170,312,715 | 3,411,932,544 | 3,556,425,430 | 7.6 % | 4.2 % |

Funding for the Instruction function continues to be one of the IHL System's highest priorities. Approximately 20.6% and 20.3% of the IHL System's expenses were devoted to the Instruction function in 2017 and 2016, 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 2015 to 2016 and 2016 to 2017, these costs represent approximately 14.9%, 14.4%, and 13.8% of the IHL System's total focus during 2017, 2016, and 2015, respectively. Research and public service sector expenses increased approximately 10.7% (\$35.0 million) and 2.3% (\$3.8 million), and 14.6% (\$41.6 million) and 7.3% (\$11.3 million) respectively, during 2017 and 2016. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs decreased 8.0% (\$26.5 million) and increased 7.8% (\$24.0 million), respectively, in 2017 and 2016. 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 8.5% (\$21.5 million) and 3.7% (\$9.1 million), respectively, in fiscal years 2017 and 2016. Student Aid expenses decreased in 2017 by 0.8% (\$1.4 million) and 2016 by 4.3% (\$8.2 million). Finally, hospital expenses increased 4.7% (or \$46.3 million) and 12.7% (or \$110.9 million) in 2017 and 2016, respectively, as a result of increased patient treatment costs.

From fiscal year 2015 through 2017, 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.

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Capital Asset and Debt Administration

At June 30, 2017, 2016, and 2015, the IHL System had approximately \$4.1 billion, \$3.9 billion, and \$3.6 billion, respectively, invested in a broad range of capital assets. These assets comprise land, construction in progress, livestock, 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 three fiscal years.

| | Capital Asset Summary | | | Changes between years | |
|--------------------------------------|-----------------------|-----------------|-----------------|-----------------------|--------------|
| | Years ended June 30 | | | 2015 to 2016 | 2016 to 2017 |
| | 2015 | 2016 | 2017 | | |
| Capital assets not being depreciated | \$ 635,416,441 | 757,855,667 | 849,237,452 | 19.3 % | 12.1 % |
| Depreciable capital assets: | | | | | |
| Improvements other than buildings | 337,478,533 | 348,304,115 | 360,661,791 | 3.2 | 3.5 |
| Buildings | 3,294,288,590 | 3,525,200,839 | 3,713,069,481 | 7.0 | 5.3 |
| Equipment | 798,437,702 | 831,648,844 | 852,440,928 | 4.2 | 2.5 |
| Library books | 390,159,181 | 402,635,256 | 417,528,089 | 3.2 | 3.7 |
| Total depreciable capital assets | 4,820,364,006 | 5,107,789,054 | 5,343,700,289 | 6.0 | 4.6 |
| Total cost of capital assets | 5,455,780,447 | 5,865,644,721 | 6,192,937,741 | 7.5 | 5.6 |
| Less accumulated depreciation | (1,870,606,688) | (1,991,398,267) | (2,117,518,028) | 6.5 | 6.3 |
| Capital assets, net | \$ 3,585,173,759 | 3,874,246,454 | 4,075,419,713 | 8.1 % | 5.2 % |

Nondepreciable capital assets equaled \$849.2 million, \$757.9 million, and \$635.4 million at June 30, 2017, 2016, and 2015, respectively. These assets principally consisted of land and construction in progress. The \$91.6 million increase during fiscal year 2017 was due to capitalized facility projects that were "in progress" at June 30, 2017, but will be finished in subsequent reporting periods and reclassified to the depreciable buildings category.

At June 30, 2017, 2016, and 2015, the IHL System had \$1.2 billion in bonded debt, notes payable, and capital lease obligations. This represented a 1.8%, or \$21.9 million, decrease over the prior year-end. The following table summarizes the IHL System's long-term debt for the past three fiscal years.

| | Long-Term Debt Summary | | | Changes between years | |
|---------------------------|------------------------|---------------|---------------|-----------------------|--------------|
| | Years ended June 30 | | | 2015 to 2016 | 2016 to 2017 |
| | 2015 | 2016 | 2017 | | |
| Bonds payable | \$ 1,072,022,814 | 1,121,486,870 | 1,203,165,123 | 4.6 % | 7.3 % |
| Notes payable | 16,203,322 | 10,819,307 | 9,253,546 | (33.2) | (14.5) |
| Capital lease obligations | 71,692,377 | 104,770,423 | 2,712,097 | 46.1 | (97.4) |
| Total long-term debt | \$ 1,159,918,513 | 1,237,076,600 | 1,215,130,766 | 6.7 % | (1.8)% |

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Bonded debt increased during 2017 and 2016 by 7.3%, or \$81.7 million, and 4.6%, or \$49.5 million, respectively. While DSU, JSU, and MSU issued approximately \$15.1 million, \$6.0 million, and \$63.3 million, respectively, in new bond refundings during fiscal year 2017, UM transferred approximately \$85.8 million in capital leases to bonded debt with the completion of certain construction projects. UM's total lease obligations were valued at \$85.8 million at June 30, 2016.

Designated Revenues

Bond indentures previously issued, and those that may be issued in the future by the institution's EBCs 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 2013 through 2017.

| Designated Revenues ¹ and Unrestricted Net Positions (excludes UMMC, Board Office, and MCVS) | | | | | |
|---|---------------------|---------------|---------------|---------------|---------------|
| | Years ended June 30 | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 |
| Tuition, net ² | \$ 464,921,581 | 497,711,625 | 517,336,376 | 551,020,691 | 585,081,567 |
| Sales and services | 51,337,588 | 54,768,559 | 60,542,705 | 60,958,994 | 60,369,071 |
| Auxiliary enterprises, net ² | 203,844,601 | 217,788,943 | 259,607,634 | 286,985,729 | 300,085,021 |
| Other ³ | 44,073,191 | 48,967,419 | 49,471,340 | 55,903,573 | 45,829,086 |
| Subtotal | 764,176,961 | 819,236,546 | 886,958,055 | 954,868,987 | 991,364,745 |
| State appropriations | 450,229,385 | 469,870,373 | 495,091,965 | 513,470,169 | 490,804,883 |
| Unrestricted net position ⁴ | 499,501,535 | 542,761,292 | — | — | — |
| Total | \$ 1,713,907,881 | 1,831,868,211 | 1,382,050,020 | 1,468,339,156 | 1,482,169,628 |

¹ 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 position balances.

² Tuition and auxiliary enterprise revenues are net of scholarship allowances in the form of reduced tuition, room and board.

³ Other designated revenues includes federal appropriations, other operating revenues, and interest earned on loans to students.

⁴ Unrestricted net position was (\$527,806,835), (\$423,613,421), and (\$471,538,432) for the years ended June 30, 2017, 2016, and 2015, respectively, and therefore did not contribute to designated revenues for any of these periods. The decline in unrestricted net position is a result of implementation of GASB 68.

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Economic Outlook

The IHL System began the 2017 fiscal year with an anticipated systemwide operating budget increase of \$38.8 million. This increase was funded primarily by a mixture of tuition revenues, auxiliary revenues, and ongoing maintenance of hospital revenues. The actual net surplus for 2017 was \$28.8 million, (see the Statements of Revenues, Expenses and Changes in Net Position summary table on page 10 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 2018, general education funding from the State of Mississippi will decrease 5.0% (35.2 million). 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 \$46.7 million in new tuition revenue during 2018 due to a mixture of enrollment growth and general rate increases. Of this amount, approximately \$25.9 million is projected to increase net tuition revenue. In 2018 state appropriated revenues will comprise approximately 28.5% of the total E&G budget, while self-generated tuition revenues will equal 66.7% of the total revenues. In comparison, in fiscal year 2010, state appropriations represented 42% of revenues, while tuition revenue equaled 48% 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.

This financial report is designed to provide a general overview of the finances of the IHL System. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

The Board of Trustees
Accounting Department
3825 Ridgewood Road
Jackson, Mississippi 39211

BASIC FINANCIAL STATEMENTS

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Net Position

June 30, 2017 and 2016

| Assets and Deferred Outflows | 2017 | 2016 |
|---|-------------------------|----------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 464,383,635 | 461,021,888 |
| Short-term investments | 245,306,843 | 220,559,840 |
| Accounts receivable, net | 356,604,945 | 374,690,496 |
| Student notes receivable, net | 17,088,919 | 15,766,208 |
| Inventories | 32,337,075 | 32,210,811 |
| Prepaid expenses | 24,420,954 | 33,075,731 |
| Other current assets | <u>1,046,579</u> | <u>9,031,684</u> |
| Total current assets | <u>1,141,188,950</u> | <u>1,146,356,658</u> |
| Noncurrent assets: | | |
| Restricted cash and cash equivalents | 211,957,675 | 185,490,081 |
| Restricted short-term investments | 2,243,695 | 15,721,437 |
| Endowment investments | 315,892,363 | 247,325,616 |
| Other long-term investments | 377,225,553 | 433,633,373 |
| Student notes receivable, net | 99,617,924 | 100,046,680 |
| Capital assets, net | 4,075,419,713 | 3,874,246,454 |
| Other noncurrent assets | <u>4,233,001</u> | <u>4,690,987</u> |
| Total noncurrent assets | <u>5,086,589,924</u> | <u>4,861,154,628</u> |
| Total assets | 6,227,778,874 | 6,007,511,286 |
| Deferred outflows of resources: | | |
| Deferred loss on refunding of debt | 27,502,308 | 25,673,108 |
| Pension-related deferred outflows | <u>616,437,958</u> | <u>477,107,013</u> |
| Total assets and deferred outflows of resources | <u>\$ 6,871,719,140</u> | <u>6,510,291,407</u> |
| Liabilities, Deferred Inflows and Net Position | | |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 201,746,438 | 214,690,067 |
| Unearned revenues | 128,992,187 | 125,018,901 |
| Accrued leave liabilities-current portion | 12,028,112 | 11,014,419 |
| Long-term liabilities-current portion | 56,424,069 | 60,489,446 |
| Other current liabilities | <u>31,999,461</u> | <u>26,795,839</u> |
| Total current liabilities | <u>431,190,267</u> | <u>438,008,672</u> |
| Noncurrent liabilities: | | |
| Net pension liability | 2,824,552,260 | 2,402,927,178 |
| Deposits refundable | 1,038,850 | 1,035,215 |
| Accrued leave liabilities | 115,072,755 | 117,295,773 |
| Long-term liabilities | 1,199,836,946 | 1,223,380,976 |
| Other long-term liabilities | <u>88,868,018</u> | <u>87,221,272</u> |
| Total noncurrent liabilities | <u>4,229,368,829</u> | <u>3,831,860,414</u> |
| Total liabilities | 4,660,559,096 | 4,269,869,086 |
| Deferred inflows of resources: | | |
| Deferred amount of refundings | 2,010,151 | 2,129,565 |
| Pension-related deferred inflows | <u>7,504,374</u> | <u>65,419,255</u> |
| Total liabilities and deferred inflows of resources | <u>\$ 4,670,073,621</u> | <u>4,337,417,906</u> |
| Net position: | | |
| Net investment in capital assets | \$ 2,892,895,380 | 2,677,754,149 |
| Restricted for: | | |
| Nonexpendable: | | |
| Scholarships and fellowships | 26,229,913 | 20,528,512 |
| Research | 4,531,429 | 4,344,755 |
| Other purposes | 137,167,584 | 129,118,074 |
| Expendable: | | |
| Scholarships and fellowships | 53,933,650 | 57,800,948 |
| Research | 55,499,320 | 55,119,008 |
| Capital projects | 9,048,132 | 7,562,835 |
| Debt service | 20,127,438 | 19,335,218 |
| Loans | 40,332,559 | 36,507,069 |
| Other purposes | 111,642,024 | 86,827,881 |
| Unrestricted | <u>(1,149,761,910)</u> | <u>(922,024,948)</u> |
| Total net position | <u>\$ 2,201,645,519</u> | <u>2,172,873,501</u> |

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2017 and 2016

| Assets | 2017 | 2016 |
|---|-----------------------|--------------------|
| Cash and cash equivalents | \$ 3,129,779 | 2,604,925 |
| Restricted cash | 5,572,458 | 5,695,276 |
| Accrued interest, other receivables and prepaid assets | 203,389 | 261,465 |
| Receivable from MSU Alumni Association | 141,336 | 122,545 |
| Pledges receivable, net | 39,461,790 | 38,418,418 |
| Investments | 447,946,013 | 410,573,276 |
| Present value of amounts due from externally managed trusts | 50,228,587 | 46,924,276 |
| Land, buildings, and equipment, net | 8,533,398 | 8,968,555 |
| Total assets | <u>\$ 555,216,750</u> | <u>513,568,736</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,037,217 | 1,537,647 |
| Agency payable | 5,572,458 | 5,695,276 |
| Liabilities under split interest agreements | 4,990,708 | 4,865,825 |
| Payable to Mississippi State University | 595,766 | 31,716 |
| Total liabilities | <u>12,196,149</u> | <u>12,130,464</u> |
| Net assets: | | |
| Unrestricted: | | |
| Net assets attributable to the Foundation | 41,665,507 | 37,520,770 |
| Net assets attributable to noncontrolling interest | 44,286,842 | 42,419,717 |
| Total unrestricted net assets | 85,952,349 | 79,940,487 |
| Temporarily restricted | 103,032,871 | 81,381,257 |
| Permanently restricted | 354,035,381 | 340,116,528 |
| Total net assets | <u>543,020,601</u> | <u>501,438,272</u> |
| Total liabilities and net assets | <u>\$ 555,216,750</u> | <u>513,568,736</u> |

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2017 and 2016

| Assets | 2017 | 2016 |
|--|-----------------------|--------------------|
| Cash and cash equivalents | \$ 2,412,726 | 8,728,828 |
| Pledges receivable, net | 68,728,048 | 51,542,933 |
| Investments | 448,378,454 | 396,683,891 |
| Beneficial interest in remainder trust | 9,615,629 | 7,450,869 |
| Property and equipment, net | 2,484,477 | 2,542,793 |
| Other assets | 1,179,691 | 1,290,526 |
| Total assets | <u>\$ 532,799,025</u> | <u>468,239,840</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Funds held for others | \$ 23,591,139 | 22,056,528 |
| Liabilities under remainder trusts | 4,044,954 | 5,574,469 |
| Other liabilities | 1,471,376 | 7,558,472 |
| Total liabilities | <u>29,107,469</u> | <u>35,189,469</u> |
| Net assets: | | |
| Unrestricted | 18,099,691 | 16,348,947 |
| Temporarily restricted | 248,262,610 | 193,482,320 |
| Permanently restricted | 237,329,255 | 223,219,104 |
| Total net assets | <u>503,691,556</u> | <u>433,050,371</u> |
| Total liabilities and net assets | <u>\$ 532,799,025</u> | <u>468,239,840</u> |

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2017 and 2016

| Assets | 2017 | 2016 |
|---|-----------------------|--------------------|
| Cash and cash equivalents | \$ 3,122,635 | 1,085,377 |
| Accrued interest | 134,539 | 129,284 |
| Prepaid assets and other receivables | 421,452 | 1,002,168 |
| Pledges receivable, net | 4,950,614 | 8,224,516 |
| Investments | 107,101,292 | 96,668,501 |
| Present value of amounts due from externally managed trusts | 5,102,951 | 4,883,516 |
| Net investment in direct financing lease | 284,307 | 479,945 |
| Property and equipment, net | 27,155 | 38,183 |
| Total assets | <u>\$ 121,144,945</u> | <u>112,511,490</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 438,862 | 371,992 |
| Gift annuities payable | 263,831 | 286,181 |
| Life estate payable | 33,489 | — |
| Total liabilities | <u>736,182</u> | <u>658,173</u> |
| Net assets: | | |
| Unrestricted | 6,348,577 | 6,024,035 |
| Temporarily restricted | 37,181,815 | 33,689,732 |
| Permanently restricted | 76,878,371 | 72,139,550 |
| Total net assets | <u>120,408,763</u> | <u>111,853,317</u> |
| Total liabilities and net assets | <u>\$ 121,144,945</u> | <u>112,511,490</u> |

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------------|----------------------|
| Operating revenues: | | |
| Tuition and fees: | \$ 916,133,211 | 854,116,172 |
| Less scholarship allowances | (293,471,553) | (273,364,654) |
| Less bad debt expense | (9,203,957) | (3,748,359) |
| Net tuition and fees | 613,457,701 | 577,003,159 |
| Federal appropriations | 13,749,480 | 18,796,056 |
| Federal grants and contracts | 264,206,665 | 266,745,196 |
| State grants and contracts | 40,782,102 | 46,079,949 |
| Nongovernmental grants and contracts | 79,575,738 | 83,986,203 |
| Sales and services of educational departments | 62,287,600 | 62,918,323 |
| Auxiliary enterprises: | | |
| Student housing | 109,708,001 | 101,154,917 |
| Food services | 32,802,156 | 31,608,552 |
| Bookstore | 6,804,589 | 6,851,820 |
| Athletics | 147,340,191 | 143,620,060 |
| Other auxiliary revenues | 42,015,252 | 41,264,838 |
| Less auxiliary enterprise scholarship allowances | (32,485,106) | (31,328,422) |
| Interest earned on loans to students | 1,151,313 | 979,296 |
| Patient care revenues, net | 1,074,214,704 | 1,086,205,305 |
| Other operating revenues, net | 69,886,166 | 103,801,727 |
| Total operating revenues | <u>2,525,496,552</u> | <u>2,539,686,979</u> |
| Operating expenses: | | |
| Salaries and wages | 1,603,139,386 | 1,579,864,383 |
| Fringe benefits | 695,316,787 | 554,689,495 |
| Travel | 55,904,251 | 57,412,800 |
| Contractual services | 441,605,911 | 445,904,691 |
| Utilities | 64,571,389 | 64,855,950 |
| Scholarships and fellowships | 176,595,522 | 174,677,726 |
| Commodities | 361,903,237 | 377,571,345 |
| Depreciation | 151,955,292 | 147,049,697 |
| Other operating expenses | 5,433,655 | 9,906,457 |
| Total operating expenses | <u>3,556,425,430</u> | <u>3,411,932,544</u> |
| Operating loss | <u>(1,030,928,878)</u> | <u>(872,245,565)</u> |
| Nonoperating revenues (expenses): | | |
| State appropriations | 710,822,400 | 753,163,410 |
| Gifts and grants | 193,717,161 | 192,072,708 |
| Investment income | 33,233,891 | 19,600,414 |
| Interest expense on capital asset-related debt | (41,684,335) | (38,740,301) |
| Other nonoperating revenues | 6,092,627 | 2,610,632 |
| Other nonoperating expenses | (2,059,979) | (11,416,532) |
| Total nonoperating revenues, net | <u>900,121,765</u> | <u>917,290,331</u> |
| Income before other revenues, expenses, gains and losses | (130,807,113) | 45,044,766 |
| Other revenues, expenses, gains and losses: | | |
| Capital grants and gifts | 57,239,648 | 43,588,266 |
| State appropriations restricted for capital purposes | 97,011,723 | 82,307,425 |
| Additions to permanent endowments | 4,746,846 | 1,656,306 |
| Other additions | 5,546,365 | 6,466,314 |
| Other deletions | (4,965,451) | (6,045,051) |
| Change in net position | 28,772,018 | 173,018,026 |
| Net position, beginning of the year | <u>2,172,873,501</u> | <u>1,999,855,475</u> |
| Net position, end of the year | \$ <u>2,201,645,519</u> | <u>2,172,873,501</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, 2017

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues and support: | | | | |
| Contributions | \$ 13,536,600 | 14,401,014 | 11,900,403 | 39,838,017 |
| Net investment income | 7,112,337 | 28,343,932 | 278,910 | 35,735,179 |
| Change in value of split interest agreements | — | 512,886 | 1,827,150 | 2,340,036 |
| Other | 5,458,372 | (15,131) | (8,591) | 5,434,650 |
| Change in restrictions by donor | — | 79,019 | (79,019) | — |
| Net assets released from restrictions | 21,670,106 | (21,670,106) | — | — |
| Total revenues and support | <u>47,777,415</u> | <u>21,651,614</u> | <u>13,918,853</u> | <u>83,347,882</u> |
| Expenditures: | | | | |
| Program services: | | | | |
| Contributions and support for Mississippi State University | 31,477,508 | — | — | 31,477,508 |
| Contributions and support for Bulldog Club | 243,990 | — | — | 243,990 |
| Contributions and support for MSU Alumni Association | 596,002 | — | — | 596,002 |
| Total program services | <u>32,317,500</u> | <u>—</u> | <u>—</u> | <u>32,317,500</u> |
| Supporting services: | | | | |
| General and administrative | 3,710,588 | — | — | 3,710,588 |
| Fund raising | 4,031,605 | — | — | 4,031,605 |
| Total supporting services | <u>7,742,193</u> | <u>—</u> | <u>—</u> | <u>7,742,193</u> |
| Total expenditures | <u>40,059,693</u> | <u>—</u> | <u>—</u> | <u>40,059,693</u> |
| Change in net assets | 7,717,722 | 21,651,614 | 13,918,853 | 43,288,189 |
| Change in net assets attributable to noncontrolling interests | — | — | — | — |
| Change in net assets related to merger with MSU Alumni Foundation | — | — | — | — |
| Payments to noncontrolling interests | (1,705,860) | — | — | (1,705,860) |
| Total change in net assets | 6,011,862 | 21,651,614 | 13,918,853 | 41,582,329 |
| Net assets, beginning of year | <u>79,940,487</u> | <u>81,381,257</u> | <u>340,116,528</u> | <u>501,438,272</u> |
| Net assets, end of year | <u>\$ 85,952,349</u> | <u>103,032,871</u> | <u>354,035,381</u> | <u>543,020,601</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, 2016

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|---------------------|
| Revenues and support: | | | | |
| Contributions | \$ 10,321,315 | 14,343,881 | 19,193,333 | 43,858,529 |
| Net investment income | (4,587,861) | (11,125,017) | 1,412,803 | (14,300,075) |
| Change in value of split interest agreements | — | 14,463 | (1,702,292) | (1,687,829) |
| Other | 4,966,922 | 68,379 | 15,585 | 5,050,886 |
| Change in restrictions by donor | — | — | — | — |
| Net assets released from restrictions | <u>30,004,243</u> | <u>(30,004,243)</u> | <u>—</u> | <u>—</u> |
| Total revenues and support | <u>40,704,619</u> | <u>(26,702,537)</u> | <u>18,919,429</u> | <u>32,921,511</u> |
| Expenditures: | | | | |
| Program services: | | | | |
| Contributions and support for Mississippi State University | 36,763,705 | — | — | 36,763,705 |
| Contributions and support for Bulldog Club | 900,870 | — | — | 900,870 |
| Contributions and support for MSU Alumni Association | <u>586,900</u> | <u>—</u> | <u>—</u> | <u>586,900</u> |
| Total program services | <u>38,251,475</u> | <u>—</u> | <u>—</u> | <u>38,251,475</u> |
| Supporting services: | | | | |
| General and administrative | 3,627,492 | — | — | 3,627,492 |
| Fund raising | <u>3,898,054</u> | <u>—</u> | <u>—</u> | <u>3,898,054</u> |
| Total supporting services | <u>7,525,546</u> | <u>—</u> | <u>—</u> | <u>7,525,546</u> |
| Total expenditures | <u>45,777,021</u> | <u>—</u> | <u>—</u> | <u>45,777,021</u> |
| Change in net assets | (5,072,402) | (26,702,537) | 18,919,429 | (12,855,510) |
| Change in net assets attributable to noncontrolling interests | 1,965,467 | — | — | 1,965,467 |
| Change in net assets related to merger with MSU Alumni Foundation | — | 8,176,682 | 5,832,543 | 14,009,225 |
| Payments to noncontrolling interests | <u>(16,932,305)</u> | <u>—</u> | <u>—</u> | <u>(16,932,305)</u> |
| Total change in net assets | <u>(20,039,240)</u> | <u>(18,525,855)</u> | <u>24,751,972</u> | <u>(13,813,123)</u> |
| Net assets, beginning of year | <u>99,979,727</u> | <u>99,907,112</u> | <u>315,364,556</u> | <u>515,251,395</u> |
| Net assets, end of year | <u>\$ 79,940,487</u> | <u>81,381,257</u> | <u>340,116,528</u> | <u>501,438,272</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, 2017

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains, and other support: | | | | |
| Contributions, gifts, and bequests | \$ — | 49,698,369 | 8,006,208 | 57,704,577 |
| Dividend and interest income | 1,588,665 | 5,094,077 | — | 6,682,742 |
| Net unrealized and realized gains on investments | 970,746 | 36,945,530 | 147,622 | 38,063,898 |
| Change in value of split-interest agreements | — | 47,509 | 1,572,214 | 1,619,723 |
| Other income | 1,909,728 | 1,858,818 | 629 | 3,769,175 |
| Net assets released from restrictions/ redesignated by donor | <u>34,480,535</u> | <u>(38,864,013)</u> | <u>4,383,478</u> | <u>—</u> |
| Total revenues, gains, and other support | <u>38,949,674</u> | <u>54,780,290</u> | <u>14,110,151</u> | <u>107,840,115</u> |
| Expenses: | | | | |
| Support for University activities | 33,193,872 | — | — | 33,193,872 |
| General and administrative expenses | 3,090,136 | — | — | 3,090,136 |
| Fund-raising expenses | 914,922 | — | — | 914,922 |
| Total expenses | <u>37,198,930</u> | <u>—</u> | <u>—</u> | <u>37,198,930</u> |
| Change in net assets | 1,750,744 | 54,780,290 | 14,110,151 | 70,641,185 |
| Net assets, beginning of year | <u>16,348,947</u> | <u>193,482,320</u> | <u>223,219,104</u> | <u>433,050,371</u> |
| Net assets, end of year | <u>\$ 18,099,691</u> | <u>248,262,610</u> | <u>237,329,255</u> | <u>503,691,556</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, 2016

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains, and other support: | | | | |
| Contributions, gifts, and bequests | \$ — | 51,015,382 | 9,452,422 | 60,467,804 |
| Dividend and interest income | 1,486,945 | 3,764,476 | — | 5,251,421 |
| Net unrealized and realized (losses) gains on investments | (676,744) | (11,177,334) | 11,006 | (11,843,072) |
| Change in value of split-interest agreements | — | 62,142 | 687,862 | 750,004 |
| Other income | 742,007 | 1,271,994 | 40,430 | 2,054,431 |
| Net assets released from restrictions/ redesignated by donor | 31,761,371 | (34,498,632) | 2,737,261 | — |
| Total revenues, gains, and other support | <u>33,313,579</u> | <u>10,438,028</u> | <u>12,928,981</u> | <u>56,680,588</u> |
| Expenses: | | | | |
| Support for University activities | 30,011,791 | — | — | 30,011,791 |
| General and administrative expenses | 2,707,271 | — | — | 2,707,271 |
| Fund-raising expenses | 1,431,811 | — | — | 1,431,811 |
| Total expenses | <u>34,150,873</u> | <u>—</u> | <u>—</u> | <u>34,150,873</u> |
| Change in net assets | (837,294) | 10,438,028 | 12,928,981 | 22,529,715 |
| Net assets, beginning of year | <u>17,186,241</u> | <u>183,044,292</u> | <u>210,290,123</u> | <u>410,520,656</u> |
| Net assets, end of year | <u>\$ 16,348,947</u> | <u>193,482,320</u> | <u>223,219,104</u> | <u>433,050,371</u> |

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, 2017

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Revenues, gains and other support: | | | | |
| Contributions | \$ 1,966,283 | 3,098,705 | 5,104,139 | 10,169,127 |
| Net investment gain | 1,611,191 | 8,874,527 | 111,610 | 10,597,328 |
| Change in value of split interest agreements | — | (1,709) | (620,114) | (621,823) |
| Other | 34,948 | 39,506 | 84 | 74,538 |
| Change in restriction by donor | (10,603) | (132,499) | 143,102 | — |
| Net assets released from restrictions | <u>8,386,447</u> | <u>(8,386,447)</u> | <u>—</u> | <u>—</u> |
| Total revenues, gains and other support | <u>11,988,266</u> | <u>3,492,083</u> | <u>4,738,821</u> | <u>20,219,170</u> |
| Expenses: | | | | |
| Program services: | | | | |
| Contributions and support for The University of Southern Mississippi | <u>8,797,840</u> | <u>—</u> | <u>—</u> | <u>8,797,840</u> |
| Total program services | <u>8,797,840</u> | <u>—</u> | <u>—</u> | <u>8,797,840</u> |
| Supporting services: | | | | |
| General and administrative | 1,625,659 | — | — | 1,625,659 |
| Fund raising | <u>1,240,225</u> | <u>—</u> | <u>—</u> | <u>1,240,225</u> |
| Total supporting services | <u>2,865,884</u> | <u>—</u> | <u>—</u> | <u>2,865,884</u> |
| Total expenses | <u>11,663,724</u> | <u>—</u> | <u>—</u> | <u>11,663,724</u> |
| Change in net assets | 324,542 | 3,492,083 | 4,738,821 | 8,555,446 |
| Net assets, beginning of year | <u>6,024,035</u> | <u>33,689,732</u> | <u>72,139,550</u> | <u>111,853,317</u> |
| Net assets, end of year | <u>\$ 6,348,577</u> | <u>37,181,815</u> | <u>76,878,371</u> | <u>120,408,763</u> |

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, 2016

| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
|--|--------------|---------------------------|---------------------------|-------------|
| Revenues, gains and other support: | | | | |
| Contributions | \$ 2,100,023 | 2,997,493 | 7,312,426 | 12,409,942 |
| Net investment gain | 1,470,364 | (1,901,597) | 33,138 | (398,095) |
| Change in value of split interest agreements | — | (992) | 87,922 | 86,930 |
| Other | 38,084 | 30,516 | 2,878 | 71,478 |
| Change in restriction by donor | 10,022 | (1,118,630) | 1,108,608 | — |
| Net assets released from restrictions | 9,039,310 | (9,039,310) | — | — |
| Total revenues, gains and other support | 12,657,803 | (9,032,520) | 8,544,972 | 12,170,255 |
| Expenses: | | | | |
| Program services: | | | | |
| Contributions and support for The University of Southern Mississippi | 9,605,938 | — | — | 9,605,938 |
| Total program services | 9,605,938 | — | — | 9,605,938 |
| Supporting services: | | | | |
| General and administrative | 1,557,489 | — | — | 1,557,489 |
| Fund raising | 863,209 | — | — | 863,209 |
| Total supporting services | 2,420,698 | — | — | 2,420,698 |
| Total expenses | 12,026,636 | — | — | 12,026,636 |
| Change in net assets | 631,167 | (9,032,520) | 8,544,972 | 143,619 |
| Net assets, beginning of year | 5,392,868 | 42,722,252 | 63,594,578 | 111,709,698 |
| Net assets, end of year | \$ 6,024,035 | 33,689,732 | 72,139,550 | 111,853,317 |

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Cash Flows

Years ended June 30, 2017 and 2016

| | 2017 | 2016 |
|---|-----------------|-----------------|
| Operating activities: | | |
| Tuition and fees | \$ 624,308,840 | 572,470,925 |
| Grants and contracts | 382,886,244 | 409,349,570 |
| Sales and services of educational departments | 62,326,236 | 64,550,870 |
| Payments to suppliers | (868,968,209) | (872,379,523) |
| Payments to employees for salaries and benefits | (2,100,263,516) | (2,043,367,412) |
| Payments for utilities | (64,658,212) | (64,926,009) |
| Payment for scholarships and fellowships | (171,861,443) | (166,766,819) |
| Loans issued to students and employees | (16,088,162) | (21,828,760) |
| Collections of loans to students and employees | 13,327,712 | 13,859,921 |
| Auxiliary enterprise charges: | | |
| Student housing | 91,844,665 | 82,129,563 |
| Food services | 27,785,501 | 25,866,267 |
| Bookstore | 6,613,480 | 6,689,090 |
| Athletics | 144,940,072 | 144,365,822 |
| Other auxiliary enterprises | 33,338,384 | 33,162,503 |
| Patient care services | 1,091,284,861 | 1,042,311,163 |
| Interest earned on loans to students | 1,061,999 | 1,016,071 |
| Other receipts | 88,710,830 | 114,225,851 |
| Other payments | (12,746,831) | (9,366,058) |
| Net cash used in operating activities | (666,157,549) | (668,636,965) |
| Noncapital financing activities: | | |
| State appropriations | 710,809,462 | 756,058,081 |
| Gifts and grants for other than capital purposes | 176,783,364 | 172,434,526 |
| Private gifts for endowment purposes | 4,814,882 | 25,521,667 |
| Federal loan program receipts | 508,810,736 | 502,516,142 |
| Federal loan program disbursements | (505,639,712) | (502,567,096) |
| Other sources | 14,567,489 | 9,549,509 |
| Other uses | (2,202,506) | (32,641,048) |
| Net cash provided by noncapital financing activities | 907,943,715 | 930,871,781 |
| Capital and related financing activities: | | |
| Proceeds from capital debt | 69,270,000 | 187,457,861 |
| Cash paid for capital assets | (242,364,643) | (300,537,800) |
| Capital appropriations received | 13,381,722 | 4,260,923 |
| Capital grants and contracts received | 67,025,774 | 45,290,179 |
| Proceeds from sales of capital assets | 98,859 | 1,233,478 |
| Principal paid on capital debt and leases | (88,788,093) | (150,680,766) |
| Interest paid on capital debt and leases | (49,965,619) | (52,034,683) |
| Other sources | 9,270,750 | 5,327,192 |
| Other uses | (3,168,115) | (19,862,003) |
| Net cash used in capital and related financing activities | (225,239,365) | (279,545,619) |
| Investing activities: | | |
| Proceeds from sales and maturities of investments | 436,850,881 | 563,675,778 |
| Interest received on investments | 18,733,073 | 12,945,608 |
| Purchases of investments | (442,301,414) | (614,429,071) |
| Net cash provided by (used in) investing activities | 13,282,540 | (37,807,685) |
| Net change in cash and cash equivalents | 29,829,341 | (55,118,488) |
| Cash and cash equivalents, beginning of year | 646,511,969 | 701,630,457 |
| Cash and cash equivalents, end of the year | \$ 676,341,310 | 646,511,969 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Cash Flows

Years ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|-------------------------|----------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (1,030,928,878) | (872,245,565) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation expense | 151,955,292 | 147,049,697 |
| Self-insured claims expense | 13,093,471 | 10,495,404 |
| Provision for uncollectible patient accounts receivable | 121,438,262 | 155,923,237 |
| Other | (14,498,718) | 324,992 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Receivables, net | (107,389,377) | (184,602,695) |
| Inventories | (126,264) | (2,564,352) |
| Prepaid expenses | 8,392,084 | (766,692) |
| Other assets | (5,071,210) | (32,906,831) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued liabilities | (12,943,629) | 8,259,210 |
| Unearned revenue | 2,666,132 | 10,599,213 |
| Deposits refundable | 3,635 | 76,987 |
| Accrued leave liability | (1,209,325) | 3,947,099 |
| Loans to students and employees | (3,776,170) | 8,397,101 |
| Other liabilities | 212,237,146 | 79,376,230 |
| Total adjustments | <u>364,771,329</u> | <u>203,608,600</u> |
| Net cash used in operating activities | \$ <u>(666,157,549)</u> | <u>(668,636,965)</u> |
| Reconciliation of cash and cash equivalents: | | |
| Current assets – cash and cash equivalents | \$ 464,383,635 | 461,021,888 |
| Noncurrent assets – restricted cash and cash equivalents | <u>211,957,675</u> | <u>185,490,081</u> |
| Cash and cash equivalents, end of year | \$ <u>676,341,310</u> | <u>646,511,969</u> |
| Noncash capital related financing and investing activities: | | |
| Capital assets acquired through donations and capital leases | \$ 750,537 | 82,307,425 |
| Capital assets appropriated by the State of Mississippi | 91,011,723 | 49,050,697 |

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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 (the 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.

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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:

(i) *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 the Mississippi State University.

(ii) *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.

(iii) *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 Accounting Standards Codification (ASC) Topic 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

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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.

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 years ended June 30, 2017 and 2016, support distributions were as follows:

| | | <u>2017</u> | <u>2016</u> |
|---|----|-------------|-------------|
| Mississippi State University Foundation, Inc. | \$ | 31,477,508 | 36,763,705 |
| University of Mississippi Foundation | | 33,193,872 | 30,011,791 |
| University of Southern Mississippi Foundation | | 8,797,840 | 9,605,938 |

(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, statements 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

During fiscal year 2016, the IHL System adopted GASB 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. Valuation techniques are 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. The adoption of this statement had no impact on the financial statements beyond the disclosures added in note 2(b).

(e) Recently Issued Accounting Standards

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes financial reporting

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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, 2017.

The impact of this pronouncement 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 at 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, 2017 and 2016 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.

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 21, 2017, 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.

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(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 statements 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.

(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 statements 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 statements of revenues, expenses, and

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changes in net position. Investments in partnerships for which there are no quoted market prices are valued at net asset value, as a practical expedient in determining fair value.

(p) Capital Assets, Net

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 and deferred amount of debt refunding.

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.

(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 Public Employees' Retirement System of Mississippi (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.

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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.

(w) Noncurrent Liabilities

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

(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 \$58.4 million and \$59.2 million, respectively, as of June 30, 2017 and 2016.

(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).

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(z) Classification of Revenues and Expenses

The IHL System has classified its revenues as either operating or nonoperating revenues according to the following criteria:

(i) 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.

(ii) 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 Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. Examples of nonoperating expenses include interest on capital asset related debt and bond expenses.

(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, Net

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 and Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates

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vary according to a patient classification system that is based on clinical, diagnostic, and other factors. 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 and Medicaid 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 31.5% and 29.7%, respectively, of UMMC's net patient service revenues for the years ended June 30, 2017 and approximately 28.5% and 31.2%, respectively, for the year ended June 30, 2016.

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.

(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 years ended June 30, 2016 for the Jackson Campus, June 30, 2016 for Holmes County Hospital, and June 30, 2014 for UMMC Grenada.

Several 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 adopted a payment methodology for outpatient services at a fixed cost to charge ratio that increases 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, 2017 and 2016, UHHS maintains a reserve of approximately \$16.3 million and \$12.8 million, respectively, 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. 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.

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(ee) Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

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 consists 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 represents 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

(i) Cash, Cash Equivalents and Short-Term Investments

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

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

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would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

(ii) 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, 2017 and 2016 is as follows:

| | 2017 | 2016 |
|--|------------------|---------------|
| Cash | \$ 464,383,635 | 461,021,888 |
| Restricted cash and cash equivalents | 211,957,675 | 185,490,081 |
| U.S. Treasury securities | 219,794,697 | 259,420,914 |
| U.S. government agency securities | 308,298,543 | 274,464,945 |
| Commercial mortgage backed securities | 2,482,474 | 3,240,927 |
| Collateralized mortgage obligations | 22,912,964 | 43,687,275 |
| Asset backed securities | 15,434,917 | 1,213,697 |
| Corporate bonds and notes | 8,358,870 | 19,411,339 |
| Certificates of deposit | 49,411,539 | 55,502,360 |
| Municipal bonds | 39,444,537 | 41,483,570 |
| Money market funds | 13,095,205 | 393,761 |
| Domestic equity securities | 15,225,930 | 9,046,754 |
| Fixed income mutual funds | 21,102,957 | 20,935,810 |
| International equity mutual funds | 21,970,468 | 17,612,446 |
| Domestic equity mutual funds | 30,990,169 | 21,619,071 |
| Equity long/short hedge funds | 90,901,102 | 76,262,177 |
| Private capital | 19,697,513 | 14,660,923 |
| University of Mississippi Foundation Investment Pool | 3,882,844 | 3,645,731 |
| Mississippi State Foundation Investment Pool | 35,653,220 | 34,261,111 |
| Miscellaneous | 22,010,505 | 20,377,455 |
| Total | \$ 1,617,009,764 | 1,563,752,235 |

(b) Fair Value Measurement

GASB Statement No. 72, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories—Level 1, Level 2, and Level 3 inputs—considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to

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measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

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

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

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

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The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2017 and 2016.

| | 2017 | | |
|---|----------------|-------------|----------------|
| | Level 1 | Level 2 | Level 3 |
| Fixed income investments: | | | |
| U.S. Treasury securities | \$ 219,794,697 | — | — |
| Fixed income mutual funds | 21,102,957 | — | — |
| U.S. government securities | — | 308,298,543 | — |
| Mortgage obligations and asset backed securities | — | 40,830,355 | — |
| Corporate bonds and notes | — | 8,358,870 | — |
| Certificates of deposit | — | 49,411,539 | — |
| Municipal bonds | — | 39,444,537 | — |
| Money market funds | — | 13,095,205 | — |
| Total fixed income investments | \$ 240,897,654 | 459,439,049 | — |
| Equity securities: | | | |
| Domestic equity securities | 15,225,930 | — | — |
| Equity mutual funds | 52,960,637 | — | — |
| Total equity securities | \$ 68,186,567 | — | — |
| Investments measured at NAV as a practical expedient: | | | |
| Equity long/short hedge funds | | | \$ 90,901,102 |
| Private capital | | | 19,697,513 |
| Mississippi State Foundation Investment Pool | | | 35,653,220 |
| University of Mississippi Foundation Investment Pool | | | 3,882,844 |
| Other miscellaneous investments | | | 22,010,505 |
| Total investments measured at NAV | | | 172,145,184 |
| Total investments measured at fair value | | | \$ 940,668,454 |

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| | 2016 | | | |
|---|----------------|-------------|---------|----------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Fixed income investments: | | | | |
| U.S. Treasury securities | \$ 259,420,914 | — | — | 259,420,914 |
| Mutual funds | 20,935,810 | — | — | 20,935,810 |
| U.S. government securities | — | 274,464,945 | — | 274,464,945 |
| Mortgage obligations and asset backed securities | — | 48,141,899 | — | 48,141,899 |
| Corporate bonds and notes | — | 19,411,339 | — | 19,411,339 |
| Certificates of deposit | — | 55,502,360 | — | 55,502,360 |
| Municipal bonds | — | 41,483,570 | — | 41,483,570 |
| Money market funds | — | 393,761 | — | 393,761 |
| Total fixed income investments | \$ 280,356,724 | 439,397,874 | — | 719,754,598 |
| Equity securities: | | | | |
| Domestic equity securities | 9,046,754 | — | — | 9,046,754 |
| Mutual funds (international, domestic) | 39,231,517 | — | — | 39,231,517 |
| Total equity securities | \$ 48,278,271 | — | — | 48,278,271 |
| Investments measured at NAV as a practical expedient: | | | | |
| Equity long/short hedge funds | | | | \$ 76,262,177 |
| Private capital | | | | 14,660,923 |
| Mississippi State Foundation Investment Pool | | | | 34,261,111 |
| University of Mississippi Foundation Investment Pool | | | | 3,645,731 |
| Other miscellaneous investments | | | | 20,377,455 |
| Total investments measured at NAV | | | | 149,207,397 |
| Total investments measured at fair value | | | | \$ 917,240,266 |

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June 30, 2017 and 2016

The valuation method for investments measured at NAV per share as a practical expedient is presented on the following table.

| 2017 | | | | |
|-------------------------------------|-----------------------|-----------------------------|---|---------------------------------|
| | <u>Fair value</u> | <u>Unfunded commitments</u> | <u>Redemption frequency (if currently eligible)</u> | <u>Redemption notice period</u> |
| University of Mississippi | | | | |
| Foundation Investment Pool | \$ 3,882,844 | — | Daily | 1-3 Days |
| Mississippi State Foundation | | | | |
| Investment Pool | 35,653,220 | — | Daily | 1-3 Days |
| Equity long/short hedge funds (1) | 90,901,102 | 554,778 | Quarterly | 75 Days |
| Private capital (2) | 19,697,513 | 12,760,872 | Various | Various |
| Other miscellaneous investments (3) | <u>22,010,505</u> | — | Various | Various |
| Total investments measured at NAV | \$ <u>172,145,184</u> | | | |

- (1) Equity long/short hedge and venture capital funds. These funds specialize primarily in classic long/short hedge equity strategies. These funds invest globally, with a majority of the exposure in liquid, developed markets, and invest primarily in private investment partnerships, venture capital opportunities or limited liability companies, and in separately managed accounts, each of which is managed by independent managers.
- (2) Private capital. These investments were provided to help build new startup equities that are considered to have high-growth and high risk potential, mainly in the technology and healthcare sectors.
- (3) Other miscellaneous investments. These investments mainly consist of various other miscellaneous tangible items, such as land, timberland, and various real estate, etc.

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| 2016 | | | | |
|-----------------------------------|-----------------------|-----------------------------|---|---------------------------------|
| | <u>Fair value</u> | <u>Unfunded commitments</u> | <u>Redemption frequency (if currently eligible)</u> | <u>Redemption notice period</u> |
| University of Mississippi | | | | |
| Foundation Investment Pool | \$ 3,645,731 | — | Daily | 1-3 Days |
| Mississippi State Foundation | | | | |
| Investment Pool | 34,261,111 | — | Daily | 1-3 Days |
| Equity long/short hedge funds (1) | 76,262,177 | 1,184,977 | Quarterly | 75 Days |
| Private capital (2) | 14,660,923 | 6,805,012 | Various | Various |
| Other miscellaneous investments | | | | |
| (3) | <u>20,377,455</u> | — | Various | Various |
| Total investments measured at NAV | \$ <u>149,207,397</u> | | | |

- (1) Equity long/short hedge and venture capital funds. These funds specialize primarily in classic long/short hedge equity strategies. These funds invest globally, with a majority of the exposure in liquid, developed markets, and invest primarily in private investment partnerships, venture capital opportunities or limited liability companies, and in separately managed accounts, each of which are managed by independent managers.
- (2) Private capital. These investments were provided to help build new startup equities that are considered to have high-growth and high risk potential, mainly in the technology and healthcare sectors.
- (3) Other miscellaneous investments. These investments mainly consist of various other miscellaneous tangible items, such as land, timberland, and various real estate, etc.

The equity in the long/short hedge funds, private capital, Mississippi State Foundation Investment Pool, and other miscellaneous investments represents the IHL System's participations in those investments, which is measured at NAV per share.

(c) 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, 2017 and 2016.

(d) 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.

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June 30, 2017 and 2016

As of June 30, 2017 and 2016, the IHL System had the following investments subject to interest rate risk:

| | 2017 | | | | |
|---------------------------------------|-------------------|-------------|-------------|------------|--------------|
| | Years to maturity | | | | |
| | Fair value | Less than 1 | 1-5 | 6-10 | More than 10 |
| U.S. Treasury obligations | \$ 219,794,697 | 109,167,252 | 100,409,863 | 10,166,095 | 51,487 |
| U.S. government agency obligations | 308,298,543 | 107,243,292 | 137,234,177 | 61,944,188 | 1,876,886 |
| Commercial mortgage backed securities | 2,482,474 | — | 585,832 | 35,173 | 1,861,469 |
| Collateralized mortgage obligations | 22,912,964 | 363,982 | — | 1,981,481 | 20,567,501 |
| Asset backed securities | 15,434,917 | — | — | 1,125,236 | 14,309,681 |
| Corporate bonds and notes | 8,358,870 | 303,100 | 3,410,372 | 1,647,071 | 2,998,327 |
| Certificates of deposit | 49,411,539 | 5,372,374 | 44,039,165 | — | — |
| Municipal bonds | 39,444,537 | 2,383,059 | 21,692,893 | 12,603,880 | 2,764,705 |
| Fixed income mutual funds | 21,102,957 | 599,554 | 14,757,089 | 5,730,165 | 16,149 |
| Total | \$ 687,241,498 | 225,432,613 | 322,129,391 | 95,233,289 | 44,446,205 |

| | 2016 | | | | |
|---------------------------------------|-------------------|-------------|-------------|-------------|--------------|
| | Years to maturity | | | | |
| | Fair value | Less than 1 | 1-5 | 6-10 | More than 10 |
| U.S. Treasury obligations | \$ 259,420,914 | 124,504,324 | 127,278,261 | 7,599,432 | 38,897 |
| U.S. government agency obligations | 274,464,945 | 77,756,296 | 120,885,017 | 71,996,777 | 3,826,855 |
| Commercial mortgage backed securities | 3,240,927 | — | 1,654,058 | 604,896 | 981,973 |
| Collateralized mortgage obligations | 43,687,275 | 1,437,322 | 12,586,247 | 1,105,136 | 28,558,570 |
| Asset backed securities | 1,213,697 | — | — | 1,213,697 | — |
| Corporate bonds and notes | 19,411,339 | 1,210,748 | 2,281,257 | 9,315,873 | 6,603,461 |
| Certificates of deposit | 55,502,360 | 6,037,360 | 49,465,000 | — | — |
| Municipal bonds | 41,483,570 | 1,918,614 | 19,045,571 | 15,702,879 | 4,816,506 |
| Fixed income mutual funds | 20,935,810 | 341,346 | 18,714,627 | 1,871,863 | 7,974 |
| Total | \$ 719,360,837 | 213,206,010 | 351,910,038 | 109,410,553 | 44,834,236 |

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(e) 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, 2017 and 2016, the IHL System had the following investments recorded at fair value subject to credit risk:

| | 2017 | 2016 |
|--------------------------|----------------|-------------|
| Credit rating: | | |
| AAA | \$ 60,731,661 | 45,513,336 |
| Aaa | 123,025,938 | 115,497,557 |
| Aa1 | 7,296 | 16,086 |
| Aa2 | 25,411,693 | 35,432,225 |
| Aa3 | 581,360 | 606,757 |
| AA | 131,044,057 | 154,513,806 |
| A1 | 46,766 | 255,753 |
| A2 | 764,381 | 580,365 |
| A3 | 28,835 | 24,068 |
| A | 788,927 | 2,873,111 |
| A+ | — | 605,514 |
| AA- | 1,795,609 | — |
| B | — | 470,241 |
| BA | — | 14,037 |
| BAA | 301,955 | 109,650 |
| Baa1 | 100,000 | 112,295 |
| Baa2 | 60,350 | — |
| Baa3 | — | 100,281 |
| BBB | — | 1,046,951 |
| BB | — | 556,032 |
| CCC | — | 683,439 |
| Not rated or unavailable | 73,346,434 | 45,426,059 |
| Total | \$ 418,035,262 | 404,437,563 |

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

(f) Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, 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.

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As of June 30, 2017 and 2016, the IHL System had the following issuer holding investments recorded at fair value that exceeded 5% of total investments:

| Issuer | 2017 | |
|------------------------------|---------------|------------|
| | Fair value | Percentage |
| First Financial Bankcorp | 86,715,311 | 9.22 % |
| Federal Home Loan Bank notes | \$ 63,872,047 | 6.79 % |

| Issuer | 2016 | |
|------------------------------|---------------|------------|
| | Fair value | Percentage |
| Federal Home Loan Bank notes | \$ 81,446,551 | 8.88 % |
| First Financial Bancorp | 75,110,390 | 8.19 % |

(g) 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 \$15.0 million and \$10.4 million at June 30, 2017 and 2016, respectively.

(3) Accounts Receivable, Net

Accounts receivable consisted of the following at June 30, 2017 and 2016:

| Type of receivable | 2017 | 2016 |
|--|-----------------|-----------------|
| Student tuition | \$ 107,888,311 | 100,201,333 |
| Auxiliary enterprises and other operating activities | 32,876,012 | 32,949,571 |
| Contributions and gifts | 5,112,851 | 13,076,893 |
| Federal, state, and private grants and contracts | 99,881,930 | 101,889,020 |
| State appropriation | 12,632,570 | 10,717,733 |
| Accrued interest | 3,100,780 | 8,196,977 |
| Patient care | 2,605,630,141 | 2,679,953,202 |
| Other | 21,294,916 | 21,782,103 |
| Total accounts receivable | 2,888,417,511 | 2,968,766,832 |
| Less bad debt provision | (2,531,812,566) | (2,594,076,336) |
| Net accounts receivable | \$ 356,604,945 | 374,690,496 |

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Notes to Financial Statements

June 30, 2017 and 2016

(4) Students Notes Receivable, Net

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, 2017 and 2016:

| | <u>Interest rates</u> | <u>June 30, 2017</u> | <u>Current portion</u> | <u>Noncurrent portion</u> |
|--------------------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|
| Perkins student loans | 3%–9% | \$ 69,476,005 | 8,271,545 | 61,204,460 |
| Institutional loans | 0%–10% | 60,794,076 | 9,058,584 | 51,735,492 |
| Nursing student loans | 3%–9% | 1,651,279 | 134,112 | 1,517,167 |
| Dental student loans | 3%–9% | 484,145 | 34,592 | 449,553 |
| Medical student loans | 3%–9% | 187,793 | 14,357 | 173,436 |
| Other federal loans | 3%–9% | 3,962,686 | 2,115,099 | 1,847,587 |
| Total notes receivable | | 136,555,984 | 19,628,289 | 116,927,695 |
| Less allowance for doubtful accounts | | (19,849,141) | (2,539,370) | (17,309,771) |
| Net notes receivable | | \$ 116,706,843 | 17,088,919 | 99,617,924 |

| | <u>Interest rates</u> | <u>June 30, 2016</u> | <u>Current portion</u> | <u>Noncurrent portion</u> |
|--------------------------------------|---------------------------|--------------------------|----------------------------|-------------------------------|
| Perkins student loans | 3%–9% | \$ 68,526,797 | 7,971,332 | 60,555,465 |
| Institutional loans | 0%–10% | 60,471,743 | 7,960,012 | 52,511,731 |
| Nursing student loans | 3%–9% | 1,394,542 | 134,227 | 1,260,315 |
| Dental student loans | 3%–9% | 460,519 | 39,665 | 420,854 |
| Medical student loans | 3%–9% | 169,517 | 12,772 | 156,745 |
| Other federal loans | 3%–9% | 3,987,580 | 2,158,859 | 1,828,721 |
| Total notes receivable | | 135,010,698 | 18,276,867 | 116,733,831 |
| Less allowance for doubtful accounts | | (19,197,810) | (2,510,659) | (16,687,151) |
| Net notes receivable | | \$ 115,812,888 | 15,766,208 | 100,046,680 |

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(5) Capital Assets

A summary of changes in capital assets for the years ended June 30, 2017 and 2016 is presented as follows:

| | Balance June 30, 2016 | Additions | Deletions/ transfers | Balance June 30, 2017 |
|-------------------------------------|--------------------------------------|------------------|---------------------------------|--------------------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 103,882,724 | 4,179,421 | (225,304) | 107,836,841 |
| Construction in progress | 652,082,589 | 296,406,515 | (208,800,156) | 739,688,948 |
| Livestock | 1,890,354 | 75,061 | (253,752) | 1,711,663 |
| Total nondepreciable capital assets | 757,855,667 | 300,660,997 | (209,279,212) | 849,237,452 |
| Depreciable capital assets: | | | | |
| Buildings | 3,525,200,839 | 192,719,097 | (4,850,455) | 3,713,069,481 |
| Improvements other than buildings | 348,304,115 | 15,160,813 | (2,803,137) | 360,661,791 |
| Equipment | 831,648,844 | 43,057,512 | (22,265,428) | 852,440,928 |
| Library books | 402,635,256 | 15,338,289 | (445,456) | 417,528,089 |
| Total depreciable assets | 5,107,789,054 | 266,275,711 | (30,364,476) | 5,343,700,289 |
| Total capital assets | 5,865,644,721 | 566,936,708 | (239,643,688) | 6,192,937,741 |
| Less accumulated depreciation: | | | | |
| Buildings | 918,156,435 | 69,560,679 | (2,380,761) | 985,336,353 |
| Improvements other than buildings | 142,298,881 | 13,021,610 | (2,242,507) | 153,077,984 |
| Equipment | 588,527,936 | 55,438,296 | (20,911,277) | 623,054,955 |
| Library books | 342,415,015 | 14,053,277 | (419,556) | 356,048,736 |
| Total accumulated depreciation | 1,991,398,267 | 152,073,862 | (25,954,101) | 2,117,518,028 |
| Net capital assets | \$ 3,874,246,454 | 414,862,846 | (213,689,587) | 4,075,419,713 |

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| | Balance June 30, 2016 | Additions | Deletions/ transfers | Balance June 30, 2016 |
|-------------------------------------|--------------------------------------|------------------|---------------------------------|--------------------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 91,180,637 | 14,231,043 | (1,528,956) | 103,882,724 |
| Construction in progress | 542,393,985 | 354,696,182 | (245,007,578) | 652,082,589 |
| Livestock | 1,841,819 | 277,666 | (229,131) | 1,890,354 |
| Total nondepreciable capital assets | 635,416,441 | 369,204,891 | (246,765,665) | 757,855,667 |
| Depreciable capital assets: | | | | |
| Buildings | 3,294,288,590 | 234,983,187 | (4,070,938) | 3,525,200,839 |
| Improvements other than buildings | 337,478,533 | 11,099,750 | (274,168) | 348,304,115 |
| Equipment | 798,437,702 | 59,681,546 | (26,470,404) | 831,648,844 |
| Library books | 390,159,181 | 13,451,971 | (975,896) | 402,635,256 |
| Total depreciable assets | 4,820,364,006 | 319,216,454 | (31,791,406) | 5,107,789,054 |
| Total capital assets | 5,455,780,447 | 688,421,345 | (278,557,071) | 5,865,644,721 |
| Less accumulated depreciation: | | | | |
| Buildings | 854,704,738 | 64,791,838 | (1,340,141) | 918,156,435 |
| Improvements other than buildings | 130,261,392 | 12,136,971 | (99,482) | 142,298,881 |
| Equipment | 556,372,552 | 56,021,960 | (23,866,576) | 588,527,936 |
| Library books | 329,268,006 | 14,098,928 | (951,919) | 342,415,015 |
| Total accumulated depreciation | 1,870,606,688 | 147,049,697 | (26,258,118) | 1,991,398,267 |
| Net capital assets | \$ 3,585,173,759 | 541,371,648 | (252,298,953) | 3,874,246,454 |

As of June 30, 2017 and 2016, capital assets included assets under capital leases with an original cost basis of approximately \$4.5 million and \$138.4 million, respectively, accumulated amortization of approximately \$3.0 million and \$6.7 million, respectively.

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.

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

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(6) Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|--|----------------|-------------|
| Payable to vendors and contractors | \$ 104,272,596 | 117,458,587 |
| Accrued salaries, wages, and employee withholdings | 85,126,179 | 85,540,285 |
| Accrued interest | 6,096,928 | 4,974,117 |
| Other | 6,250,735 | 6,717,078 |
| Total | \$ 201,746,438 | 214,690,067 |

All amounts are considered current and expected to be settled within one year.

(7) Unearned Revenues

Unearned revenues as of June 30, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---------------------------------------|----------------|-------------|
| Unearned summer school revenue | \$ 33,484,506 | 29,615,464 |
| Unearned grants and contract revenue | 38,020,503 | 43,433,495 |
| Other principally athletic activities | 57,487,178 | 51,969,942 |
| Total | \$ 128,992,187 | 125,018,901 |

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 GASB Statement No. 61, 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, 2017 and 2016 is listed in the following schedule.

| 2017 Condensed Financial Information for Educational Building Corporations | | | | | | | | |
|--|----------------|------------|------------|-------------|------------|-------------|-------------|-------------|
| | ASU | DSU | JSU | MSU | MVSU | UM | USM | UMMC |
| Current assets | \$ 3,816 | — | — | — | — | 15,952,250 | 6,525,066 | 6,923,119 |
| Noncurrent assets | 43,140,708 | 15,305,000 | 99,145,670 | 333,885,000 | 18,155,000 | 253,378,897 | 173,595,042 | 241,617,657 |
| Total assets | 43,144,524 | 15,305,000 | 99,145,670 | 333,885,000 | 18,155,000 | 269,331,147 | 180,120,108 | 248,540,776 |
| Deferred outflows of resources | — | — | — | — | — | — | — | 4,047,280 |
| Current liabilities | 1,937,611 | 975,000 | 3,705,135 | 9,940,000 | 255,000 | 15,381,114 | 6,525,066 | 6,922,592 |
| Noncurrent liabilities | 49,292,164 | 14,330,000 | 95,440,535 | 323,945,000 | 17,900,000 | 251,939,882 | 173,595,042 | 245,137,989 |
| Total liabilities | 51,229,775 | 15,305,000 | 99,145,670 | 333,885,000 | 18,155,000 | 267,320,996 | 180,120,108 | 252,060,581 |
| Deferred inflows of resources | — | — | — | — | — | 2,010,151 | — | — |
| Total net position | \$ (8,085,251) | — | — | — | — | — | — | 527,475 |

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| 2017 Condensed Financial Information for Educational Building Corporations | | | | | | | | |
|--|----------------|-----------|-------------|--------------|-------------|-------------|-------------|--------------|
| | ASU | DSU | JSU | MSU | MVSU | UM | USM | UMMC |
| Operating revenues | \$ 2,863,634 | — | — | — | 1,722,797 | — | — | 11,782,747 |
| Operating expenses | (4,187,096) | — | — | — | (1,722,797) | — | — | (11,109,505) |
| Total operating income (loss) | (1,323,462) | — | — | — | — | — | — | 673,242 |
| Nonoperating revenues | 14 | — | 4,779,321 | 13,984,374 | — | 8,892,902 | 6,345,791 | — |
| Nonoperating expenses | — | (975,000) | (4,779,321) | (13,984,374) | — | (8,892,902) | (6,345,791) | — |
| Total nonoperating revenue (expenses) | 14 | (975,000) | — | — | — | — | — | — |
| Change in net position | \$ (1,323,448) | (975,000) | — | — | — | — | — | 673,242 |

| 2016 Condensed Financial Information for Educational Building Corporations | | | | | | | | |
|--|----------------|-----------|-------------|--------------|-------------|-------------|-------------|--------------|
| | ASU | DSU | JSU | MSU | MVSU | UM | USM | UMMC |
| Current assets | \$ 8,134 | — | — | — | — | 48,754,192 | 6,852,892 | 6,654,876 |
| Noncurrent assets | 44,735,599 | 2,515,000 | 96,312,644 | 317,520,000 | 18,530,000 | 243,455,494 | 179,514,598 | 246,801,871 |
| Total assets | 44,743,733 | 2,515,000 | 96,312,644 | 317,520,000 | 18,530,000 | 292,209,686 | 186,367,490 | 253,456,747 |
| Deferred outflow s of resources | — | — | — | — | — | — | — | 4,283,040 |
| Current liabilities | 1,300,860 | 535,000 | 3,123,985 | 11,225,000 | 375,000 | 16,067,910 | 6,852,892 | 6,654,875 |
| Noncurrent liabilities | 50,204,677 | 1,980,000 | 93,188,659 | 306,295,000 | 18,155,000 | 274,012,211 | 179,514,598 | 251,230,679 |
| Total liabilities | 51,505,537 | 2,515,000 | 96,312,644 | 317,520,000 | 18,530,000 | 290,080,121 | 186,367,490 | 257,885,554 |
| Deferred inflow s of resources | — | — | — | — | — | 2,129,565 | — | — |
| Total net position | \$ (6,761,804) | — | — | — | — | — | — | (145,767) |
| Operating revenues | \$ 2,750,938 | — | — | — | 1,631,457 | — | — | 12,001,672 |
| Operating (expenses) | (4,640,915) | — | — | — | (1,631,457) | — | — | (11,070,760) |
| Total operating income (loss) | (1,889,977) | — | — | — | — | — | — | 930,912 |
| Nonoperating revenues | 2 | — | 4,820,680 | 14,483,453 | — | 7,440,535 | 6,148,288 | — |
| Nonoperating (expenses) | — | (535,000) | (4,820,680) | (14,483,453) | — | (7,440,535) | (6,148,288) | — |
| Total nonoperating revenue (expenses) | 2 | (535,000) | — | — | — | — | — | — |
| Change in net position | \$ (1,889,975) | (535,000) | — | — | — | — | — | 930,912 |

(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, 2017 and 2016. 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, pension liability, and other liabilities (government advance refundables, self-insured workers compensation, and tort claims).

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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, 2017 and 2016 is listed in the following schedule.

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|--|-------------------|-------------------------|---------------------------|--------------------------|------------|------------|-------------------|------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Alcorn State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| 2009 Series A Student Housing Project | \$ 47,000,000 | 5.13%–5.25% | 2040 | \$ 3,090,000 | — | 640,000 | 2,450,000 | 720,000 |
| 2016 Series Facilities Refinancing Project | 43,630,000 | 2.00%–5.00% | 2040 | 48,415,537 | — | 853,373 | 47,562,164 | — |
| Total bonded debt | | | | 51,505,537 | — | 1,493,373 | 50,012,164 | 720,000 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 71,034,832 | 20,227,262 | 9,065,435 | 82,196,659 | |
| Accrued leave liabilities | | | | 4,483,608 | 1,756,691 | 1,782,509 | 4,457,790 | 885,841 |
| Deposits refundable | | | | 663,914 | 2,278 | — | 666,192 | |
| Total other long-term liabilities | | | | 76,182,354 | 21,986,231 | 10,847,944 | 87,320,641 | 885,841 |
| Total | | | | \$ 127,687,891 | 21,986,231 | 12,341,317 | 137,332,805 | 1,605,841 |
| Due within one year | | | | | | | (1,605,841) | |
| Total long-term liabilities | | | | | | | \$ 135,726,964 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|--|-------------------|-------------------------|---------------------------|--------------------------|------------|------------|-------------------|------------------------|
| | | | | 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 | \$ 1,270,000 | — | 1,270,000 | — | — |
| 2009 Series | 3,135,000 | 2.50%-3.75% | 2019 | 1,245,000 | — | 400,000 | 845,000 | 415,000 |
| 2016 Series | 15,105,000 | 2.00%-5.00% | 2039 | — | 15,105,000 | 645,000 | 14,460,000 | 560,000 |
| Total bonded debt | | | | 2,515,000 | 15,105,000 | 2,315,000 | 15,305,000 | 975,000 |
| Capital leases: | | | | | | | | |
| Infrastructure/desktop/hardware | | | | 107,462 | — | 37,188 | 70,274 | 38,732 |
| Airplanes | | | | 558,346 | — | 273,043 | 285,303 | 285,303 |
| Foundation hall and faculty apartments | | | | 15,400,000 | — | 15,400,000 | — | — |
| Total capital leases | | | | 16,065,808 | — | 15,710,231 | 355,577 | 324,035 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 42,181,402 | 10,369,358 | 5,321,685 | 47,229,075 | — |
| Accrued leave liabilities | | | | 1,484,772 | 135,182 | — | 1,619,954 | 247,125 |
| Deposits refundable | | | | 128,195 | — | 17,668 | 110,527 | — |
| Refundable government advances and other | | | | 1,927,036 | — | 28,487 | 1,898,549 | — |
| Total other long-term liabilities | | | | 45,721,405 | 10,504,540 | 5,367,840 | 50,858,105 | 247,125 |
| Total | | | | \$ 64,302,213 | 25,609,540 | 23,393,071 | 66,518,682 | 1,546,160 |
| Due within one year | | | | | | | (1,546,160) | |
| Total long-term liabilities | | | | | | | \$ 64,972,522 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|------------|-----------|----------------|---------------------|
| | | | | 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 | \$ 825,000 | — | 155,000 | 670,000 | 160,000 |
| Series 2010-A-1 | 31,325,000 | 3.00%–5.00% | 2034 | 25,154,826 | — | 89,990 | 25,064,836 | 149,990 |
| Campus Revenue Bond – 2015A | 57,585,000 | 2.00%–5.00% | 2045 | 58,358,291 | — | 448,925 | 57,909,366 | 585,000 |
| Campus Revenue Bond – 2015B | 13,065,000 | 2.60% | 2021 | 10,475,000 | — | 2,590,000 | 7,885,000 | 2,453,925 |
| 2017 Bonds Payable | 6,000,000 | 3.38% | 2028 | — | 6,000,000 | — | 6,000,000 | — |
| Total bonded debt | | | | 94,813,117 | 6,000,000 | 3,283,915 | 97,529,202 | 3,348,915 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 130,840,285 | 24,444,302 | — | 155,284,587 | — |
| Accrued leave liabilities | | | | 5,918,165 | — | 799,054 | 5,119,111 | 368,576 |
| Deposits refundable | | | | 70,369 | 25,779 | — | 96,148 | — |
| Master lease payable - buses | | | | 979,641 | — | 96,739 | 882,902 | 101,200 |
| Master lease payable - band | | | | — | 463,638 | 152,079 | 311,559 | 154,183 |
| Notes payable | | | | 519,886 | — | 97,879 | 422,007 | 100,837 |
| Refundable government advances and other | | | | 1,823,012 | 54,572 | — | 1,877,584 | — |
| Total other long-term liabilities and notes payable | | | | 140,151,358 | 24,988,291 | 1,145,751 | 163,993,898 | 724,796 |
| Total | | | | \$ 234,964,475 | 30,988,291 | 4,429,666 | 261,523,100 | 4,073,711 |
| Due within one year | | | | | | | (4,073,711) | |
| Total long-term liabilities | | | | | | | \$ 257,449,389 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | Due within one year |
|--|----------------|----------------------|------------------------|--------------------------|-------------|------------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | |
| Mississippi State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Dormitory Bonds | \$ 2,250,000 | 3.00 % | 2022 | \$ 450,000 | — | 85,000 | 365,000 | 85,000 |
| Student Apartments | 2,038,000 | 3.00 % | 2023 | 495,000 | — | 75,000 | 420,000 | 80,000 |
| EBC – Revenue Bonds | 31,865,000 | 3.75%–5.25% | 2019 | 3,175,000 | — | 1,545,000 | 1,630,000 | 1,630,000 |
| EBC – Revenue Bonds | 6,110,000 | 4.13%–5.00% | 2029 | 4,305,000 | — | 4,015,000 | 290,000 | 290,000 |
| EBC – Revenue Bonds | 29,615,000 | 2.50%–5.25% | 2040 | 26,540,000 | — | 24,360,000 | 2,180,000 | 700,000 |
| EBC – Revenue Bonds | 17,105,000 | 2.75%–5.00% | 2025 | 11,910,000 | — | 8,260,000 | 3,650,000 | — |
| EBC – Revenue Bonds | 54,370,000 | 2.00%–5.00% | 2043 | 48,545,000 | — | 2,120,000 | 44,425,000 | 1,150,000 |
| EBC – Revenue Bonds | 60,470,000 | 2.00%–5.00% | 2044 | 59,475,000 | — | 525,000 | 58,950,000 | 540,000 |
| EBC – Revenue Bonds | 89,810,000 | 2.00%–5.00% | 2044 | 87,580,000 | — | 4,180,000 | 83,400,000 | 3,365,000 |
| EBC – Revenue Bonds | 23,435,000 | 0.28%–4.81% | 2044 | 21,980,000 | — | 905,000 | 21,075,000 | 915,000 |
| EBC – Revenue Bonds | 56,010,000 | 2.00%–5.00% | 2046 | 56,010,000 | — | 995,000 | 55,015,000 | 1,020,000 |
| EBC – Revenue Bonds | 63,270,000 | 2.00%–5.00% | 2046 | — | 63,270,000 | — | 63,270,000 | 330,000 |
| Total bonded debt | | | | 318,465,000 | 63,270,000 | 47,065,000 | 334,670,000 | 10,105,000 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 487,619,653 | 88,150,388 | — | 575,770,041 | — |
| Accrued leave liabilities | | | | 26,690,791 | — | 1,166,301 | 25,524,490 | 2,416,263 |
| Deposits refundable | | | | 40,433 | — | 6,238 | 34,195 | — |
| Refundable government advances and other | | | | 13,709,097 | — | 142,970 | 13,566,127 | — |
| Total other long-term liabilities | | | | 528,059,974 | 88,150,388 | 1,315,509 | 614,894,853 | 2,416,263 |
| Total | | | | \$ 846,524,974 | 151,420,388 | 48,380,509 | 949,564,853 | 12,521,263 |
| Due within one year | | | | | | | (12,521,263) | |
| Total long-term liabilities | | | | | | | \$ 937,043,590 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (Fiscal year) | Year ended June 30, 2017 | | | Due within one year |
|--|-------------------|-------------------------|---------------------------|--------------------------|------------|-----------|---------------------------|
| | | | | Beginning balance | Additions | Deletions | |
| Mississippi University for Women: | | | | | | | |
| Capital leases: | | | | | | | |
| Various equipment | | | | \$ 374,916 | — | 146,890 | 228,026 |
| Other long-term liabilities: | | | | | | | |
| Pension liability | | | | 35,499,410 | 10,635,613 | 4,550,254 | 41,584,769 |
| Accrued leave liabilities | | | | 1,259,354 | 116,103 | — | 1,375,457 |
| Refundable government advances and other | | | | 1,006,946 | — | 123,454 | 883,492 |
| Total other long-term liabilities | | | | 37,765,710 | 10,751,716 | 4,673,708 | 43,843,718 |
| Total | | | | \$ 38,140,626 | 10,751,716 | 4,820,598 | 44,071,744 |
| Due within one year | | | | | | | (205,991) |
| Total long-term liabilities | | | | | | | \$ 43,865,753 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi Valley State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC - 2007 | \$ 19,015,000 | 4.00 % | 2037 | \$ 1,260,000 | — | 375,000 | 885,000 | 170,000 |
| EBC - 2015 | 17,270,000 | 2.00 | 2037 | 17,270,000 | — | — | 17,270,000 | 85,000 |
| Total bonded debt | | | | 18,530,000 | — | 375,000 | 18,155,000 | 255,000 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 37,755,185 | 6,964,492 | — | 44,719,677 | — |
| Accrued leave liabilities | | | | 1,912,061 | — | 8,282 | 1,903,779 | 247,304 |
| Deposits refundable | | | | 30,689 | — | 102 | 30,587 | — |
| Other non-current liabilities (capital lease) | | | | 407,504 | — | 78,690 | 328,814 | 79,466 |
| Total other long-term liabilities | | | | 40,105,439 | 6,964,492 | 87,074 | 46,982,857 | 326,770 |
| Total | | | | \$ 58,635,439 | 6,964,492 | 462,074 | 65,137,857 | 581,770 |
| Due within one year | | | | | | | (581,770) | |
| Total long-term liabilities | | | | | | | \$ 64,556,087 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | Due within one year | |
|--|-------------------|-------------------------|---------------------------|--------------------------|-------------|-------------|-------------------|------------------------|--|
| | | | | Beginning balance | Additions | Deletions | Ending balance | | |
| University of Mississippi: | | | | | | | | | |
| Bonded debt: | | | | | | | | | |
| EBC – 2006A | \$ 17,985,000 | 5.00% | 2026 | \$ 1,330,000 | — | 1,330,000 | — | — | |
| EBC – 2006B-1 | 17,290,000 | 3.63%–5.00% | 2027 | 9,470,000 | — | 9,470,000 | — | — | |
| EBC – 2008A | 29,785,000 | 4.00%–4.25% | 2034 | 2,790,000 | — | 890,000 | 1,900,000 | 930,000 | |
| EBC – 2009A | 19,870,000 | 3.25%–4.50% | 2030 | 15,310,000 | — | 840,000 | 14,470,000 | 870,000 | |
| EBC – 2009B | 24,165,000 | 3.62%–5.00% | 2021 | 11,730,000 | — | 2,125,000 | 9,605,000 | 2,210,000 | |
| EBC – 2009C | 14,770,000 | 3.00%–4.75% | 2035 | 12,365,000 | — | 440,000 | 11,925,000 | 455,000 | |
| EBC – 2011 | 27,995,000 | 3.00%–4.75% | 2032 | 27,738,323 | — | 893,253 | 26,845,070 | 988,253 | |
| EBC – 2013C | 62,900,000 | 3.22% | 2034 | — | 62,900,000 | — | 62,900,000 | — | |
| EBC – 2013D | 12,100,000 | 3.10% | 2021 | — | 10,777,228 | 2,107,763 | 8,669,465 | 2,380,544 | |
| EBC – 2015 | 12,600,000 | Variable | 2026 | — | 12,075,000 | 825,000 | 11,250,000 | 900,000 | |
| EBC – Series 2015A | 15,660,000 | 2.00%–4.00% | 2041 | 15,560,000 | — | 180,000 | 15,380,000 | 190,000 | |
| EBC – Series 2015B | 10,125,000 | 0.90%–3.75% | 2031 | 9,570,000 | — | 585,000 | 8,985,000 | 590,000 | |
| EBC – Series 2015C | 31,630,000 | 2.00%–5.00% | 2047 | 33,706,400 | — | 743,812 | 32,962,588 | 753,812 | |
| EBC – Series 2015D | 17,660,000 | 0.69%–4.45% | 2037 | 19,736,399 | — | 828,813 | 18,907,586 | 833,812 | |
| EBC – Series 2016A | 33,245,000 | 2.00%–5.00% | 2035 | 33,973,347 | — | 625,446 | 33,347,901 | 1,900,445 | |
| Total bonded debt | | | | 193,279,469 | 85,752,228 | 21,884,087 | 257,147,610 | 13,001,866 | |
| Capital leases: | | | | | | | | | |
| Buildings | | | | 47,580,382 | — | 47,580,382 | — | — | |
| Assets under construction | | | | 38,246,846 | — | 38,246,846 | — | — | |
| Total capital leases | | | | 85,827,228 | — | 85,827,228 | — | — | |
| Other long-term liabilities and notes payable: | | | | | | | | | |
| Pension liability | | | | 287,872,551 | 45,694,009 | — | 333,566,560 | — | |
| Accrued leave liabilities | | | | 16,919,419 | — | 158,611 | 16,760,808 | 1,562,000 | |
| Deposits refundable | | | | 88,072 | 3,443 | — | 91,515 | — | |
| Notes payable | | | | 9,500,000 | — | 840,191 | 8,659,809 | 865,671 | |
| Refundable government advances and other | | | | 9,326,700 | 118,400 | — | 9,445,100 | — | |
| Total other long-term liabilities and notes payable | | | | 323,706,742 | 45,815,852 | 998,802 | 368,523,792 | 2,427,671 | |
| Total | | | | \$ 602,813,439 | 131,568,080 | 108,710,117 | 625,671,402 | 15,429,537 | |
| Due within one year | | | | | | | (15,429,537) | | |
| Total long-term liabilities | | | | | | | \$ 610,241,865 | | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|---|-------------------|-------------------------|---------------------------|--------------------------|------------|-----------|-------------------|------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Southern Mississippi: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Athletic Improvements | \$ 27,190,000 | 4.00%–5.00% | 2034 | \$ 580,000 | — | 580,000 | — | — |
| Dormitory Construction | 49,900,000 | 2.75%–5.38% | 2037 | 2,110,000 | — | 335,000 | 1,775,000 | 455,000 |
| SMBEC Series 2013 | 51,875,000 | 2.00%–5.00% | 2044 | 57,424,635 | — | 1,575,769 | 55,848,866 | 843,171 |
| SMBEC Series 2015A | 38,600,000 | 2.00%–5.00% | 2034 | 38,345,000 | — | 455,000 | 37,890,000 | 1,210,000 |
| SMBEC Series 2015B | 16,690,000 | 0.50%–3.25% | 2034 | 16,315,000 | — | 2,165,000 | 14,150,000 | 2,190,000 |
| SMBEC Series 2016 | 58,870,000 | 2.00%–5.00% | 2040 | 70,793,434 | — | 1,114,141 | 69,679,293 | 1,142,413 |
| Total bonded debt | | | | 185,568,069 | — | 6,224,910 | 179,343,159 | 5,840,584 |
| Capital leases: | | | | | | | | |
| Various equipment | | | | 1,115,326 | — | 510,107 | 605,219 | 512,752 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 204,738,145 | 29,026,631 | — | 233,764,776 | — |
| Accrued leave liabilities | | | | 10,045,982 | 268,894 | — | 10,314,876 | 1,262,000 |
| Deposits refundable | | | | 13,543 | — | 3,857 | 9,686 | — |
| Notes payable | | | | 799,421 | — | 627,691 | 171,730 | 171,730 |
| Refundable government advances and other | | | | 26,582,159 | — | 314,308 | 26,267,851 | — |
| Total other long-term liabilities and notes payable | | | | 242,179,250 | 29,295,525 | 945,856 | 270,528,919 | 1,433,730 |
| Total | | | | \$ 428,862,645 | 29,295,525 | 7,680,873 | 450,477,297 | 7,787,066 |
| Due within one year | | | | | | | (7,787,066) | |
| Total long-term liabilities | | | | | | | \$ 442,690,231 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-------------|------------|------------------|---------------------|
| | | | | 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 | 2,865,000 |
| Series 2009 | 105,605,000 | 2.00%–5.00% | 2034 | 79,544,284 | — | 5,199,405 | 74,344,879 | 2,604,405 |
| Series 2010A | 24,870,000 | 5.92%–6.89% | 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 | 2,371,333 | — | 564,083 | 1,807,250 | 579,083 |
| Series 2012A | 51,860,000 | 4.00%–5.00% | 2041 | 51,693,190 | — | 44,202 | 51,638,988 | 44,202 |
| Series 2012B | 53,390,000 | 4.07%–4.82% | 2038 | 54,671,871 | — | — | 54,671,871 | — |
| Total bonded debt | | | | 256,810,678 | — | 5,807,690 | 251,002,988 | 6,092,690 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 1,087,561,173 | 273,088,860 | 71,818,771 | 1,288,831,062 | — |
| Accrued leave liabilities | | | | 58,707,043 | 6,016,427 | 5,595,243 | 59,128,227 | 4,941,170 |
| Refundable government advances and other | | | | 37,830,322 | 2,465,573 | 489,580 | 39,806,315 | 4,877,000 |
| Total other long-term liabilities | | | | 1,184,098,538 | 281,570,860 | 77,903,594 | 1,387,765,604 | 9,818,170 |
| Total | | | | \$ 1,440,909,216 | 281,570,860 | 83,711,284 | 1,638,768,592 | 15,910,860 |
| Due within one year | | | | | | | (15,910,860) | |
| Total long-term liabilities | | | | | | | \$ 1,622,857,732 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | Ending balance | Due within one year |
|------------------------------|-------------------|-------------------------|---------------------------|--------------------------|-----------|-----------|-------------------|------------------------|
| | | | | Beginning balance | Additions | Deletions | | |
| III. Board Office: | | | | | | | | |
| Reserves for unpaid claims | | | | \$ 41,809,822 | 123,298 | 5,679,871 | 36,253,249 | 8,747,167 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 16,593,427 | 4,781,330 | 1,356,091 | 20,018,666 | — |
| Accrued leave liabilities | | | | 822,907 | — | 1,531 | 821,376 | 38,023 |
| Total | | | | \$ 59,226,156 | 4,904,628 | 7,037,493 | 57,093,291 | 8,785,190 |
| Due within one year | | | | | | | (8,785,190) | |
| Total long-term liabilities | | | | | | | \$ 48,308,101 | |
| MCVS: | | | | | | | | |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | \$ 1,231,115 | 355,273 | — | 1,586,388 | — |
| Accrued leave liabilities | | | | 66,090 | 8,909 | — | 74,999 | 4,792 |
| Total | | | | \$ 1,297,205 | 364,182 | — | 1,661,387 | 4,792 |
| Due within one year | | | | | | | (4,792) | |
| Total long-term liabilities | | | | | | | \$ 1,656,595 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2017 | | | | |
|--|-------------------|-------------------------|---------------------------|--------------------------|-------------|-------------|-------------------|------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| State of Mississippi Institutions of Higher Learning – Combined: | | | | | | | | |
| Total bonded debt | \$ | | | \$ 1,121,486,870 | 170,127,228 | 88,448,975 | 1,203,165,123 | 40,339,055 |
| Total capital leases | | | | 104,770,423 | 463,638 | 102,521,964 | 2,712,097 | 1,322,609 |
| Reserves for unpaid claims | | | | 41,809,822 | 123,298 | 5,679,871 | 36,253,249 | 8,747,167 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 2,402,927,178 | 513,737,318 | 92,112,236 | 2,824,552,260 | — |
| Accrued leave liabilities | | | | 128,310,192 | 8,302,206 | 9,511,531 | 127,100,867 | 12,028,112 |
| Deposits refundable | | | | 1,035,215 | 31,500 | 27,865 | 1,038,850 | — |
| Notes payable | | | | 10,819,307 | — | 1,565,761 | 9,253,546 | 1,138,238 |
| Refundable government advances and other | | | | 92,205,272 | 2,638,545 | 1,098,799 | 93,745,018 | 4,877,000 |
| Total other long-term liabilities and notes payable | | | | 2,635,297,164 | 524,709,569 | 104,316,192 | 3,055,690,541 | 18,043,350 |
| Total | | | | \$ 3,903,364,279 | 695,423,733 | 300,967,002 | 4,297,821,010 | 68,452,181 |
| Due within one year | | | | | | | (68,452,181) | |
| Total noncurrent liabilities | | | | | | | \$ 4,229,368,829 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|---------------------------------------|----------------|----------------------|------------------------|--------------------------|------------|------------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Alcorn State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| 2009 Series A Student Housing Project | \$ 47,000,000 | 5.13%–5.25% | 2040 | \$ 45,535,460 | — | 42,445,460 | 3,090,000 | 640,000 |
| 2016 Series A | 43,630,000 | 2.00%–5.00% | 2040 | — | 48,463,665 | 48,128 | 48,415,537 | 560,860 |
| Total bonded debt | | | | 45,535,460 | 48,463,665 | 42,493,588 | 51,505,537 | 1,300,860 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 56,758,259 | 14,276,573 | — | 71,034,832 | — |
| Accrued leave liabilities | | | | 4,580,386 | 1,546,723 | 1,643,501 | 4,483,608 | 867,445 |
| Deposits refundable | | | | 601,930 | 61,984 | — | 663,914 | — |
| Total other long-term liabilities | | | | 61,940,575 | 15,885,280 | 1,643,501 | 76,182,354 | 867,445 |
| Total | | | | \$ 107,476,035 | 64,348,945 | 44,137,089 | 127,687,891 | 2,168,305 |
| | | | | | | | (2,168,305) | |
| Due within one year | | | | | | | | |
| Total long-term liabilities | | | | | | | \$ 125,519,586 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|--|----------------|----------------------|------------------------|--------------------------|-----------|-----------|----------------|---------------------|
| | | | | 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 | \$ 1,400,000 | — | 130,000 | 1,270,000 | 135,000 |
| 2009 Series | 3,135,000 | 2.50%–3.75% | 2019 | 1,635,000 | — | 390,000 | 1,245,000 | 400,000 |
| Total bonded debt | | | | 3,035,000 | — | 520,000 | 2,515,000 | 535,000 |
| Capital leases: | | | | | | | | |
| Infrastructure/desktop/hardware | | | | 144,622 | — | 37,160 | 107,462 | 37,188 |
| Airplanes | | | | 819,663 | — | 261,317 | 558,346 | 273,045 |
| Foundation hall and faculty apartments | | | | 15,790,000 | — | 390,000 | 15,400,000 | 400,000 |
| Total capital leases | | | | 16,754,285 | — | 688,477 | 16,065,808 | 710,233 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 33,537,396 | 8,644,006 | — | 42,181,402 | — |
| Accrued leave liabilities | | | | 1,559,848 | — | 75,076 | 1,484,772 | 238,236 |
| Deposits refundable | | | | 133,157 | — | 4,962 | 128,195 | — |
| Refundable government advances and other | | | | 1,798,647 | 128,389 | — | 1,927,036 | — |
| Total other long-term liabilities | | | | 37,029,048 | 8,772,395 | 80,038 | 45,721,405 | 238,236 |
| Total | | | | \$ 58,818,333 | 8,772,395 | 1,288,515 | 64,302,213 | 1,483,469 |
| Due within one year | | | | | | | (1,483,469) | |
| Total long-term liabilities | | | | | | | \$ 62,818,744 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|---|-------------------|-------------------------|------------------------------|--------------------------|------------|-----------|-------------------|---------------------------|
| | | | | 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 | \$ 975,000 | — | 150,000 | 825,000 | 155,000 |
| Series 2010-A-1 | 31,325,000 | 3.00%–5.00% | 2034 | 25,189,816 | — | 34,990 | 25,154,826 | 40,819 |
| Campus Revenue Bond – 2015A | 57,595,000 | 2.00%–5.00% | 2045 | 58,787,216 | — | 428,925 | 58,358,291 | 143,548 |
| Campus Revenue Bond – 2015B | 13,065,000 | 2.60% | 2021 | 13,065,000 | — | 2,590,000 | 10,475,000 | 2,590,000 |
| Total bonded debt | | | | 98,017,032 | — | 3,203,915 | 94,813,117 | 2,929,367 |
| Capital leases: | | | | | | | | |
| Buses | | | | 1,071,633 | — | 91,992 | 979,641 | 96,739 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 100,387,620 | 30,452,665 | — | 130,840,285 | — |
| Accrued leave liabilities | | | | 5,355,359 | 562,806 | — | 5,918,165 | 426,108 |
| Deposits refundable | | | | 26,410 | 43,959 | — | 70,369 | — |
| Notes payable | | | | 614,893 | — | 95,007 | 519,886 | 97,879 |
| Refundable government advances and other | | | | 1,760,104 | 62,908 | — | 1,823,012 | — |
| Total other long-term liabilities and notes payable | | | | 108,144,386 | 31,122,338 | 95,007 | 139,171,717 | 523,987 |
| Total | | | | \$ 207,233,051 | 31,122,338 | 3,390,914 | 234,964,475 | 3,550,093 |
| Due within one year | | | | | | | (3,550,093) | |
| Total long-term liabilities | | | | | | | \$ 231,414,382 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|--|-------------------|----------------------------|---------------------------|--------------------------|-------------|-----------|-------------------|---------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| Dormitory Bonds | \$ 2,250,000 | 3.00 % | 2022 | \$ 530,000 | — | 80,000 | 450,000 | 85,000 |
| Student Apartments | 2,038,000 | 3.00 % | 2023 | 570,000 | — | 75,000 | 495,000 | 75,000 |
| EBC – Revenue Bonds | 31,865,000 | 3.75%–5.25% | 2019 | 4,640,000 | — | 1,465,000 | 3,175,000 | 1,545,000 |
| EBC – Revenue Bonds | 58,965,000 | 4.00%–5.00% | 2016 | 1,835,000 | — | 1,835,000 | — | — |
| EBC – Revenue Bonds | 6,110,000 | 4.13%–5.00% | 2029 | 4,570,000 | — | 265,000 | 4,305,000 | 280,000 |
| EBC – Revenue Bonds | 29,615,000 | 2.50%–5.25% | 2040 | 27,190,000 | — | 650,000 | 26,540,000 | 675,000 |
| EBC – Revenue Bonds | 17,105,000 | 2.75%–5.00% | 2025 | 11,910,000 | — | — | 11,910,000 | — |
| EBC – Revenue Bonds | 54,370,000 | 2.00%–5.00% | 2043 | 48,585,000 | — | 2,040,000 | 46,545,000 | 2,120,000 |
| EBC – Revenue Bonds | 60,470,000 | 2.00%–5.00% | 2044 | 59,980,000 | — | 505,000 | 59,475,000 | 525,000 |
| EBC – Revenue Bonds | 89,810,000 | 2.00%–5.00% | 2044 | 89,810,000 | — | 2,230,000 | 87,580,000 | 4,180,000 |
| EBC – Revenue Bonds | 23,435,000 | 0.29%–4.81% | 2044 | 22,560,000 | — | 580,000 | 21,980,000 | 905,000 |
| EBC – Revenue Bonds | 56,010,000 | 2.00%–5.00% | 2046 | 56,010,000 | — | — | 56,010,000 | 995,000 |
| Total bonded debt | | | | 328,190,000 | — | 9,725,000 | 318,465,000 | 11,385,000 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 377,668,592 | 109,951,061 | — | 487,619,653 | — |
| Accrued leave liabilities | | | | 25,231,174 | 1,459,617 | — | 26,690,791 | 2,081,145 |
| Deposits refundable | | | | 31,635 | 8,798 | — | 40,433 | — |
| Refundable government advances and other | | | | 13,907,544 | — | 198,447 | 13,709,097 | — |
| Total other long-term liabilities | | | | 416,838,945 | 111,419,476 | 198,447 | 528,059,974 | 2,081,145 |
| Total | | | | \$ 745,028,945 | 111,419,476 | 9,923,447 | 846,524,974 | 13,466,145 |
| Due within one year | | | | | | | (13,466,145) | |
| Total long-term liabilities | | | | | | | \$ 833,058,829 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original Issue | Annual Interest rate | Maturity (Fiscal year) | Year ended June 30, 2016 | | | Ending balance | Due within one year |
|--|-------------------|-------------------------|---------------------------|--------------------------|------------------|----------------|----------------------|---------------------------|
| | | | | Beginning balance | Additions | Deletions | | |
| Mississippi University for Women: | | | | | | | | |
| Capital leases: | | | | | | | | |
| Various equipment | \$ | — | | \$ 517,835 | — | 142,919 | 374,916 | 146,891 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 27,087,951 | 8,411,459 | — | 35,499,410 | — |
| Accrued leave liabilities | | | | 1,225,479 | 33,875 | — | 1,259,354 | 50,374 |
| Refundable government advances and other | | | | 1,114,670 | — | 107,724 | 1,006,946 | — |
| Total other long-term liabilities | | | | <u>29,428,100</u> | <u>8,445,334</u> | <u>107,724</u> | <u>37,765,710</u> | <u>50,374</u> |
| Total | | | | <u>\$ 29,945,935</u> | <u>8,445,334</u> | <u>250,643</u> | <u>38,140,626</u> | <u>197,265</u> |
| Due within one year | | | | | | | (197,265) | |
| Total long-term liabilities | | | | | | | <u>\$ 37,943,361</u> | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|--------------------------------------|-------------------|-------------------------|---------------------------|--------------------------|------------|------------|-------------------|---------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| Mississippi Valley State University: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC - 2007 | \$ 19,015,000 | 4.00 % | 2037 | \$ 17,520,000 | — | 16,260,000 | 1,260,000 | 375,000 |
| EBC - 2015 | 17,270,000 | 2.00 | 2037 | — | 17,270,000 | — | 17,270,000 | — |
| Total bonded debt | | | | 17,520,000 | 17,270,000 | 16,260,000 | 18,530,000 | 375,000 |
| Capital lease: | | | | | | | | |
| Equipment | | | | — | 407,504 | — | 407,504 | 78,690 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 31,120,964 | 6,634,221 | — | 37,755,185 | — |
| Accrued leave liabilities | | | | 1,597,550 | 314,511 | — | 1,912,061 | 251,037 |
| Deposits refundable | | | | 31,651 | — | 962 | 30,689 | — |
| Total other long-term liabilities | | | | 32,750,165 | 6,948,732 | 962 | 39,697,935 | 251,037 |
| Total | | | | \$ 50,270,165 | 24,626,236 | 16,260,962 | 58,635,439 | 704,727 |
| Due within one year | | | | | | | (704,727) | |
| Total long-term liabilities | | | | | | | \$ 57,930,712 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-------------|------------|----------------|---------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | Due within one year |
| University of Mississippi: | | | | | | | | |
| Bonded debt: | | | | | | | | |
| EBC – 2005 | \$ 10,965,000 | 3.50%–4.38% | 2028 | \$ 7,015,000 | — | 7,015,000 | — | — |
| EBC – 2006A | 17,985,000 | 5.00 % | 2026 | 9,860,000 | — | 8,530,000 | 1,330,000 | 1,330,000 |
| EBC – 2006B-1 | 17,290,000 | 3.63%–5.00% | 2027 | 10,500,000 | — | 1,030,000 | 9,470,000 | 1,065,000 |
| EBC – 2008A | 29,785,000 | 4.00%–4.25% | 2034 | 25,205,000 | — | 22,415,000 | 2,790,000 | 890,000 |
| EBC – 2009A | 19,870,000 | 3.25%–4.50% | 2030 | 16,125,000 | — | 815,000 | 15,310,000 | 840,000 |
| EBC – 2009B | 24,165,000 | 3.62%–5.00% | 2021 | 13,740,000 | — | 2,010,000 | 11,730,000 | 2,125,000 |
| EBC – 2009C | 14,770,000 | 3.00%–4.75% | 2035 | 12,795,000 | — | 430,000 | 12,365,000 | 440,000 |
| EBC – 2011 | 27,995,000 | 3.00%–4.75% | 2032 | 28,649,289 | — | 910,966 | 27,738,323 | 883,366 |
| EBC – Series 2015A | 15,660,000 | 2.00%–4.00% | 2041 | 15,660,000 | — | 100,000 | 15,560,000 | 180,000 |
| EBC – Series 2015B | 10,125,000 | 0.90%–3.75% | 2031 | 10,125,000 | — | 555,000 | 9,570,000 | 585,000 |
| EBC – Series 2015C | 31,630,000 | 2.00%–5.00% | 2047 | — | 33,706,400 | — | 33,706,400 | 773,978 |
| EBC – Series 2015D | 17,660,000 | 0.69%–4.45% | 2037 | — | 19,736,399 | — | 19,736,399 | 858,978 |
| EBC – Series 2016A | 33,245,000 | 2.00%–5.00% | 2035 | — | 33,973,347 | — | 33,973,347 | 575,000 |
| Total bonded debt | | | | 149,674,289 | 87,416,146 | 43,810,966 | 193,279,469 | 10,546,322 |
| Capital leases: | | | | | | | | |
| Buildings | | | | 14,550,606 | 36,753,154 | 3,723,378 | 47,580,382 | 3,207,972 |
| Assets under construction | | | | 38,246,846 | — | — | 38,246,846 | — |
| Total capital leases | | | | 52,797,452 | 36,753,154 | 3,723,378 | 85,827,228 | 3,207,972 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 224,435,474 | 63,437,077 | — | 287,872,551 | — |
| Accrued leave liabilities | | | | 15,905,194 | 1,014,225 | — | 16,919,419 | 1,438,000 |
| Deposits refundable | | | | 100,222 | — | 12,150 | 88,072 | — |
| Notes payable | | | | — | 9,500,000 | — | 9,500,000 | 840,191 |
| Refundable government advances and other | | | | 9,405,200 | — | 78,500 | 9,326,700 | — |
| Total other long-term liabilities and notes payable | | | | 249,846,090 | 73,951,302 | 90,650 | 323,706,742 | 2,278,191 |
| Total | | | | \$ 452,317,831 | 198,120,602 | 47,624,994 | 602,813,439 | 16,032,485 |
| Due within one year | | | | | | | (16,032,485) | |
| Total long-term liabilities | | | | | | | \$ 586,780,954 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | |
|--|-------------------|-------------------------|---------------------------|--------------------------|-------------|------------|-------------------|------------------------|
| | | | | 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 | \$ 395,000 | — | 395,000 | — | — |
| EBC Refunding | 24,855,000 | 3.63%-5.00% | 2027 | 1,765,000 | — | 1,765,000 | — | — |
| Athletic improvements | 27,190,000 | 4.00%-5.00% | 2034 | 1,115,000 | — | 535,000 | 580,000 | 580,000 |
| Dormitory construction | 49,900,000 | 2.75%-5.38% | 2037 | 49,785,000 | — | 47,875,000 | 2,110,000 | 335,000 |
| SMBEC Series 2013 | 51,875,000 | 2.75%-5.38% | 2044 | 59,307,664 | — | 1,883,029 | 57,424,635 | 985,000 |
| SMBEC Series 2015A | 38,600,000 | 2.00%-5.00% | 2034 | 38,600,000 | — | 255,000 | 38,345,000 | 455,000 |
| SMBEC Series 2015B | 16,690,000 | 0.50%-3.25% | 2034 | 16,690,000 | — | 375,000 | 16,315,000 | 2,165,000 |
| SMBEC Series 2016 | 58,870,000 | 2.00%-5.00% | 2040 | — | 70,793,434 | — | 70,793,434 | 1,704,911 |
| Total bonded debt | | | | 167,657,664 | 70,793,434 | 52,983,029 | 185,568,069 | 6,224,911 |
| Certificates of Participation: | | | | | | | | |
| Parking Garage, Series 2009 | | | | 14,255,000 | — | 14,255,000 | — | — |
| Capital leases: | | | | | | | | |
| Various equipment | | | | 1,622,805 | — | 507,479 | 1,115,326 | 510,107 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 163,430,215 | 41,307,930 | — | 204,738,145 | — |
| Accrued leave liabilities | | | | 10,063,335 | — | 17,353 | 10,045,982 | 1,230,000 |
| Deposits refundable | | | | 33,223 | — | 19,680 | 13,543 | — |
| Notes payable | | | | 1,333,429 | — | 534,008 | 799,421 | 627,981 |
| Refundable government advances and other | | | | 26,701,067 | — | 118,908 | 26,582,159 | — |
| Total other long-term liabilities and notes payable | | | | 201,561,269 | 41,307,930 | 689,949 | 242,179,250 | 1,857,981 |
| Total | | | | \$ 385,096,738 | 112,101,364 | 68,335,457 | 428,862,645 | 8,592,999 |
| Due within one year | | | | | | | (8,592,999) | |
| Total long-term liabilities | | | | | | | \$ 420,269,646 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | | | |
|---|----------------|----------------------|------------------------|--------------------------|-------------|------------|------------------|---------------------|--|--|
| | | | | 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 | 84,548,689 | — | 5,004,405 | 79,544,284 | 5,199,405 | | |
| 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 | 2,905,416 | — | 534,083 | 2,371,333 | 564,083 | | |
| Series 2012A | 51,860,000 | 4.00%–5.00% | 2041 | 51,727,393 | — | 44,203 | 51,683,190 | 44,202 | | |
| Series 2012B | 53,390,000 | 4.07%–4.82% | 2038 | 54,671,871 | — | — | 54,671,871 | — | | |
| Total bonded debt | | | | 262,393,369 | — | 5,582,691 | 256,810,679 | 5,807,690 | | |
| Other long-term liabilities: | | | | | | | | | | |
| Pension liability | | | | 821,435,313 | 339,073,151 | 72,947,291 | 1,087,561,173 | — | | |
| Accrued leave liabilities | | | | 55,047,823 | 8,371,322 | 4,712,102 | 58,707,043 | 4,394,887 | | |
| Refundable government advances and other | | | | 38,043,985 | 117,892 | 331,555 | 37,830,322 | 4,984,000 | | |
| Total other long-term liabilities | | | | 914,527,121 | 347,562,365 | 77,990,948 | 1,184,099,538 | 9,378,887 | | |
| Total | | | | \$ 1,176,920,490 | 347,562,365 | 83,573,639 | 1,440,909,216 | 15,186,577 | | |
| Due within one year | | | | | | | (15,186,577) | | | |
| Total long-term liabilities | | | | | | | \$ 1,425,722,639 | | | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | Due within one year |
|------------------------------|-------------------|-------------------------|---------------------------|--------------------------|-----------|-----------|-------------------|------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | |
| IHL Board Office: | | | | | | | | |
| Reserves unpaid claims | | | | \$ 40,648,373 | 2,842,822 | 1,681,373 | 41,809,822 | 10,084,613 |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | 13,082,977 | 3,956,286 | 445,836 | 16,593,427 | — |
| Accrued leave liabilities | | | | 818,152 | 4,755 | — | 822,907 | 34,787 |
| Total | | | | \$ 54,549,502 | 6,803,863 | 2,127,209 | 59,226,156 | 10,119,400 |
| Due within one year | | | | | | | (10,119,400) | |
| Total long-term liabilities | | | | | | | \$ 49,106,756 | |
| MCVS: | | | | | | | | |
| Other long-term liabilities: | | | | | | | | |
| Pension liability | | | | \$ 1,092,239 | 138,876 | — | 1,231,115 | — |
| Accrued leave liabilities | | | | 59,559 | 6,531 | — | 66,090 | 2,400 |
| Total | | | | \$ 1,151,798 | 145,407 | — | 1,297,205 | 2,400 |
| Due within one year | | | | | | | (2,400) | |
| Total long-term liabilities | | | | | | | \$ 1,294,805 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Description and purpose | Original issue | Annual interest rate | Maturity (fiscal year) | Year ended June 30, 2016 | | | | Due within one year |
|--|-------------------|-------------------------|---------------------------|--------------------------|-------------|-------------|-------------------|------------------------|
| | | | | Beginning balance | Additions | Deletions | Ending balance | |
| State of Mississippi Institutions of Higher Learning – Combined: | | | | | | | | |
| Total bonded debt | | | | \$ 1,072,022,814 | 223,943,245 | 174,479,189 | 1,121,486,870 | 39,104,150 |
| Total capital leases | | | | 71,692,377 | 38,232,291 | 5,154,245 | 104,770,423 | 4,750,632 |
| Reserves for unpaid claims | | | | 40,648,373 | 2,842,822 | 1,681,373 | 41,809,822 | 10,084,613 |
| Other long-term liabilities and notes payable: | | | | | | | | |
| Pension liability | | | | 1,850,037,000 | 626,283,305 | 73,393,127 | 2,402,927,178 | — |
| Accrued leave liabilities | | | | 121,443,859 | 13,314,365 | 6,448,032 | 128,310,192 | 11,014,419 |
| Deposits refundable | | | | 958,228 | 114,741 | 37,754 | 1,035,215 | — |
| Notes payable | | | | 16,203,322 | 9,500,000 | 14,884,015 | 10,819,307 | 1,566,051 |
| Refundable government advances and other | | | | 93,802,850 | 309,189 | 1,906,767 | 92,205,272 | 4,984,000 |
| Total other long-term liabilities and notes payable | | | | 2,082,445,259 | 849,521,600 | 96,668,695 | 2,635,297,164 | 17,564,470 |
| Total | | | | \$ 3,266,808,823 | 914,539,958 | 277,984,502 | 3,903,364,279 | 71,503,865 |
| Due within one year | | | | | | | (71,503,865) | |
| Total noncurrent liabilities | | | | | | | \$ 3,831,860,414 | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

The annual debt service requirements for the outstanding debt as of June 30, 2017 for each of the respective universities within the IHL System are as follows:

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|-----------------------------|---------------|----------------|---------------|------------|------------|
| Alcorn State University: | | | | | |
| 2018 | \$ 720,000 | — | — | 1,858,700 | 2,578,700 |
| 2019 | 815,000 | — | — | 1,820,325 | 2,635,325 |
| 2020 | 915,000 | — | — | 1,781,650 | 2,696,650 |
| 2021 | 1,130,000 | — | — | 1,740,750 | 2,870,750 |
| 2022 | 1,230,000 | — | — | 1,693,550 | 2,923,550 |
| 2023–2027 | 7,840,000 | — | — | 7,596,125 | 15,436,125 |
| 2028–2032 | 8,300,000 | — | — | 4,473,250 | 12,773,250 |
| 2033–2037 | 15,705,000 | — | — | 3,721,175 | 19,426,175 |
| 2038–2042 | 13,357,164 | — | — | 488,600 | 13,845,764 |
| Total | \$ 50,012,164 | — | — | 25,174,125 | 75,186,289 |

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|-----------------------------|---------------|----------------|---------------|-----------|------------|
| Delta State University: | | | | | |
| 2018 | \$ 975,000 | 324,035 | — | 552,781 | 1,851,816 |
| 2019 | 1,005,000 | 31,542 | — | 514,981 | 1,551,523 |
| 2020 | 585,000 | — | — | 494,700 | 1,079,700 |
| 2021 | 595,000 | — | — | 482,900 | 1,077,900 |
| 2022 | 610,000 | — | — | 470,850 | 1,080,850 |
| 2023–2027 | 2,845,000 | — | — | 2,038,575 | 4,883,575 |
| 2028–2032 | 3,135,000 | — | — | 1,410,750 | 4,545,750 |
| 2033–2037 | 3,805,000 | — | — | 742,500 | 4,547,500 |
| 2038–2042 | 1,750,000 | — | — | 70,800 | 1,820,800 |
| Total | \$ 15,305,000 | 355,577 | — | 6,778,837 | 22,439,414 |

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|-----------------------------|---------------|----------------|---------------|------------|-------------|
| Jackson State University: | | | | | |
| 2018 | \$ 3,348,915 | 255,383 | 100,837 | 4,502,767 | 8,207,902 |
| 2019 | 3,433,915 | 263,243 | 103,885 | 4,490,210 | 8,291,253 |
| 2020 | 3,533,915 | 110,750 | 107,025 | 4,378,759 | 8,130,449 |
| 2021 | 3,663,915 | 115,858 | 110,260 | 4,239,574 | 8,129,607 |
| 2022 | 3,838,915 | 121,201 | — | 4,056,781 | 8,016,897 |
| 2023–2027 | 27,509,575 | 328,026 | — | 16,461,836 | 44,299,437 |
| 2028–2032 | 30,069,575 | — | — | 9,310,988 | 39,380,563 |
| 2033–2037 | 16,029,453 | — | — | 2,126,000 | 18,155,453 |
| 2038–2042 | 3,726,880 | — | — | 609,600 | 4,336,480 |
| 2043–2047 | 2,374,144 | — | — | 126,400 | 2,500,544 |
| Total | \$ 97,529,202 | 1,194,461 | 422,007 | 50,302,915 | 149,448,585 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|-------------------------------|----------------|----------------|---------------|-------------|-------------|
| Mississippi State University: | | | | | |
| 2018 | \$ 10,105,000 | — | — | 15,669,109 | 25,774,109 |
| 2019 | 10,170,000 | — | — | 15,981,730 | 26,151,730 |
| 2020 | 11,085,000 | — | — | 15,605,790 | 26,690,790 |
| 2021 | 11,435,000 | — | — | 13,636,040 | 25,071,040 |
| 2022 | 11,840,000 | — | — | 13,133,655 | 24,973,655 |
| 2023–2027 | 58,955,000 | — | — | 57,353,796 | 116,308,796 |
| 2028–2032 | 59,535,000 | — | — | 44,449,163 | 103,984,163 |
| 2033–2037 | 65,515,000 | — | — | 29,347,532 | 94,862,532 |
| 2038–2042 | 65,910,000 | — | — | 14,451,522 | 80,361,522 |
| 2043–2047 | 30,120,000 | — | — | 1,840,977 | 31,960,977 |
| Total | \$ 334,670,000 | — | — | 221,469,314 | 556,139,314 |

| University – fiscal year | Bonded debt | Capital leases | Notes payable | Interest | Total |
|-----------------------------------|-------------|----------------|---------------|----------|---------|
| Mississippi University for Women: | | | | | |
| 2018 | \$ — | 150,973 | — | 5,259 | 156,232 |
| 2019 | — | 77,053 | — | 1,063 | 78,116 |
| Totals | \$ — | 228,026 | — | 6,322 | 234,348 |

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|--------------------------------------|---------------|----------------|---------------|-----------|------------|
| Mississippi Valley State University: | | | | | |
| 2018 | \$ 255,000 | 79,466 | — | 602,060 | 936,526 |
| 2019 | 585,000 | 81,264 | — | 591,762 | 1,258,026 |
| 2020 | 625,000 | 83,102 | — | 574,443 | 1,282,545 |
| 2021 | 675,000 | 84,982 | — | 556,643 | 1,316,625 |
| 2022 | 725,000 | — | — | 537,906 | 1,262,906 |
| 2023–2027 | 3,385,000 | — | — | 2,401,155 | 5,786,155 |
| 2028–2032 | 4,915,000 | — | — | 1,800,031 | 6,715,031 |
| 2033–2037 | 6,990,000 | — | — | 807,251 | 7,797,251 |
| Total | \$ 18,155,000 | 328,814 | — | 7,871,251 | 26,355,065 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|------------------------------------|-----------------------|-----------------------|----------------------|-------------------|--------------------|
| University of Mississippi: | | | | | |
| 2018 | \$ 13,001,866 | — | 865,671 | 9,231,732 | 23,099,269 |
| 2019 | 13,438,143 | — | 888,360 | 8,833,335 | 23,159,838 |
| 2020 | 12,890,825 | — | 911,644 | 8,438,745 | 22,241,214 |
| 2021 | 13,723,951 | — | 935,537 | 7,997,060 | 22,656,548 |
| 2022 | 11,863,109 | — | 960,057 | 7,549,803 | 20,372,969 |
| 2023–2027 | 68,891,881 | — | 4,098,540 | 30,417,038 | 103,407,459 |
| 2028–2032 | 65,515,708 | — | — | 16,913,528 | 82,429,236 |
| 2033–2037 | 39,753,237 | — | — | 6,264,110 | 46,017,347 |
| 2038–2042 | 11,128,177 | — | — | 2,663,625 | 13,791,802 |
| 2043–2047 | 6,940,713 | — | — | 691,750 | 7,632,463 |
| Total | \$ 257,147,610 | — | 8,659,809 | 99,000,726 | 364,808,145 |

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|-------------------------------------|-----------------------|-----------------------|----------------------|-------------------|--------------------|
| University of Southern Mississippi: | | | | | |
| 2018 | \$ 5,840,584 | 512,752 | 171,730 | 7,040,214 | 13,565,280 |
| 2019 | 4,765,000 | 92,467 | — | 6,933,915 | 11,791,382 |
| 2020 | 5,135,000 | — | — | 6,801,509 | 11,936,509 |
| 2021 | 5,465,000 | — | — | 6,673,651 | 12,138,651 |
| 2022 | 5,515,000 | — | — | 6,486,401 | 12,001,401 |
| 2023–2027 | 28,350,000 | — | — | 28,985,169 | 57,335,169 |
| 2028–2032 | 40,685,000 | — | — | 21,496,381 | 62,181,381 |
| 2033–2037 | 40,705,000 | — | — | 11,182,413 | 51,887,413 |
| 2038–2042 | 20,460,000 | — | — | 4,100,775 | 24,560,775 |
| 2043–2047 | 22,422,575 | — | — | 226,750 | 22,649,325 |
| Total | \$ 179,343,159 | 605,219 | 171,730 | 99,927,178 | 280,047,286 |

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|------------------------------------|-----------------------|-----------------------|----------------------|--------------------|--------------------|
| University of Mississippi: | | | | | |
| Medical Center: | | | | | |
| 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 | 6,983,607 | — | — | 11,460,646 | 18,444,253 |
| 2022 | 7,338,607 | — | — | 11,093,838 | 18,432,445 |
| 2023–2027 | 39,933,036 | — | — | 49,771,400 | 89,704,436 |
| 2028–2032 | 49,583,036 | — | — | 38,581,756 | 88,164,792 |
| 2033–2037 | 63,779,822 | — | — | 24,417,913 | 88,197,735 |
| 2038–2042 | 64,246,810 | — | — | 7,259,357 | 71,506,167 |
| Total | \$ 251,002,988 | — | — | 178,778,773 | 429,781,761 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| University – fiscal year(s) | Bonded debt | Capital leases | Notes payable | Interest | Total |
|--|------------------|----------------|---------------|-------------|---------------|
| State of Mississippi – Institutions of Higher Learning (Combined): | | | | | |
| 2018 | \$ 40,339,055 | 1,322,609 | 1,138,238 | 51,815,597 | 94,615,499 |
| 2019 | 40,584,748 | 545,569 | 992,245 | 51,238,459 | 93,361,021 |
| 2020 | 41,442,430 | 193,852 | 1,018,669 | 49,845,346 | 92,500,297 |
| 2021 | 43,671,473 | 200,840 | 1,045,797 | 46,787,264 | 91,705,374 |
| 2022 | 42,960,631 | 121,201 | 960,057 | 45,022,784 | 89,064,673 |
| 2023–2027 | 237,709,492 | 328,026 | 4,098,540 | 195,025,094 | 437,161,152 |
| 2028–2032 | 261,738,319 | — | — | 138,435,847 | 400,174,166 |
| 2033–2037 | 252,282,512 | — | — | 78,608,894 | 330,891,406 |
| 2038–2042 | 180,579,031 | — | — | 29,644,279 | 210,223,310 |
| 2043–2047 | 61,857,432 | — | — | 2,885,877 | 64,743,309 |
| Total | \$ 1,203,165,123 | 2,712,097 | 9,253,546 | 689,309,441 | 1,904,440,207 |

(a) Delta State University

In July of 2016, the University issued Revenue Refunding Bonds (Series 2016) totaling \$15,105,000 to refund Series 2003 Housing Bonds and refinance the Foundation Hall and University Apartment Lease Purchase Agreement. The bonds bear interest at rates ranging from 2% to 5% payable semi-annually. The Bonds are scheduled to retire in full in December 2038.

The Series 2016 Revenue Refunding Bonds were issued to refinance the Lease Purchase Agreement the University entered into in August 2010 with Statesman Housing LLC for the use of a 362 bed residence hall and a 32 unit apartment complex to house students, faculty, and staff.

(b) Jackson State University

In June 2017, the University finalized Education Building Corporation Bond Series 2017 for \$6,000,000 for facilities acquisition, improvements and maintenance projects. The bonds bear interest at a rate of 3.380% with interest payable semi-annually commencing in June 2018. Monthly sinking fund payments began in September 2017. The first principal payment is scheduled in June 2023. The Series 2017 Bond matures in 2028.

(c) Mississippi State University

In May of 2017, the University issued \$63,270,000 in Educational Building Corporation revenue bonds (Series 2017) to finance improvements to Dudy Noble Field Polk-DeMent Stadium, pay for capitalized interest on the Series 2017 Bonds, and to pay the related costs of issuance, sale, and delivery of the Series 2017 Bonds. The bonds bear interest at rates ranging from 2.00% to 5.00% with final maturity in August 2045.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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June 30, 2017 and 2016

(d) University of Mississippi

In July 2016, the University became a co-borrower of tax-exempt revenue bonds (Series 2013C), taxable revenue bonds (Series 2013D), and revenue refunding bonds (Series 2015) issued by the Ole Miss Athletics Foundation (OMAF). Series 2013C bonds originally were issued for \$62,900,000 for the construction of the Pavilion at Ole Miss. Outstanding coupons bear an interest rate of 3.22% with interest only payments payable monthly through December 2020. Monthly principal payments begin January 2021 with final maturity in November 2033. Series 2013D bonds originally were issued for \$12,100,000 (\$10,777,228 assumed in July 2016) for the construction of the Pavilion at Ole Miss. Outstanding coupons bear an interest rate of 3.10% payable monthly through November 2020. Series 2015 bonds were issued for \$12,600,000 (\$12,075,000 assumed in July 2016) to refinance OMFA Series 2013A revenue bonds. The OMAF Series 2013A bonds were used for the construction of the Pavilion at Ole Miss Parking Garage. Outstanding coupons bear a variable interest rate with principal payments of \$75,000 plus interest payable monthly through December 2025.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(10) Natural Classifications with Functional Classifications

The IHL System's operating expenses by functional classification were as follows for the years ended June 30, 2017 and 2016:

| Functional classification | 2017 | | | | | | | | | Total |
|------------------------------|-----------------------|--------------------|------------|-------------------------|------------|------------------------------------|-------------|-------------------------|-----------|---------------|
| | Salaries and wages | Fringe benefits | Travel | Contractual services | Utilities | Scholarships and fellowships | Commodities | Depreciation expense | Other | |
| Instruction | \$ 456,502,565 | 198,618,999 | 11,896,348 | 46,472,085 | 335,729 | 3,011,295 | 15,470,923 | — | 1,545,327 | 733,853,271 |
| Research | 182,971,481 | 83,395,794 | 9,219,034 | 55,956,193 | 2,943,271 | 1,800,031 | 23,453,184 | — | 1,308,302 | 361,047,290 |
| Public service | 84,177,710 | 38,589,919 | 5,548,229 | 29,989,511 | 816,567 | 449,675 | 9,147,697 | — | 31,485 | 168,750,793 |
| Academic support | 83,055,593 | 34,482,611 | 3,088,101 | 25,817,897 | 523,007 | 139,218 | 14,728,115 | — | 334,337 | 163,168,879 |
| Student services | 47,243,157 | 20,356,288 | 5,125,742 | 10,651,609 | 139,359 | 4,159,021 | 6,753,333 | — | 1,992 | 94,430,501 |
| Institutional support | 133,900,257 | 59,182,704 | 2,187,538 | 84,827,928 | 221,680 | 1,099,620 | 23,368,500 | — | 116,502 | 304,904,729 |
| Operation of plant | 53,564,242 | 26,869,320 | 168,638 | 41,188,528 | 41,656,599 | — | 9,506,418 | — | 1,723,345 | 174,677,090 |
| Student aid | 4,801,500 | 5,275,780 | 78,058 | 142,112 | — | 167,925,388 | 219,401 | — | — | 179,442,239 |
| Auxiliary enterprises | 79,781,082 | 30,250,288 | 16,829,018 | 84,964,003 | 16,992,719 | 25,745,660 | 20,923,156 | 7,491 | 18,425 | 275,511,842 |
| Depreciation | — | — | — | — | — | — | — | 151,947,801 | — | 151,947,801 |
| Hospital | 477,141,799 | 198,295,084 | 1,763,545 | 110,897,746 | 942,458 | — | 238,332,510 | — | — | 1,027,373,142 |
| Loan fund expense | — | — | — | — | — | — | — | — | 353,940 | 353,940 |
| | 1,603,139,386 | 695,316,787 | 55,904,251 | 491,907,612 | 64,571,389 | 204,329,908 | 361,903,237 | 151,955,292 | 5,433,655 | 3,634,461,517 |
| Elimination entities | — | — | — | (50,301,701) | — | (27,734,386) | — | — | — | (78,036,087) |
| Total operating expenses | \$ 1,603,139,386 | 695,316,787 | 55,904,251 | 441,605,911 | 64,571,389 | 176,595,522 | 361,903,237 | 151,955,292 | 5,433,655 | 3,556,425,430 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

| Functional classification | 2016 | | | | | | | | | Total |
|---------------------------|--------------------|-----------------|------------|----------------------|------------|------------------------------|-------------|----------------------|-----------|---------------|
| | Salaries and wages | Fringe benefits | Travel | Contractual services | Utilities | Scholarships and fellowships | Commodities | Depreciation expense | Other | |
| Instruction | \$ 455,167,283 | 161,139,275 | 11,197,362 | 43,000,448 | 189,578 | 3,949,040 | 16,494,578 | — | 2,036,294 | 693,173,858 |
| Research | 168,277,896 | 64,863,693 | 9,184,678 | 57,247,377 | 2,935,871 | 1,605,999 | 21,193,867 | — | 728,027 | 326,037,408 |
| Public service | 86,291,312 | 32,453,980 | 7,008,556 | 30,189,901 | 868,325 | 375,728 | 7,695,762 | — | 27,164 | 164,910,728 |
| Academic support | 80,256,012 | 27,399,105 | 3,171,993 | 25,980,462 | 479,745 | 339,289 | 13,933,263 | — | 474,957 | 152,034,846 |
| Student services | 46,563,005 | 16,180,069 | 4,562,994 | 11,657,884 | 167,905 | 169,254 | 6,184,133 | — | 98,855 | 85,584,099 |
| Institutional support | 140,990,665 | 49,272,566 | 2,783,403 | 104,456,186 | 241,420 | 4,545,279 | 25,503,888 | — | 3,859,449 | 331,452,856 |
| Operation of plant | 53,324,794 | 22,411,790 | 143,034 | 47,771,352 | 43,100,144 | — | 7,812,685 | — | 2,301,870 | 176,865,669 |
| Student aid | 4,358,548 | 3,821,773 | 56,062 | 547,846 | — | 170,852,938 | 169,565 | — | — | 179,806,532 |
| Auxiliary enterprises | 75,475,935 | 23,576,908 | 16,238,277 | 82,493,794 | 15,904,514 | 20,708,065 | 19,537,315 | 5,487 | 67,298 | 254,007,583 |
| Depreciation | — | — | — | — | — | — | — | 147,044,210 | — | 147,044,210 |
| Hospital | 469,158,933 | 153,570,336 | 3,066,441 | 95,259,546 | 968,448 | — | 258,046,269 | — | — | 981,069,973 |
| Loan fund expense | — | — | — | — | — | — | — | — | 512,543 | 512,543 |
| | 1,579,864,383 | 554,689,495 | 57,412,800 | 498,604,596 | 64,855,950 | 202,545,582 | 377,571,345 | 147,049,697 | 9,906,457 | 3,492,500,305 |
| Elimination entities | — | — | — | (52,699,905) | — | (27,867,856) | — | — | — | (80,567,761) |
| Total operating expenses | \$ 1,579,864,383 | 554,689,495 | 57,412,800 | 445,904,691 | 64,855,950 | 174,677,726 | 377,571,345 | 147,049,697 | 9,906,457 | 3,411,932,544 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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> |
|---------------------------------|-----------------------|
| Year(s) ending June 30, 2017: | |
| 2018 | \$ 25,308,081 |
| 2019 | 22,257,773 |
| 2020 | 20,134,808 |
| 2021 | 16,432,421 |
| 2022 | 15,362,259 |
| 2023–2027 | 52,504,982 |
| 2028–2032 | 37,496,567 |
| 2033–2037 | <u>3,510,000</u> |
| Total minimum payments required | <u>\$ 193,006,891</u> |

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the years ended June 30, 2017 and 2016 approximated \$30.9 million and \$28.7 million, respectively.

(12) Construction Commitments and Financing

The IHL System has contracted for various construction projects as of June 30, 2017. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

| | <u>Remaining estimated cost 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 | \$ 11,188,793 | — | 11,188,793 | — | — |
| Delta State University | 15,518,051 | — | 15,518,051 | — | — |
| Jackson State University | 12,909,137 | — | 12,909,137 | — | — |
| Mississippi State University | 115,666,559 | 288,000 | 45,890,808 | 16,298,194 | 53,189,557 |
| Mississippi University for Women | 249,304 | — | — | 249,304 | — |
| Mississippi Valley State University | 19,523,324 | — | 19,523,324 | — | — |
| University of Mississippi | 237,180,620 | — | 40,185,700 | 171,444,720 | 25,550,200 |
| University of Southern Mississippi | 29,781,901 | 159,266 | 24,828,432 | 4,794,203 | — |
| University of Mississippi Medical Center | <u>45,939,570</u> | <u>862,793</u> | <u>17,507,145</u> | <u>24,137,708</u> | <u>3,431,924</u> |
| Totals | <u>\$ 487,957,259</u> | <u>1,310,059</u> | <u>187,551,390</u> | <u>216,924,129</u> | <u>82,171,681</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(13) Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure approximated \$63.5 million and \$50.6 million as of June 30, 2017 and 2016, respectively. 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 Prudent Management of Institutional Funds Act (UPMIFA) (Sections 79-11-701 through 79-11-719, MS Code, Ann. 1972) of 2006. The annual rate for spendable transfers distributed annually, is 4% of the investment pool's average unit value over the 36-month period.

(14) Pension and Other Employee Benefit Plans

The PERS of Mississippi maintains the following separately administered pension plans:

| Plan type | Plan name |
|---|--|
| Multiple-employer, defined benefit | PERS Defined Benefit Plan |
| Multiple-employer, defined contribution | Optional Retirement Plan (ORP) Defined Contribution Plan |

The employees of the 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, 2016 and 2015 for fiscal years 2017 and 2016, respectively.

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.

Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal years 2017 and 2016 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2016). For fiscal year 2017, the measurement date for the PERS defined benefit plan is June 30, 2016. For fiscal year 2016, the

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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measurement date for the PERS defined benefit plan is June 30, 2015. The IHL System is presenting net pension liability as of June 30, 2016 and 2015 for the fiscal years 2017 and 2016 financials, respectively.

(a) PERS Defined Benefit Plan

(i) Plan Description

The PERS of Mississippi was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, 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 Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

(ii) 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.

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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.

(iii) *Contributions*

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

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The IHL System's contractually required contribution rate for the years ended June 30, 2017 and 2016, was 15.75% for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20.00% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.00% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the IHL System are recognized when legally due, based on statutory requirements.

(iv) *Employer Contributions*

The IHL System's contributions to PERS for the years ended June 30, 2017 and 2016 were \$160.8 million and \$159.3 million, respectively. The IHL System's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the 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.

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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:

| Plan | Proportionate share of contributions | Allocation percentage of proportionate share of collective pension amount | Change in proportionate share of collective pension amount |
|----------------------------|---|--|---|
| PERS defined benefit plan: | | | |
| 2017 | \$ 159,323,834 | 15.81 % | 0.27 % |
| 2016 | 152,960,567 | 15.54 | 0.30 |

(v) 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 major asset class included in the IHL System's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

| Asset class | Target allocation | Long-term expected real rate of return |
|-------------------------|--------------------------|---|
| 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> | |

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(vi) Net Pension Liability

The IHL System's proportion of the net pension liability at June 30, 2017 and 2016 is as follows (dollars in thousands):

| Plan | IHL System's proportion of net pension liability | IHL System's proportionate share of net pension liability |
|-------|---|---|
| PERS: | | |
| 2017 | 15.81 % | \$ 2,824,552 |
| 2016 | 15.54 | 2,402,927 |

(vii) Discount Rate

For the years ended June 30, 2017 and 2016, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) for the years ended June 30, 2017 and 2016. 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.

(viii) Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following tables present IHL System's proportionate share of the net pension liability of the cost-sharing plan for 2017 and 2016, calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate (amounts in thousands):

| | 1% Decrease (6.75%) | Current discount rate (7.75%) | 1% Increase (8.75%) |
|---|---------------------------|-------------------------------------|---------------------------|
| IHL System proportionate share of net pension liability: | | | |
| 2017 | \$ 3,621,709 | 2,824,552 | 2,163,170 |

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| | 1% Decrease (6.75%) | Current discount rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------------------|--|------------------------------------|
| IHL System proportionate share of net pension liability: | | | |
| 2016 | \$ 3,167,359 | 2,402,927 | 1,768,704 |

(ix) 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 actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The latest experience study was performed after the June 30, 2016 valuation was complete; it covers the four-year period from July 1, 2012 to June 30, 2016 and was issued on April 18, 2017.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the years ended June 30, 2017 and 2016:

| | 2017 | 2016 |
|---------------------------|---------------|---------------|
| Valuation date | June 30, 2016 | June 30, 2015 |
| Asset valuation method | Market value | Market value |
| Actuarial assumptions: | | |
| Inflation rate | 3.00 % | 3.00 % |
| Salary increases | 3.75 | 3.75 |
| Investment rate of return | 7.75 | 7.75 |

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with male rates set forward one year.

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(x) *Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Unaudited)*

For the years ended June 30, 2017 and 2016, the non-cash impact of GASB Statement No. 68 on fringe benefits was \$224.5 million and \$88.3 million, respectively. See below for a breakdown by school for the years ended 2017 and 2016.

| Year ended June 30, 2017 | | | |
|-------------------------------------|--------------------------------------|--|---|
| | Total fringe benefits expense | Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68 | Fringe benefits expense excluding non-cash impact of GASB 68 |
| Alcorn State University | \$ 17,069,104 | (5,658,623) | 11,410,481 |
| Delta State University | 11,102,192 | (2,628,696) | 8,473,496 |
| Jackson State University | 35,002,795 | (10,895,335) | 24,107,460 |
| Mississippi State University | 156,395,272 | (45,065,727) | 111,329,545 |
| Mississippi University for Women | 9,797,668 | (3,320,870) | 6,476,798 |
| Mississippi Valley State University | 10,538,856 | (2,774,963) | 7,763,893 |
| University of Mississippi | 84,574,017 | (23,997,887) | 60,576,130 |
| University of Southern Mississippi | 65,792,787 | (13,807,318) | 51,985,469 |
| University Medical Center | 299,256,113 | (113,118,756) | 186,137,357 |
| Executive Office | 5,538,402 | (3,142,835) | 2,395,567 |
| MS Commission for Volunteer Service | 249,581 | (75,452) | 174,129 |
| | <u>\$ 695,316,787</u> | <u>(224,486,462)</u> | <u>470,830,325</u> |

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| Year ended June 30, 2016 | | | |
|-------------------------------------|--------------------------------------|--|---|
| | Total fringe benefits expense | Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68 | Fringe benefits expense excluding non-cash impact of GASB 68 |
| Alcorn State University | \$ 13,989,798 | (2,398,068) | 11,591,730 |
| Delta State University | 9,854,558 | (1,288,012) | 8,566,546 |
| Jackson State University | 25,188,027 | (2,925,324) | 22,262,703 |
| Mississippi State University | 128,959,445 | (16,168,275) | 112,791,170 |
| Mississippi University for Women | 7,806,373 | (1,376,936) | 6,429,437 |
| Mississippi Valley State University | 8,706,979 | (795,108) | 7,911,871 |
| University of Mississippi | 69,243,055 | (10,549,657) | 58,693,398 |
| University of Southern Mississippi | 57,192,016 | (6,024,433) | 51,167,583 |
| University Medical Center | 230,695,965 | (46,321,745) | 184,374,220 |
| Executive Office | 2,935,679 | (523,572) | 2,412,107 |
| MS Commission for Volunteer Service | 117,600 | 40,691 | 158,291 |
| | <u>\$ 554,689,495</u> | <u>(88,330,439)</u> | <u>466,359,056</u> |

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 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.

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See the following table for deferred outflows and inflows of resources for the IHL System:

| | 2017 | | | | | | Deferred inflows | | |
|--|--|------------------------|---|--|---|--------------------------------------|---|------------------------|-------------------------------------|
| | Deferred outflows | | | | | | | | |
| | Differences between expected and actual experience | Changes of assumptions | Changes in proportion and differences between employer contributions and proportionate share of contributions | Contributions subsequent to the measurement date | Net difference between projected and actual investment earnings on pension plan investments | Total deferred outflows of resources | Net difference between projected and actual investment earnings on pension plan investments | Changes of assumptions | Total deferred inflows of resources |
| Alcorn State University | \$ 2,292,285 | 3,874,248 | (217,089) | 4,612,758 | 5,567,445 | 16,129,647 | — | 218,382 | 218,382 |
| Delta State University | 1,317,119 | 2,226,095 | (1,038,540) | 2,650,434 | 3,198,985 | 8,354,093 | — | 125,482 | 125,482 |
| Jackson State University | 4,330,550 | 7,319,171 | 2,583,151 | 8,714,352 | 10,517,933 | 33,465,157 | — | 412,565 | 412,565 |
| Mississippi State University | 16,056,978 | 27,138,299 | 10,791,874 | 32,311,407 | 38,998,793 | 125,297,351 | — | 1,529,728 | 1,529,728 |
| Mississippi University for Women | 1,159,709 | 1,960,054 | 886,321 | 2,333,680 | 2,816,674 | 9,156,438 | — | 110,483 | 110,483 |
| Mississippi Valley State University | 1,247,134 | 2,107,812 | (115,822) | 2,509,604 | 3,029,009 | 8,777,737 | — | 118,814 | 118,814 |
| University of Mississippi | 9,302,449 | 15,722,300 | 2,750,842 | 18,719,288 | 22,593,557 | 69,088,436 | — | 886,231 | 886,231 |
| University of Southern Mississippi | 6,519,191 | 11,018,247 | (2,881,497) | 13,118,547 | 15,833,648 | 43,608,136 | — | 621,075 | 621,075 |
| University of Mississippi Medical Center | 35,942,704 | 60,747,660 | 43,206,948 | 72,327,391 | 87,296,752 | 299,521,455 | — | 3,424,215 | 3,424,215 |
| IHL Board Office | 558,278 | 943,559 | (1,307,180) | 1,123,420 | 1,355,931 | 2,674,008 | — | 53,185 | 53,185 |
| MCVS | 44,240 | 74,772 | 50,013 | 89,025 | 107,450 | 365,500 | — | 4,214 | 4,214 |
| Total | \$ 78,770,637 | 133,132,217 | 54,709,021 | 158,509,906 | 191,316,177 | 616,437,958 | — | 7,504,374 | 7,504,374 |

| | 2016 | | | | | | Deferred inflows | | |
|--|--|------------------------|---|--|---|--------------------------------------|---|------------------------|-------------------------------------|
| | Deferred outflows | | | | | | | | |
| | Differences between expected and actual experience | Changes of assumptions | Changes in proportion and differences between employer contributions and proportionate share of contributions | Contributions subsequent to the measurement date | Net difference between projected and actual investment earnings on pension plan investments | Total deferred outflows of resources | Net difference between projected and actual investment earnings on pension plan investments | Changes of assumptions | Total deferred inflows of resources |
| Alcorn State University | \$ 1,660,109 | 6,119,415 | 1,207,537 | 4,578,969 | — | 13,566,030 | 3,120,331 | — | 3,120,331 |
| Delta State University | 984,132 | 3,633,785 | 123,279 | 2,629,908 | — | 7,371,104 | 1,565,206 | — | 1,565,206 |
| Jackson State University | 3,016,716 | 11,275,389 | (692,177) | 8,653,220 | — | 22,253,148 | 2,778,380 | — | 2,778,380 |
| Mississippi State University | 11,276,490 | 42,006,774 | 6,830,389 | 32,082,720 | — | 92,196,373 | 12,528,421 | — | 12,528,421 |
| Mississippi University for Women | 816,880 | 3,058,149 | 1,006,883 | 2,316,938 | — | 7,198,850 | 867,858 | — | 867,858 |
| Mississippi Valley State University | 891,877 | 3,252,479 | 129,325 | 2,491,943 | — | 6,765,624 | 2,438,277 | — | 2,438,277 |
| University of Mississippi | 6,666,773 | 24,799,241 | 4,505,096 | 18,587,600 | — | 54,558,710 | 7,556,549 | — | 7,556,549 |
| University of Southern Mississippi | 4,783,208 | 17,637,499 | 1,017,858 | 13,009,957 | — | 36,448,522 | 8,353,503 | — | 8,353,503 |
| University of Mississippi Medical Center | 24,941,765 | 93,689,698 | 43,580,232 | 71,818,771 | — | 234,030,466 | 25,670,867 | — | 25,670,867 |
| IHL Board Office | 386,042 | 1,429,464 | (175,220) | 959,854 | — | 2,600,140 | 432,409 | — | 432,409 |
| MCVS | 29,902 | 106,055 | (106,393) | 88,482 | — | 118,046 | 107,454 | — | 107,454 |
| Total | \$ 55,453,894 | 207,007,948 | 57,426,809 | 157,218,382 | — | 477,107,013 | 65,419,255 | — | 65,419,255 |

Contributions subsequent to the measurement date of \$158.5 million and \$157.2 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the years ended June 30, 2018 and 2017, respectively.

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Other amounts reported as net deferred outflows of resources and net deferred inflows of resources related to pensions as of June 30, 2017, will be recognized in pension expense as follows:

| Deferred outflow of resources year ended June 30 | | | | | | |
|--|----------------|-------------|------------|------------|------------|-------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| Alcorn State University | \$ 2,902,800 | 2,844,079 | 2,218,456 | 2,252,730 | 1,298,824 | 11,516,889 |
| Delta State University | 1,281,171 | 1,259,537 | 935,052 | 1,481,611 | 746,288 | 5,703,659 |
| Jackson State University | 6,397,086 | 6,454,437 | 5,643,796 | 3,801,768 | 2,453,718 | 24,750,805 |
| Mississippi State University | 24,992,169 | 24,644,384 | 19,837,650 | 14,413,755 | 9,097,986 | 92,985,944 |
| Mississippi University for Women | 1,852,697 | 1,818,097 | 1,415,284 | 1,079,581 | 657,099 | 6,822,758 |
| Mississippi Valley State University | 1,583,556 | 1,562,635 | 1,311,968 | 1,103,340 | 706,634 | 6,268,133 |
| University of Mississippi | 13,212,799 | 12,918,290 | 9,879,881 | 9,087,350 | 5,270,828 | 50,369,148 |
| University of Southern Mississippi | 7,281,525 | 7,160,307 | 5,536,820 | 6,817,123 | 3,693,814 | 30,489,589 |
| University of Mississippi Medical Center | 63,859,133 | 62,481,091 | 48,474,812 | 31,868,300 | 20,510,728 | 227,194,064 |
| IHL Board Office | 184,690 | 186,192 | 100,756 | 762,625 | 316,325 | 1,550,588 |
| MCVS | 83,156 | 79,276 | 62,535 | 26,441 | 25,067 | 276,475 |
| Total | \$ 123,630,782 | 121,408,325 | 95,417,010 | 72,694,624 | 44,777,311 | 457,928,052 |

| Deferred inflows of resources year ended June 30 | | | | | |
|--|--------------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | Total |
| Alcorn State University | \$ 62,754 | 62,754 | 62,753 | 30,121 | 218,382 |
| Delta State University | 36,058 | 36,058 | 36,058 | 17,308 | 125,482 |
| Jackson State University | 118,553 | 118,553 | 118,553 | 56,906 | 412,565 |
| Mississippi State University | 439,577 | 439,577 | 439,577 | 210,997 | 1,529,728 |
| Mississippi University for Women | 31,748 | 31,748 | 31,748 | 15,239 | 110,483 |
| Mississippi Valley State University | 34,142 | 34,142 | 34,142 | 16,388 | 118,814 |
| University of Mississippi | 254,664 | 254,664 | 254,664 | 122,239 | 886,231 |
| University of Southern Mississippi | 178,470 | 178,470 | 178,470 | 85,665 | 621,075 |
| University of Mississippi Medical Center | 983,970 | 983,970 | 983,970 | 472,305 | 3,424,215 |
| IHL Board Office | 15,283 | 15,283 | 15,283 | 7,336 | 53,185 |
| MCVS | 1,211 | 1,211 | 1,211 | 581 | 4,214 |
| Total | \$ 2,156,430 | 2,156,430 | 2,156,429 | 1,035,085 | 7,504,374 |

(b) ORP Defined Contribution Plan

The 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 is identical to that of the PERS defined contribution plan.

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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 System's contributions to the ORP for the years ended June 30, 2017 and 2016 were \$60.0 million and \$58.2 million, respectively, 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 \$21.5 million and \$21.6 million at June 30, 2017 and 2016, respectively, are included in the statements 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 years ended June 30, 2017 and 2016 were approximately \$366,000 and \$386,000, respectively. 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, 2017, 2016, and 2015 (in thousands):

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|----------------|----------------|
| Accrued claims at beginning of year | \$ 21,467 | 22,600 | 23,841 |
| Incurred claims: | | | |
| Provision for insured events of the current year | 8,535 | 8,872 | 9,435 |
| Decrease in provision for insured events of prior years | <u>(2,922)</u> | <u>(3,523)</u> | <u>(4,475)</u> |
| Total incurred claims and claims adjustment expenses | <u>5,613</u> | <u>5,349</u> | <u>4,960</u> |

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| | 2017 | 2016 | 2015 |
|---|-----------|--------|--------|
| Claim payments: | | | |
| Claims attributable to insured events of the current year | \$ 1,687 | 1,876 | 1,865 |
| Claims attributable to insured events of prior years | 3,974 | 4,606 | 4,336 |
| Total payments | 5,661 | 6,482 | 6,201 |
| Total accrued claims at end of year | \$ 21,419 | 21,467 | 22,600 |

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$2.4 million and \$2.5 million as of June 30, 2017 and 2016, respectively.

(16) Unemployment Trust Fund

The IHL System participates in a self-funded Unemployment Trust Fund (the Unemployment Fund). The Unemployment Fund exists in order to provide 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 Commission for benefits it pays directly to former IHL System employees. The assets and liabilities of the Unemployment Fund equaled \$5.9 million and \$4.0 million at June 30, 2017, respectively, and equaled \$4.6 million and \$3.8 million at June 30, 2016, respectively.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Unemployment Fund as of June 30, 2017. The actuaries concluded that the fund's actual assets at June 30, 2017 exceeded the recommended minimum fund balance. The recommended fund balance at June 30, 2017 is \$4.0 million. Actual fund assets equaled \$5.9 million at June 30, 2017. The fiscal year 2018 assessment level was set at \$2.1 million. Future assessments are recommended to be set at \$2.1 million for fiscal year 2019, \$2.1 million for fiscal year 2020, and \$2.1 million for fiscal year 2021. These facts will be considered by the IHL System 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 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.

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A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the IHL Tort Fund as of June 30, 2017 and 2016. Total assets and liabilities related to this activity approximated \$16.2 million and \$10.4 million at June 30, 2017, respectively, and \$16.3 million and \$12.2 million at June 30, 2016, respectively, and is included in the statements of net position.

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, 2017, 2016, and 2015 (in thousands):

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|------------------|----------------|----------------|
| Accrued claims at beginning of year | \$ 12,156 | 12,961 | 12,612 |
| Included claims: | | | |
| Provision for insured events of the current year | 3,382 | 5,348 | 4,119 |
| Decrease in provision for insured events of prior years | <u>(2,524)</u> | <u>(4,193)</u> | <u>(1,296)</u> |
| Total incurred claims and claims adjustment expense | <u>858</u> | <u>1,155</u> | <u>2,823</u> |
| Claims paid: | | | |
| Claims attributable to insured events of the current year | 167 | 178 | 159 |
| Claims attributable to insured events of prior years | <u>2,528</u> | <u>1,782</u> | <u>2,315</u> |
| Total payments | <u>2,695</u> | <u>1,960</u> | <u>2,474</u> |
| Total accrued claims at end of year | \$ <u>10,319</u> | <u>12,156</u> | <u>12,961</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 \$1.0 million and \$1.2 million as of June 30, 2017 and 2016, respectively.

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) UMMC Tort Claims Fund

The UMMC 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.

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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 \$42.0 million and \$35.3 million at June 30, 2017, respectively and \$41.0 million and \$32.2 million at June 30, 2016, respectively and are included in the statements of net position.

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, 2017, 2016, and 2015 (in thousands):

| | 2017 | 2016 | 2015 |
|---|-----------|---------|---------|
| Accrued claims at beginning of year | \$ 31,777 | 32,417 | 31,980 |
| Incurring claims: | | | |
| Provision for insured events of the current year | 8,644 | 6,684 | 7,146 |
| Decrease in provision for insured events of prior years | (2,022) | (2,693) | (1,613) |
| Total incurred claims | 6,622 | 3,991 | 5,533 |
| Payments: | | | |
| Claims attributable to insured events of the current year | 1,937 | 938 | 1,797 |
| Claims attributable to insured events of prior years | 1,207 | 3,693 | 3,299 |
| Total payments | 3,144 | 4,631 | 5,096 |
| Total accrued claims at end of year | \$ 35,255 | 31,777 | 32,417 |

At June 30, 2017, unpaid claims, included in other long-term liabilities, of \$39.0 million are presented at their net present value of \$35.3 million.

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(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 MSU. 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 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:

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

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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 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

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consolidated the MSIP reflecting the noncontrolling interests of the other three participants in its financial statements. As of June 30, 2017 and 2016, MUSF's financial statements include \$44.3 million and \$42.4 million, respectively, for their noncontrolling share within investments and unrestricted net position related to noncontrolling interests. MSUF recorded \$3.6 million and \$1.966 million of losses associated with these investments in fiscal years 2017 and 2016, respectively, 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 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, 2017 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.

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(b) *Pledges Receivable, Net*

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.

Pledges receivable, net are summarized as follows at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|--------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 15,155,335 | 12,680,121 |
| One year to five years | 24,332,145 | 25,040,731 |
| Over five years | <u>5,920,633</u> | <u>6,688,540</u> |
| | 45,408,113 | 44,409,392 |
| Less unamortized discount (rates ranging from 1% to 5%) | <u>(4,980,360)</u> | <u>(5,129,317)</u> |
| Total incurred claims | 40,427,753 | 39,280,075 |
| Less allowance for uncollectible pledges | <u>(965,963)</u> | <u>(861,657)</u> |
| | <u>\$ 39,461,790</u> | <u>38,418,418</u> |

(c) *Investments*

Investments are summarized as follows at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|--------------------|
| Short-term investments | \$ 4,970,398 | 12,662,623 |
| Global fixed income | 104,782,601 | 99,791,850 |
| Global equities | 167,391,227 | 147,058,787 |
| Real assets | 57,370,014 | 51,271,823 |
| Diversifying strategies | 84,407,980 | 69,854,199 |
| Contributed properties held for investment | 27,098,091 | 28,069,571 |
| Cash surrender value of life insurance | <u>1,925,702</u> | <u>1,864,423</u> |
| | <u>\$ 447,946,013</u> | <u>410,573,276</u> |

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, 2017 and 2016 with an approximate fair value of \$6.3 million and \$5.8 million, respectively.

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The following schedule summarizes net investment income in the statement of activities for the years ended June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|---------------------|
| Dividends and interest (net of expenses of \$622,734 and \$600,464, respectively) | \$ 9,224,412 | 8,495,001 |
| Net realized and unrealized (losses) | <u>26,510,767</u> | <u>(22,795,076)</u> |
| | <u>\$ 35,735,179</u> | <u>(14,300,075)</u> |

(d) Fair Value Measurements

FASB ASC Topic 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 NAV 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 statements 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.

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

Mutual and common stock funds, index funds, 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.

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Diversifying strategies and real estate investments: Valued at the NAV of underlying investments as determined by the fund managers. MSUF's management also takes into consideration the audited financial information to determine overall reasonableness or the recorded value.

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

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 MSUF 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.

The following table summarizes MSUF's assets by major category in the fair value hierarchy as of June 30, 2017 and 2016:

| | June 30, 2017 | | | | Redemption or liquidation | Days' notice |
|---|-----------------------|-------------------|-------------------|-----------------------|------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Recurring: | | | | | | |
| Short-term investments | \$ 4,970,398 | — | — | 4,970,398 | Daily | 1 |
| Global fixed income: | | | | | | |
| Interest-rate sensitive | 93,412,038 | 11,370,563 | — | 104,782,601 | Daily | 1 |
| Credit sensitive | — | — | — | — | Daily | 1 |
| Total global fixed income | 93,412,038 | 11,370,563 | — | 104,782,601 | | |
| Global equities: | | | | | | |
| Domestic | 81,576,176 | 9,402,279 | — | 90,978,455 | Daily | 1-3 |
| Non-U.S. | 51,824,438 | — | — | 51,824,438 | Daily | 1 |
| Total equities | 133,400,614 | 9,402,279 | — | 142,802,893 | | |
| Contributed properties held for investment | — | — | 27,098,091 | 27,098,091 | (1) | (1) |
| Cash-surrender value of life insurance | — | 1,925,702 | — | 1,925,702 | (2) | (2) |
| | <u>\$ 231,783,050</u> | <u>22,698,544</u> | <u>27,098,091</u> | <u>281,579,685</u> | | |
| Investments at NAV | | | | 166,366,328 | | |
| Total investments | | | | <u>\$ 447,946,013</u> | | |
| Nonrecurring: | | | | | | |
| Present value of amounts due from externally managed trusts | \$ — | — | 50,228,587 | 50,228,587 | | |

⁽¹⁾ Bulldog Forest properties totaling approximately \$20,237,000 and \$19,700,000 at June 30, 2017 and 2016, respectively, may be held in perpetuity or liquidated at the Foundation's discretion. Other properties are for immediate sale.

⁽²⁾ The Foundation 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.

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| | June 30, 2016 | | | | Redemption or liquidation | Days' notice |
|---|-----------------------|-------------------|-------------------|-----------------------|------------------------------|-----------------|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Recurring: | | | | | | |
| Short-term investments | \$ 12,662,623 | — | — | 12,662,623 | Daily | 1 |
| Global fixed income: | | | | | | |
| Interest-rate sensitive | 59,272,948 | 11,779,926 | — | 71,052,874 | Daily | 1 |
| Credit sensitive | 28,738,976 | — | — | 28,738,976 | Daily | 1 |
| Total global fixed income | 88,011,924 | 11,779,926 | — | 99,791,850 | | |
| Global equities: | | | | | | |
| Domestic | 50,985,254 | 7,941,732 | — | 58,926,986 | Daily | 1-3 |
| Non-U.S. | 66,648,843 | — | — | 66,648,843 | Daily | 1 |
| Total equities | 117,634,097 | 7,941,732 | — | 125,575,829 | | |
| Contributed properties held for investment | — | — | 28,069,571 | 28,069,571 | (1) | (1) |
| Cash-surrender value of life insurance | — | 1,864,423 | — | 1,864,423 | (2) | (2) |
| | <u>\$ 218,308,644</u> | <u>21,586,081</u> | <u>28,069,571</u> | <u>267,964,296</u> | | |
| Investments at net asset value | | | | <u>142,608,980</u> | | |
| Total investments | | | | <u>\$ 410,573,276</u> | | |
| Nonrecurring: | | | | | | |
| Present value of amounts due from externally managed trusts | \$ — | — | 46,924,276 | 46,924,276 | | |

⁽¹⁾ Bulldog Forest properties totaling approximately \$19,700,000 and \$19,500,000 at June 30, 2016 and 2015, respectively, may be held in perpetuity or liquidated at the Foundation's discretion. Other properties are for immediate sale.

⁽²⁾ The Foundation 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, 2017 and 2016, MSUF had no future funding commitments 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.

The following table presents MSUF's activities for the years ended June 30, 2017 and 2016 for contributed properties held for investments classified in Level 3:

| | 2017 | 2016 |
|--|----------------------|-------------------|
| Beginning value as of June 30 | \$ 28,069,571 | 30,980,754 |
| Acquisitions | 247,256 | 1,429,677 |
| Dispositions | (1,146,415) | (5,815,100) |
| Net realized and unrealized gains (losses) | (72,321) | 1,474,240 |
| Fair value at June 30 | <u>\$ 27,098,091</u> | <u>28,069,571</u> |

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For the years ended June 30, 2017 and 2016, the changes in present value of amounts due from externally managed trusts classified as Level 3 are as follows:

| | | 2017 | 2016 |
|-------------------------------|----|-------------|-------------|
| Beginning value as of June 30 | \$ | 46,924,276 | 40,230,993 |
| Contributions | | 4,158,535 | 7,816,516 |
| Termination | | (3,256,559) | — |
| Change in calculation | | 2,402,335 | (1,123,233) |
| Fair value at June 30 | \$ | 50,228,587 | 46,924,276 |

(e) Net Assets

Temporarily restricted and permanently restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

| | | 2017 | | 2016 | |
|----------------------------|----|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | | Net assets temporarily restricted | Net assets permanently restricted | Net assets temporarily restricted | Net assets permanently restricted |
| Specified college programs | \$ | 29,855,507 | 114,546,614 | 23,579,108 | 108,408,786 |
| Student financial aid | | 47,917,351 | 156,816,084 | 36,241,617 | 149,636,756 |
| Research | | 1,483,789 | 16,433,426 | 1,031,166 | 16,427,654 |
| Faculty and staff support | | 6,365,253 | 50,204,435 | 5,213,478 | 49,882,310 |
| Facilities | | 10,803,829 | 7,015,463 | 9,529,267 | 7,005,463 |
| Other | | 6,607,142 | 9,019,359 | 5,786,621 | 8,755,559 |
| | \$ | 103,032,871 | 354,035,381 | 81,381,257 | 340,116,528 |

(f) Endowment Net Assets

The FASB issued ASC Topic 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 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 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.

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At June 30, 2017 MSUF's endowment consists of approximately 1,400 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 semiannually 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, 2017:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|-------------------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment funds | \$ (828,814) | 42,860,804 | 292,785,696 | 334,817,686 |
| Board-designated endowment funds | 19,382,126 | — | — | 19,382,126 |
| | <u>\$ 18,553,312</u> | <u>42,860,804</u> | <u>292,785,696</u> | <u>354,199,812</u> |

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Changes in endowment net assets for the fiscal years ended June 30, 2017:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Endowment net assets, beginning of year | \$ 17,180,348 | 30,930,493 | 280,205,092 | 328,315,933 |
| Investment return: | | | | |
| Investment income | 939,983 | 3,127,564 | — | 4,067,547 |
| Net appreciation (realized and unrealized) | <u>1,253,582</u> | <u>23,630,858</u> | <u>(94,011)</u> | <u>24,790,429</u> |
| Total investment return | 2,193,565 | 26,758,422 | (94,011) | 28,857,976 |
| Contributions | — | — | 8,015,607 | 8,015,607 |
| Appropriation of endowment assets for expenditure | (793,821) | (15,216,630) | — | (16,010,451) |
| Other changes: | | | | |
| Other transfers | <u>(26,780)</u> | <u>388,519</u> | <u>4,659,008</u> | <u>5,020,747</u> |
| Endowment net assets, end of year | \$ <u>18,553,312</u> | <u>42,860,804</u> | <u>292,785,696</u> | <u>354,199,812</u> |

Endowment net asset composition by type of fund as of June 30, 2016:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|-------------------------------------|----------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment funds | \$ (2,568,829) | 30,930,493 | 280,205,092 | 308,566,756 |
| Board-designated endowment funds | <u>19,749,177</u> | <u>—</u> | <u>—</u> | <u>19,749,177</u> |
| | \$ <u>17,180,348</u> | <u>30,930,493</u> | <u>280,205,092</u> | <u>328,315,933</u> |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

Changes in endowment net assets for the fiscal years ended June 30, 2016:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|--|----------------------|-----------------------------------|-----------------------------------|---------------------|
| Endowment net assets, beginning of year | \$ 21,010,988 | 48,813,760 | 257,042,208 | 326,866,956 |
| Investment return: | | | | |
| Investment income | 827,238 | 3,640,584 | — | 4,467,822 |
| Net appreciation (realized and unrealized) | <u>(4,046,839)</u> | <u>(15,668,374)</u> | <u>1,412,803</u> | <u>(18,302,410)</u> |
| Total investment return | (3,219,601) | (12,027,790) | 1,412,803 | (13,834,588) |
| Contributions | — | — | 14,801,649 | 14,801,649 |
| Appropriation of endowment assets for expenditure | (759,733) | (14,234,163) | — | (14,993,896) |
| Other changes: | | | | |
| Other transfers | <u>148,694</u> | <u>8,378,686</u> | <u>6,948,432</u> | <u>15,475,812</u> |
| Endowment net assets, end of year | \$ <u>17,180,348</u> | <u>30,930,493</u> | <u>280,205,092</u> | <u>328,315,933</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 \$0.8 million and \$2.6 million at June 30, 2017 and 2016, respectively.

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

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(ii) **Basis of Accounting**

These financial statements, which are presented on the accrual basis of accounting and follow, the 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, 2017 and 2016

(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

Overall Investment Objective

The overall investment objective of UMF 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. UMF diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by UMF's Investment Committee, which oversees its investment program in accordance with an established investment policy.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, UMF 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 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 UMF'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.

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June 30, 2017 and 2016

Basis of Reporting

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, 2017 and 2016, 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 statements of activities based on restrictions put in place by the donor.

(b) Pledges Receivable, Net

UMF obtains pledges through fund-raising projects in support of various activities. At June 30, 2017, pledges mature at various dates through 2041 (approximately \$13.5 million is due in fiscal year 2018, \$39.4 million is due in total during the period including fiscal year 2019 through fiscal year 2023, and \$31.4 million is due thereafter). At June 30, 2016, pledges mature at various dates through 2037 (approximately \$9.96 million is due in fiscal year 2017, \$29.8 million is due in total during the period including fiscal year 2018 through fiscal year 2022, and \$28.1 million is due thereafter). A summary of pledges receivable as of June 30, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|---------------------|
| Temporarily restricted | \$ 75,044,354 | 57,215,469 |
| Permanently restricted | <u>9,251,535</u> | <u>10,661,872</u> |
| | 84,295,889 | 67,877,341 |
| Allowances for doubtful pledges | (3,836,822) | (5,247,427) |
| Present value discounts (ranging from 1.6% to 6.1%) | <u>(11,731,019)</u> | <u>(11,086,981)</u> |
| | <u>\$ 68,728,048</u> | <u>51,542,933</u> |

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Notes to Financial Statements

June 30, 2017 and 2016

(c) Investments

UMF's investments, aggregated by investment strategy, with related liquidity information consist of the following at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> | <u>Liquidation period</u> |
|-------------------------------|-----------------------|--------------------|-------------------------------|
| Investment strategy: | | | |
| Fixed income: | | | |
| U.S. government securities | \$ 2,014,708 | 2,060,009 | Daily |
| Corporate bonds | 20,916,453 | 21,155,503 | Daily |
| Certificates of deposit | 751,629 | 518,015 | Annually |
| Other fixed income securities | <u>47,038,392</u> | <u>46,994,089</u> | Daily |
| Total fixed income | <u>70,721,182</u> | <u>70,727,616</u> | |
| Equities: | | | |
| Common stocks | 13,099,444 | 9,146,996 | Daily |
| Common stock funds | 48,646,634 | 51,642,330 | Daily |
| Mutual funds | 5,941,927 | 5,156,814 | Daily |
| Index funds | <u>6,267,465</u> | <u>22,219,614</u> | Daily |
| Total equities | <u>73,955,470</u> | <u>88,165,754</u> | |
| Hedge funds | 170,049,875 | 135,221,582 | Various ⁽¹⁾ |
| Venture capital | 111,120,721 | 79,953,494 | Illiquid ⁽²⁾ |
| Real estate: | | | |
| Real estate owned | 4,359,468 | 4,655,693 | Illiquid |
| Timber fund | 11,834,657 | 12,495,924 | Illiquid ⁽³⁾ |
| Partnership interest | <u>—</u> | <u>750,000</u> | Illiquid ⁽⁴⁾ |
| Total real estate | 16,194,125 | 17,901,617 | |
| Other short-term investments | <u>6,337,081</u> | <u>4,713,828</u> | Daily |
| Total investments | <u>\$ 448,378,454</u> | <u>396,683,891</u> | |

⁽¹⁾ 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 120 days.

⁽²⁾ 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.

⁽³⁾ This fund represents interest in a partnership that invests solely in timber land and allows for liquidation after a 10-year term.

⁽⁴⁾ This investment represents a 49% interest in a commercial property. The investment would be liquidated upon the sale of the property.

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(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, 2017 and 2016, UMF had no plans or intentions to sell investments at amounts different from NAV.

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: Valued at the net asset value of underlying investments as determined by the fund managers. UMF's management also takes into consideration the audited financial information to determine overall reasonableness of the recorded value.

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

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 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

The following table presents the financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2017 and 2016.

| | | 2017 | | | |
|--|----|-------------|-------------|-------------|-------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| Investment strategy: | | | | | |
| Fixed income: | | | | | |
| U.S. government securities | \$ | — | 2,014,708 | — | 2,014,708 |
| Corporate bonds | | — | 20,916,453 | — | 20,916,453 |
| Certificates of deposit | | — | 751,629 | — | 751,629 |
| Other fixed-income securities | | 41,848,231 | 5,190,161 | — | 47,038,392 |
| Total fixed income | | 41,848,231 | 28,872,951 | — | 70,721,182 |
| Equities: | | | | | |
| Common stocks | | 13,099,444 | — | — | 13,099,444 |
| Common stock funds | | 48,646,634 | — | — | 48,646,634 |
| Mutual funds | | 5,941,927 | — | — | 5,941,927 |
| Index funds | | 6,267,465 | — | — | 6,267,465 |
| Total equities | | 73,955,470 | — | — | 73,955,470 |
| Hedge funds | | — | 129,002,490 | 41,047,385 | 170,049,875 |
| Venture capital | | — | — | 111,120,721 | 111,120,721 |
| Real estate: | | | | | |
| Real estate owned | | — | — | 4,359,468 | 4,359,468 |
| Timber fund | | — | — | 11,834,657 | 11,834,657 |
| Partnership interest | | — | — | — | — |
| Total real estate | | — | — | 16,194,125 | 16,194,125 |
| Other short-term investments | | 6,337,081 | — | — | 6,337,081 |
| Total investments | \$ | 122,140,782 | 157,875,441 | 168,362,231 | 448,378,454 |
| Beneficial interest in perpetual trust | | | | | |
| | \$ | 2,774,752 | 6,840,877 | — | 9,615,629 |

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June 30, 2017 and 2016

| | 2016 | | | |
|--|--------------|-------------|-------------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment strategy: | | | | |
| Fixed income: | | | | |
| U.S. government securities \$ | — | 2,060,009 | — | 2,060,009 |
| Corporate bonds | — | 21,155,503 | — | 21,155,503 |
| Certificates of deposit | — | 518,015 | — | 518,015 |
| Other fixed income securities | 38,639,893 | 8,354,196 | — | 46,994,089 |
| Total fixed income | 38,639,893 | 32,087,723 | — | 70,727,616 |
| Equities: | | | | |
| Common stocks | 9,146,996 | — | — | 9,146,996 |
| Common stock funds | 51,642,330 | — | — | 51,642,330 |
| Mutual funds | 5,156,814 | — | — | 5,156,814 |
| Index funds | 22,219,614 | — | — | 22,219,614 |
| Total equities | 88,165,754 | — | — | 88,165,754 |
| Hedge funds | — | 77,429,628 | 57,791,954 | 135,221,582 |
| Venture capital | — | — | 79,953,494 | 79,953,494 |
| Real estate: | | | | |
| Real estate owned | — | — | 4,655,693 | 4,655,693 |
| Timber fund | — | — | 12,495,924 | 12,495,924 |
| Partnership interest | — | — | 750,000 | 750,000 |
| Total real estate | — | — | 17,901,617 | 17,901,617 |
| Other short-term investments | 4,713,828 | — | — | 4,713,828 |
| Total investments \$ | 131,519,475 | 109,517,351 | 155,647,065 | 396,683,891 |
| Beneficial interest in perpetual trust | \$ 1,789,587 | 5,661,282 | — | 7,450,869 |

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, 2017, UMF had unfunded commitments of \$0.4 million related to natural resource private fund hedge funds and \$77.3 million related to venture capital and private equity investments. At June 30, 2016, UMF had unfunded commitments of \$1.0 million related to natural resource private fund hedge funds and \$51.1 million related to venture capital and private equity investments. In addition, UMF's investments can be redeemed or liquidated on a daily basis except for real estate investments, hedge funds and venture capital investments that require a much longer period to liquidate.

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June 30, 2017 and 2016

The following table includes a rollforward of the amounts for the years ended June 30, 2017 and 2016 for investments classified within Level 3:

| | Real estate | Venture capital and private equity | Hedge funds | Total |
|---|---------------|------------------------------------|--------------|-------------|
| Balance as of June 30, 2015 | \$ 17,582,460 | 59,498,831 | 34,268,490 | 111,349,781 |
| Net realized and unrealized gain (loss) | 508,612 | 4,930,663 | (3,079,848) | 2,359,427 |
| Net purchases (sales) | (189,455) | 15,524,000 | 26,603,312 | 41,937,857 |
| Balance as of June 30, 2016 | 17,901,617 | 79,953,494 | 57,791,954 | 155,647,065 |
| Net realized and unrealized gain (loss) | (376,864) | 11,288,905 | 7,280,115 | 18,192,156 |
| Net purchases (sales) | (1,330,628) | 19,878,322 | (24,024,684) | (5,476,990) |
| Balance as of June 30, 2017 | \$ 16,194,125 | 111,120,721 | 41,047,385 | 168,362,231 |

Hedge funds include long/short funds, fixed income funds and multi-strategy funds. These funds generally invest directly into corporate equity and debt securities. As of June 30, 2017, the Foundation transferred approximately \$16.1 million of a high income hedge fund from level 3 to level 2. This transfer was a result of the expiration of the lock up period on the investment. Venture capital and private equity investments are comprised of funds primarily invested in startup entities with high growth potential. Real estate investments consist of funds invested directly or indirectly in real property.

(e) Net Asset

Permanently restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

| | 2017 | 2016 |
|------------------------------|----------------|-------------|
| Academic and program support | \$ 42,715,492 | 38,570,620 |
| Scholarship support | 112,213,855 | 98,807,643 |
| Faculty support | 68,511,529 | 71,986,540 |
| Library support | 13,888,379 | 13,854,301 |
| Total | \$ 237,329,255 | 223,219,104 |

The vast majority of temporarily restricted net assets at June 30, 2017 and 2016 were available for academic and program support.

(f) Net Asset Classification of Endowment Funds

The FASB issued FASB ASC Topic 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 UPMIFA and expands disclosures about endowment funds (both

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

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 three-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.

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Notes to Financial Statements

June 30, 2017 and 2016

Changes in donor-restricted endowment net assets for the years ended June 30, 2017 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment net assets, June 30, 2016 | \$ (222,971) | 78,459,279 | 219,484,272 | 297,720,580 |
| Contributions and transfers to endowment | — | — | 13,816,581 | 13,816,581 |
| Appropriation for expenditures | — | (10,652,154) | — | (10,652,154) |
| Investment return: | | | | |
| Investment income | — | 8,645,067 | — | 8,645,067 |
| Net appreciation (depreciation) | 222,297 | 28,548,129 | 147,622 | 28,918,048 |
| Donor-restricted endowment net assets, June 30, 2017 | \$ <u>(674)</u> | <u>105,000,321</u> | <u>233,448,475</u> | <u>338,448,122</u> |

Changes in donor-restricted endowment net assets for the years ended June 30, 2016 is as follows:

| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|--------------------|
| Donor-restricted endowment net assets, June 30, 2015 | \$ (2,501) | 97,714,197 | 208,338,466 | 306,050,162 |
| Contributions and transfers to endowment | — | — | 11,134,800 | 11,134,800 |
| Appropriation for expenditures | — | (10,000,381) | — | (10,000,381) |
| Investment return: | | | | |
| Investment income | — | 661,387 | — | 661,387 |
| Net appreciation (depreciation) | (220,470) | (9,915,924) | 11,006 | (10,125,388) |
| Donor-restricted endowment net assets, June 30, 2016 | \$ <u>(222,971)</u> | <u>78,459,279</u> | <u>219,484,272</u> | <u>297,720,580</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 \$700 as of June 30, 2017 and approximately \$223,000 as of June 30, 2016.

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(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 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 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. 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

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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

Overall Investment Objective

The overall investment objective of USMF 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. UMF diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by USMF's Investment Committee, which oversees its investment program in accordance with an established investment policy.

Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, USMF 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

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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 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 USMF'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.

Basis of Reporting

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 NAV 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 NAV. At June 30, 2017 and 2016, the USMF had no plans or intentions to sell investments at amounts different from NAV. 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.

(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.

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(b) Pledges Receivable, Net

Pledges receivable, net, are summarized as follows at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|------------------|
| Unconditional promises expected to be collected in: | | |
| Less than one year | \$ 3,723,486 | 4,545,075 |
| One year to five years | 1,622,530 | 4,176,552 |
| More than five years | <u>11,629</u> | <u>76,361</u> |
| | 5,357,645 | 8,797,988 |
| Less unamortized discounts ranging from 0.72% to 5.15% | <u>(111,031)</u> | <u>(206,472)</u> |
| | 5,246,614 | 8,591,516 |
| Less allowance for uncollectible pledges | <u>(296,000)</u> | <u>(367,000)</u> |
| | <u>\$ 4,950,614</u> | <u>8,224,516</u> |

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Notes to Financial Statements

June 30, 2017 and 2016

(c) Investments

Investments are summarized as follows at June 30, 2017 and 2016:

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-------------------|
| Investment strategy: | | |
| Fixed income: | | |
| U.S. government securities | \$ 1,408,876 | 1,195,130 |
| Corporate bonds | 6,607,128 | 6,073,335 |
| Mutual funds | 27,886,123 | 27,313,405 |
| Other fixed income securities | <u>3,656,241</u> | <u>4,486,679</u> |
| Total fixed income | <u>39,558,368</u> | <u>39,068,549</u> |
| Equities: | | |
| Mutual and common stock funds | <u>55,622,272</u> | <u>47,396,182</u> |
| Total equities | <u>55,622,272</u> | <u>47,396,182</u> |
| Alternative investments: | | |
| Hedge funds | 6,365,885 | 4,984,804 |
| Real estate investment funds | <u>2,937,743</u> | <u>2,700,067</u> |
| Total alternative investments | <u>9,303,628</u> | <u>7,684,871</u> |
| Cash surrender value of insurance policies | 2,529,687 | 2,472,867 |
| Other | <u>87,337</u> | <u>46,032</u> |
| Total investments | \$ <u>107,101,292</u> | <u>96,668,501</u> |

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

| | <u>2017</u> | | | |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| | <u>Unrestricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Total</u> |
| Dividends and interest (net of expenses of \$387,207) | \$ 1,712,294 | (28,790) | 9,513 | 1,693,017 |
| Realized (losses) gains, net | (23,411) | 387,569 | 1,594 | 365,752 |
| Unrealized gains, net | <u>(77,692)</u> | <u>8,515,748</u> | <u>100,503</u> | <u>8,538,559</u> |
| | \$ <u>1,611,191</u> | <u>8,874,527</u> | <u>111,610</u> | <u>10,597,328</u> |

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| | 2016 | | | |
|---|---------------------|------------------------|------------------------|------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | Total |
| Dividends and interest (net of expenses of \$374,618) | \$ 1,455,283 | 294,314 | 73,231 | 1,822,828 |
| Realized (losses) gains, net | (104,507) | 1,224,250 | 43,193 | 1,162,936 |
| Unrealized gains, net | 119,588 | (3,420,161) | (83,286) | (3,383,859) |
| | <u>\$ 1,470,364</u> | <u>(1,901,597)</u> | <u>33,138</u> | <u>(398,095)</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 Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy established in FASB ASC Topic 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.

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, 2017 and 2016, \$9,303,628 and \$7,684,871, respectively, are valued at the NAV 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.

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June 30, 2017 and 2016

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.

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, 2017 and 2016:

| | 2017 | | | | Total |
|--|------------|-----------|-----------|-----------------------------|-------------|
| | Level 1 | Level 2 | Level 3 | Investments measured at NAV | |
| Investment strategy: | | | | | |
| Fixed income: | | | | | |
| U.S. government securities \$ | 1,408,876 | — | — | — | 1,408,876 |
| Corporate bonds | — | 6,607,128 | — | — | 6,607,128 |
| Mutual Funds | 27,886,123 | — | — | — | 27,886,123 |
| Other fixed income securities | 1,553,801 | 2,102,440 | — | — | 3,656,241 |
| Total fixed income | 30,848,800 | 8,709,568 | — | — | 39,558,368 |
| Equities: | | | | | |
| Mutual and common stock funds | 55,622,272 | — | — | — | 55,622,272 |
| Total equities | 55,622,272 | — | — | — | 55,622,272 |
| Alternative investments: | | | | | |
| Hedge funds | — | — | — | 6,365,885 | 6,365,885 |
| Real estate investment funds | — | — | — | 2,937,743 | 2,937,743 |
| Total alternative investments | — | — | — | 9,303,628 | 9,303,628 |
| Cash surrender value of insurance policies | — | — | 2,529,687 | — | 2,529,687 |
| Other | — | — | 87,337 | — | 87,337 |
| Total investments \$ | 86,471,072 | 8,709,568 | 2,617,024 | 9,303,628 | 107,101,292 |

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Notes to Financial Statements

June 30, 2017 and 2016

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Investments measured at NAV</u> | <u>Total</u> |
|---|----------------|----------------|----------------|--|--------------|
| Present value of amounts due from externally managed trusts | \$ — | — | 5,102,951 | — | 5,102,951 |
| Gift annuities payable | — | — | 263,831 | — | 263,831 |
| Life estate payable | — | — | 33,489 | — | 33,489 |

| 2016 | | | | | |
|---|----------------|----------------|----------------|--|--------------|
| | <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 | \$ 1,195,130 | — | — | — | 1,195,130 |
| Corporate bonds | — | 6,073,335 | — | — | 6,073,335 |
| Mutual Funds | 27,313,405 | — | — | — | 27,313,405 |
| Other fixed income securities | 1,995,447 | 2,491,232 | — | — | 4,486,679 |
| Total fixed income | 30,503,982 | 8,564,567 | — | — | 39,068,549 |
| Equities: | | | | | |
| Mutual and common stock funds | 47,396,182 | — | — | — | 47,396,182 |
| Total equities | 47,396,182 | — | — | — | 47,396,182 |
| Alternative investments: | | | | | |
| Hedge funds | — | — | — | 4,984,804 | 4,984,804 |
| Real estate investment funds | — | — | — | 2,700,067 | 2,700,067 |
| Total alternative investments | — | — | — | 7,684,871 | 7,684,871 |
| Cash surrender value of insurance policies | — | — | 2,472,867 | — | 2,472,867 |
| Other | — | — | 46,032 | — | 46,032 |
| Total investments | \$ 77,900,164 | 8,564,567 | 2,518,899 | 7,684,871 | 96,668,501 |
| Present value of amounts due from externally managed trusts | \$ — | — | 4,883,516 | — | 4,883,516 |
| Gift annuities payable | — | — | 286,181 | — | 286,181 |
| Life estate payable | — | — | — | — | — |

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Notes to Financial Statements

June 30, 2017 and 2016

At June 30, 2017 and 2016, 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 hedge funds and real estate investments, which require a much longer period to liquidate.

(i) 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 years ended June 30, 2017 and 2016:

| 2017 | | | | |
|--------------------------------|--------------------------|-------------|--------|-----------|
| Level 3 | Life insurance contracts | Real estate | Other | Total |
| Balance, June 30, 2016 | \$ 2,472,867 | — | 46,032 | 2,518,899 |
| Acquisitions | — | 41,305 | — | 41,305 |
| Dispositions | — | — | — | — |
| Change in cash surrender value | 56,820 | — | — | 56,820 |
| Balance, June 30, 2017 | \$ 2,529,687 | 41,305 | 46,032 | 2,617,024 |

| 2016 | | | | |
|--------------------------------|--------------------------|-------------|----------|-----------|
| Level 3 | Life insurance contracts | Real estate | Other | Total |
| Balance, June 30, 2015 | \$ 2,397,134 | — | 71,032 | 2,468,166 |
| Acquisitions | — | — | — | — |
| Dispositions | — | — | (25,000) | (25,000) |
| Change in cash surrender value | 75,733 | — | — | 75,733 |
| Balance, June 30, 2016 | \$ 2,472,867 | — | 46,032 | 2,518,899 |

(ii) Amounts Due from Externally Managed Trusts

For the years ended June 30, 2017 and 2016, the changes in present value of amounts due from externally managed trusts classified as Level 3 are as follows:

| | 2017 | 2016 |
|-------------------------------|--------------|-----------|
| Beginning value as of June 30 | \$ 4,883,516 | 817,080 |
| Additions | 873,297 | 4,107,051 |
| Distributions | (15,308) | (36,411) |
| Change in valuation | (638,554) | (4,204) |
| Fair value at June 30 | \$ 5,102,951 | 4,883,516 |

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June 30, 2017 and 2016

(iii) Gift Annuities Payable

For the years ended June 30, 2017 and 2016, the changes in present value of amounts to gift annuities payable classified as Level 3 are as follows:

| | 2017 | 2016 |
|-------------------------------|------------|-----------|
| Beginning value as of June 30 | \$ 286,181 | 305,330 |
| Additions | — | 131,352 |
| Change in valuation | 25,984 | 71,304 |
| Annuity payments | (48,334) | (51,803) |
| Terminations | — | (170,002) |
| Fair value at June 30 | \$ 263,831 | 286,181 |

(iv) Life Estate Payable

| | 2017 | 2016 |
|-------------------------------|-----------|------|
| Beginning value as of June 30 | \$ — | — |
| Additions | 33,489 | — |
| Change in valuation | — | — |
| Annuity payments | — | — |
| Terminations | — | — |
| Fair value at June 30 | \$ 33,489 | — |

(e) Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

| | 2017 | 2016 |
|------------------------------------|---------------|------------|
| Student financial aid | \$ 18,840,970 | 16,569,776 |
| Academic divisions | 4,213,951 | 3,210,698 |
| Research | 288,988 | 239,037 |
| Operation and maintenance of plant | 2,535,275 | 3,862,593 |
| Library | 916,802 | 669,195 |
| Athletics | 396,898 | 378,591 |
| Faculty and staff support | 2,574,130 | 1,803,790 |
| Other restricted purposes | 7,414,801 | 6,956,052 |
| Total | \$ 37,181,815 | 33,689,732 |

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Notes to Financial Statements

June 30, 2017 and 2016

(f) *Permanently Restricted Net Assets*

Permanently restricted net assets at June 30, 2017 and 2016 were available for the following purposes:

| | 2017 | 2016 |
|------------------------------------|---------------|------------|
| Student financial aid | \$ 48,430,636 | 44,345,689 |
| Academic divisions | 5,615,064 | 5,472,753 |
| Research | 222,779 | 200,610 |
| Operation and maintenance of plant | 4,931,781 | 4,686,194 |
| Library | 3,014,098 | 3,002,234 |
| Faculty and staff support | 10,355,327 | 10,307,753 |
| Other restricted purposes | 4,308,686 | 4,124,317 |
| Total | \$ 76,878,371 | 72,139,550 |

(g) *Endowment Net Assets*

At June 30, 2017, USMF has 927 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 Topic 958, 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 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.

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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, 2017 and 2016. 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.

At June 30, 2017, 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 \$ | — | 23,775,016 | 68,649,203 | 92,424,219 |
| Board-designated endowment-type funds | <u>2,326,743</u> | <u>—</u> | <u>—</u> | <u>2,326,743</u> |
| Endowment net assets, June 30, 2017 \$ | <u>2,326,743</u> | <u>23,775,016</u> | <u>68,649,203</u> | <u>94,750,962</u> |

During the year ended June 30, 2017, 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, 2016 \$ | 1,912,848 | 17,632,655 | 63,750,398 | 83,295,901 |
| Contributions | 350,546 | 158,026 | 4,668,830 | 5,177,402 |
| Net investment income | 252,195 | 8,818,689 | 66,032 | 9,136,916 |
| Other income | — | — | 84 | 84 |
| Change in restriction by donor | (440) | 463 | 148,552 | 148,575 |
| Expenses | (306,176) | (2,859,928) | — | (3,166,104) |
| Transfers | <u>117,770</u> | <u>25,111</u> | <u>15,307</u> | <u>158,188</u> |
| Endowment net assets, June 30, 2017 \$ | <u>2,326,743</u> | <u>23,775,016</u> | <u>68,649,203</u> | <u>94,750,962</u> |

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At June 30, 2016, 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 \$ | (907) | 17,632,655 | 63,750,398 | 81,382,146 |
| Board-designated endowment-type funds | <u>1,913,755</u> | <u>—</u> | <u>—</u> | <u>1,913,755</u> |
| Endowment net assets, June 30, 2016 \$ | <u><u>1,912,848</u></u> | <u><u>17,632,655</u></u> | <u><u>63,750,398</u></u> | <u><u>83,295,901</u></u> |

During the year ended June 30, 2016, 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, 2015 \$ | 1,802,075 | 21,500,210 | 59,570,656 | 82,872,941 |
| Contributions | 25,742 | 190,212 | 2,899,943 | 3,115,897 |
| Net investment income | (25,714) | (1,927,352) | (27,929) | (1,980,995) |
| Other income | (571) | 667 | 2,878 | 2,974 |
| Change in restriction by donor | — | (55,491) | 1,090,171 | 1,034,680 |
| Expenses | (69,517) | (2,524,642) | — | (2,594,159) |
| Transfers | <u>180,833</u> | <u>449,051</u> | <u>214,679</u> | <u>844,563</u> |
| Endowment net assets, June 30, 2016 \$ | <u><u>1,912,848</u></u> | <u><u>17,632,655</u></u> | <u><u>63,750,398</u></u> | <u><u>83,295,901</u></u> |

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COMBINING SUPPLEMENTAL INFORMATION

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
Combining Statement of Net Position
June 30, 2017

| | 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 | PHL Board Office | MCVS | Elimination entries | Total |
|--|-------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|-----------------------|---------------------|------------------------|-------------------------|
| Assets | | | | | | | | | | | | | |
| Current assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 32,470,937 | 2,759,730 | 9,804,755 | 113,270,613 | 5,123,631 | 13,023,761 | 60,754,109 | 23,913,029 | 173,950,157 | 8,989,674 | 329,239 | — | 464,383,635 |
| Short-term investments | 4,885,537 | 137,461 | 250,000 | 10,590,927 | — | 3,027,082 | 125,021,331 | 4,850,276 | 91,330,747 | 3,253,480 | — | — | 245,536,843 |
| Accounts receivable, net | 11,125,011 | 6,221,041 | 28,652,052 | 62,029,429 | 5,484,560 | 4,321,275 | 39,167,502 | 23,451,443 | 173,606,036 | 2,653,297 | 483,338 | — | 356,804,545 |
| Student notes receivable, net | 715,351 | 303,095 | 65,656 | 4,172,259 | — | — | 8,142,325 | 2,256,682 | 511,912 | 809,673 | — | — | 17,088,919 |
| Inventories | 141,526 | 305,050 | 684,687 | 2,374,348 | — | 550,084 | 982,321 | 273,909 | 26,318,937 | 606,903 | — | — | 32,337,875 |
| Prepaid expenses | — | 52,025 | 9,014 | 10,130,931 | 96,916 | 89,201 | 1,730,426 | 4,563,392 | 7,638,547 | — | — | — | 24,420,964 |
| Other current assets | — | — | — | — | — | — | — | — | 1,048,578 | — | — | — | 1,048,578 |
| Total current assets | 49,336,362 | 9,878,811 | 39,456,064 | 207,578,527 | 10,787,155 | 20,991,483 | 245,826,714 | 99,398,733 | 474,451,985 | 17,723,117 | 806,577 | — | 1,141,188,950 |
| Noncurrent assets | | | | | | | | | | | | | |
| Restricted cash and cash equivalents | 3,693,588 | 914,268 | 1,720,927 | 33,299,046 | 1,199,432 | — | 20,616,912 | 1,489 | 150,552,003 | — | — | — | 211,957,675 |
| Restricted short-term investments | 1,055,340 | — | — | — | — | 286,482 | — | — | 901,883 | — | — | — | 2,243,695 |
| Endowments/investments | 17,313,676 | — | 42,613,417 | 37,122,542 | 3,981,309 | 1,922,854 | 102,633,891 | 9,365,531 | 62,627,250 | 18,199,833 | — | — | 316,882,363 |
| Other long-term investments | — | 4,633,141 | — | 53,488,809 | 9,427,830 | 1,255,336 | 140,139,883 | 31,979,911 | 44,655,316 | 40,902,962 | 561,966 | — | 377,225,553 |
| Student notes receivable, net | — | 1,180,658 | 1,845,746 | 15,659,295 | 943,325 | — | 19,853,594 | 26,719,658 | 6,327,364 | 27,888,987 | — | — | 99,617,524 |
| Capital assets, net | 147,686,407 | 119,209,374 | 271,805,237 | 991,550,517 | 99,844,513 | 102,564,975 | 1,099,018,811 | 942,696,848 | 626,759,136 | 4,343,566 | 20,609 | — | 4,075,419,713 |
| Other noncurrent assets | — | — | 88,841 | — | — | 189,616 | 69,900 | — | 3,697,564 | — | — | — | 4,253,001 |
| Total noncurrent assets | 149,695,021 | 125,937,441 | 319,079,158 | 1,141,045,239 | 115,355,879 | 106,210,203 | 1,367,794,790 | 670,763,174 | 946,171,096 | 90,444,448 | 582,655 | — | 5,696,599,924 |
| Total assets | 219,007,383 | 135,836,254 | 357,535,222 | 1,368,618,766 | 126,143,734 | 127,201,706 | 1,636,223,004 | 730,071,907 | 1,420,623,081 | 108,167,565 | 1,389,232 | — | 6,227,778,874 |
| Deferred outflows of resources | | | | | | | | | | | | | |
| Deferred amount of refundings | 5,589,269 | — | — | 5,442,713 | — | — | 12,422,956 | 4,047,260 | — | — | — | — | 27,502,938 |
| Personnel-related deferred outflows | 16,129,547 | 8,354,093 | 33,465,157 | 129,297,351 | 9,156,438 | 8,777,737 | 69,089,436 | 43,638,136 | 299,521,855 | 3,674,098 | 365,300 | — | 616,437,938 |
| Total assets and deferred outflows of resources | \$ 240,726,199 | \$ 144,190,347 | \$ 391,000,379 | \$ 1,493,366,830 | \$ 135,300,172 | \$ 135,979,443 | \$ 1,707,311,440 | \$ 766,182,969 | \$ 1,724,151,936 | \$ 110,841,573 | \$ 1,754,732 | \$ — | \$ 6,871,719,149 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
Containing Statement of Net Position
June 30, 2017

| | 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 | OHL Board Office | MCVS | Elimination entries | Total |
|--|-------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|----------------------|---------------------|------------------------|-------------------------|
| Liabilities | | | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | \$ 3,163,713 | 2,463,386 | 16,840,171 | 23,816,600 | 2,777,161 | 1,824,934 | 28,491,948 | 18,213,288 | 101,700,171 | 2,280,418 | 82,448 | — | 201,746,438 |
| Unearned revenues | 2,064,226 | 739,423 | 3,836,374 | 36,051,652 | 1,384,273 | 708,139 | 54,037,762 | 13,679,938 | 16,592,400 | — | — | — | 128,992,187 |
| Accrued leave liabilities – current portion | 883,841 | 247,125 | 366,376 | 2,416,263 | 55,918 | 247,304 | 1,562,000 | 1,262,000 | 4,941,170 | 38,023 | 4,792 | — | 12,028,112 |
| Long-term liabilities – current portion | 720,000 | 1,299,035 | 3,705,135 | 10,105,000 | 190,973 | 334,456 | 13,867,337 | 6,325,066 | 10,969,690 | 8,747,167 | — | — | 56,424,069 |
| Other current liabilities | — | — | — | 81,000 | 261,000 | 55,634 | 3,399,888 | 20,025 | 39,473,834 | — | — | — | 71,992,451 |
| Total current liabilities | 6,855,780 | 4,748,969 | 24,750,556 | 72,450,715 | 4,628,425 | 3,178,477 | 101,059,135 | 39,699,317 | 182,767,345 | 11,965,608 | 87,240 | — | 431,156,267 |
| Noncurrent liabilities | | | | | | | | | | | | | |
| Net pension liability | 82,196,659 | 47,229,075 | 155,284,587 | 975,770,941 | 41,584,769 | 44,719,677 | 333,566,960 | 233,764,776 | 1,298,831,062 | 20,018,666 | 1,586,388 | — | 2,824,552,260 |
| Deposits refundable | 466,132 | 110,527 | 96,148 | 34,195 | — | 30,567 | 91,515 | 9,686 | — | — | — | — | 1,038,850 |
| Accrued leave liabilities | 3,371,349 | 1,372,829 | 4,750,335 | 23,108,227 | 1,320,439 | 1,656,475 | 15,198,808 | 9,652,676 | 54,187,057 | 783,353 | 70,207 | — | 115,072,755 |
| Long-term liabilities | 49,292,164 | 14,381,542 | 55,449,535 | 324,560,000 | 77,653 | 18,149,348 | 251,518,893 | 173,585,042 | 244,910,294 | 37,599,082 | — | — | 1,199,636,346 |
| Other long-term liabilities | — | 1,499,249 | 1,877,584 | 13,555,127 | 883,839 | — | 9,443,190 | 25,267,851 | 34,929,215 | — | — | — | 88,469,614 |
| Total noncurrent liabilities | 135,726,964 | 64,372,327 | 257,449,349 | 937,943,593 | 43,985,253 | 64,354,087 | 510,241,865 | 442,890,231 | 1,622,857,732 | 43,308,191 | 1,656,595 | — | 4,223,368,824 |
| Total liabilities | 142,582,744 | 69,721,491 | 282,199,645 | 1,009,494,308 | 48,613,678 | 67,734,564 | 711,311,000 | 482,589,548 | 1,785,625,077 | 59,373,799 | 1,743,835 | — | 4,660,525,096 |
| Deferred inflows of resources | | | | | | | | | | | | | |
| Deferred amount of refundings | — | — | — | — | — | — | 2,010,151 | — | — | — | — | — | 2,010,151 |
| Pension related deferred inflows | 218,383 | 125,482 | 412,565 | 1,529,728 | 110,483 | 118,814 | 886,231 | 621,075 | 3,434,215 | 53,185 | 6,214 | — | 7,894,374 |
| Total liabilities and deferred inflows of resources | \$ 142,781,126 | \$ 69,846,973 | \$ 282,612,210 | \$ 1,011,024,036 | \$ 48,724,161 | \$ 67,853,378 | \$ 713,321,151 | \$ 483,210,623 | \$ 1,789,059,292 | \$ 59,426,984 | \$ 1,749,049 | \$ — | \$ 4,670,073,621 |
| Net Position | | | | | | | | | | | | | |
| Net investment in capital assets | \$ 103,082,502 | 103,401,298 | 181,896,212 | 671,845,050 | 99,616,488 | 84,427,643 | 839,679,611 | 399,656,086 | 405,756,233 | 4,343,566 | 20,689 | — | 2,992,193,390 |
| Restricted for | | | | | | | | | | | | | |
| Nonexpendable | — | — | 7,861,610 | 2,294,439 | 824,033 | 813,914 | 7,763,230 | 5,569,690 | — | 1,003,497 | — | — | 26,229,913 |
| Scholarship and fellowships | — | — | — | 4,418,732 | — | — | 112,697 | — | — | — | — | — | 4,531,429 |
| Research | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Other purposes | 14,578,894 | — | 36,040,000 | 7,755,112 | 286,659 | — | 43,751,081 | — | 25,751,471 | 18,000,457 | — | — | 137,167,584 |
| Expendable | — | — | 7,899,595 | 3,108,546 | 900,639 | 1,377,460 | 6,899,132 | 1,128,396 | 2,904,219 | 30,095,263 | — | — | 53,933,650 |
| Scholarships and fellowships | — | — | — | 17,057,300 | — | — | 4,108,649 | — | 34,333,371 | — | — | — | 56,499,320 |
| Research | — | 741,629 | 88,098 | 856,422 | 1,963,425 | 489,651 | 4,908,677 | — | — | — | — | — | 9,948,132 |
| Capital projects | — | 57,487 | 3,216 | 2,132,714 | — | 126,445 | — | 16,073,076 | 1,123,989 | — | 9,010 | — | 20,127,430 |
| Debt service | — | — | 351,338 | 7,820,051 | 182,479 | — | 21,734,293 | 5,568,647 | 4,158,044 | — | — | — | 40,332,509 |
| Loans | 547,707 | — | 735,865 | 1,356,093 | — | — | 22,110,470 | 6,507,414 | 70,878,340 | 8,100,166 | 1,299,787 | — | 111,642,024 |
| Other purposes | — | 15,188 | — | — | — | 678,701 | 49,035,918 | — | — | — | — | — | 11,892,514,910 |
| Unrestricted | (20,273,759) | (29,872,258) | (115,627,755) | (225,411,662) | (16,678,412) | (19,787,753) | (22,510,033) | (131,510,033) | (619,825,133) | (13,117,285) | (1,273,759) | — | (2,251,645,519) |
| Total net position | \$ 97,545,263 | \$ 74,343,374 | \$ 126,369,179 | \$ 485,334,797 | \$ 66,695,511 | \$ 68,129,865 | \$ 93,164,628 | \$ 303,143,376 | \$ 64,937,456 | \$ 1,414,679 | \$ 6,483 | \$ — | \$ 2,251,645,519 |

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, 2017

| | 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 | HL Board Office | MCVS | Elimination entries | Total |
|---|-------------------------|------------------------|--------------------------|------------------------------|----------------------------------|-------------------------------------|---------------------------|------------------------------------|--|-----------------|-----------|---------------------|------------------|
| Operating revenues | | | | | | | | | | | | | |
| Tuition and fees | \$ 22,000,354 | 22,050,401 | 59,925,134 | 256,893,100 | 22,056,156 | 14,034,666 | 338,441,713 | 137,201,836 | 33,521,851 | — | — | — | 916,133,211 |
| Less: | | | | | | | | | | | | | |
| Scholarship allowances | (11,787,743) | (4,420,506) | (18,787,223) | (91,893,289) | (7,583,633) | (9,734,438) | (99,563,874) | (45,496,508) | (5,104,238) | — | — | — | (293,471,503) |
| Bad debt expense | (162,522) | (5,405) | (4,181,760) | (3,217,187) | (169,573) | (244,330) | (712,033) | (450,093) | (51,681) | — | — | — | (9,202,927) |
| Net tuition and fees | 10,049,681 | 17,624,390 | 47,036,151 | 161,789,625 | 14,205,746 | 4,995,898 | 238,165,341 | 91,255,228 | 28,365,931 | — | — | — | 613,457,701 |
| Federal appropriations | — | — | — | 13,749,490 | — | — | — | — | — | — | — | — | 13,749,490 |
| Federal grants and contracts | 14,033,258 | 2,527,863 | 37,678,183 | 103,080,440 | 29,910 | 6,700,191 | 44,131,506 | 33,421,379 | 42,824,103 | 2,477,376 | 3,478,539 | (33,155,929) | 264,256,665 |
| State grants and contracts | 537,982 | 1,433,369 | 994,209 | 23,400,455 | 6,143,777 | 10,287 | 18,274,069 | 8,971,202 | 8,424,860 | 336,080 | — | — | 49,782,102 |
| Nongovernmental grants and contracts | 1,416,981 | 3,129,441 | 7,621,493 | 15,908,336 | 2,748,811 | — | 27,614,405 | 16,368,256 | 8,824,994 | 944,539 | — | — | 79,575,736 |
| Sales and services of educational departments | 1,202,968 | 1,174,913 | 1,847,959 | 41,848,576 | 1,595,151 | 2,619,546 | 7,391,528 | 3,166,270 | 1,006,197 | — | 3,780,993 | 27,898 | 42,287,400 |
| Auxiliary enterprises: | | | | | | | | | | | | | |
| Student housing | 10,330,864 | 3,854,913 | 15,085,296 | 30,396,348 | 2,337,254 | 3,730,666 | 27,834,028 | 16,138,632 | — | — | — | — | 109,709,001 |
| Food services | 5,249,848 | 2,319,224 | 11,435,748 | 2,674,689 | 1,846,208 | 3,050,730 | 3,430,925 | 2,745,194 | — | — | — | — | 32,052,156 |
| Recreation | 275,309 | 344,280 | — | 711,051 | 140,425 | 1,131,502 | 658,992 | 1,000,000 | 2,459,530 | — | — | — | 6,804,549 |
| Activities | — | — | — | 58,356,357 | — | — | 76,090,299 | 42,393,535 | — | — | — | — | 147,340,191 |
| Other auxiliary revenues | 891,537 | 1,710,607 | 3,608,146 | 12,197,379 | 207,067 | 1,670,567 | 12,348,940 | 8,009,679 | 1,609,979 | 1,981,453 | — | — | 42,015,232 |
| Less: auxiliary enterprise scholarship allowances | (3,133,451) | — | (7,546,602) | (9,747,336) | (1,475,351) | — | (7,728,798) | (2,856,118) | — | — | — | — | (32,403,104) |
| Interest earned on loans to students | — | 24,706 | — | — | — | — | 444,184 | — | 341,714 | — | — | — | 1,151,313 |
| Patient care revenues | — | — | — | — | — | — | — | — | 1,074,214,704 | — | — | — | 1,074,214,704 |
| Other operating revenues | 4,284,924 | 770,021 | 8,404,493 | 5,134,178 | 66,916 | 1,356,709 | 7,378,079 | 5,614,687 | 36,014,230 | — | — | — | 69,666,166 |
| Total operating revenues | 44,000,701 | 34,914,527 | 119,165,812 | 481,457,549 | 27,864,664 | 25,257,885 | 456,896,023 | 200,941,604 | 1,204,145,245 | 26,370,473 | 3,508,055 | (29,075,807) | 2,525,496,352 |
| Operating expenses: | | | | | | | | | | | | | |
| Salaries and wages | 36,895,435 | 27,132,769 | 73,323,624 | 397,227,860 | 31,434,799 | 21,422,778 | 224,424,378 | 145,112,009 | 710,919,300 | 8,059,935 | 635,990 | — | 1,503,139,304 |
| Fringe benefits | 17,156,742 | 11,098,439 | 34,913,306 | 155,380,264 | 9,847,194 | 10,390,810 | 85,070,095 | 46,120,058 | 299,776,805 | 5,367,713 | 178,709 | — | 695,916,787 |
| Tuition | 2,234,194 | 1,739,400 | 3,774,648 | 17,173,818 | 303,779 | 1,513,636 | 15,632,274 | 7,322,560 | 5,711,402 | 159,273 | 58,367 | — | 55,904,251 |
| Contractual services | 15,569,131 | 13,763,979 | 44,879,651 | 73,803,300 | 8,214,917 | 8,336,960 | 79,631,458 | 52,698,017 | 190,287,352 | 14,443,037 | 3,243,460 | (50,301,701) | 441,625,911 |
| Utilities | 3,635,295 | 1,593,533 | 4,581,291 | 15,351,664 | 2,702,976 | 2,148,185 | 13,142,362 | 9,416,451 | 11,413,549 | 566,144 | — | — | 64,571,389 |
| Scholarships and fellowships | 7,505,520 | 8,457,106 | 20,150,559 | 37,361,022 | 6,078,916 | 3,145,631 | 51,810,535 | 24,156,399 | 4,963,022 | 42,275,706 | — | — | 176,596,522 |
| Commodities | 6,250,019 | 4,202,454 | 3,518,041 | 48,871,275 | 2,174,344 | 3,663,072 | 26,101,054 | 14,782,009 | 252,666,356 | 409,029 | — | — | 361,903,217 |
| Depreciation | 4,478,836 | 3,756,069 | 8,324,257 | 33,097,811 | 2,705,091 | 2,337,693 | 33,904,387 | 18,054,913 | 45,156,438 | 144,528 | 3,229 | — | 151,565,202 |
| Other operating expenses | 148,557 | — | 3,203,316 | — | — | — | 353,983 | — | 1,722,345 | 6,185 | — | — | 5,433,650 |
| Total operating expenses | 93,851,892 | 70,753,369 | 202,729,567 | 708,296,814 | 53,565,526 | 52,974,765 | 326,079,503 | 338,865,058 | 1,511,044,314 | 73,116,613 | 4,192,744 | (29,075,807) | 3,556,425,430 |
| Operating loss | (49,851,151) | (35,838,842) | (83,563,755) | (226,839,265) | (25,701,262) | (27,716,879) | (69,173,480) | (138,923,444) | (306,899,069) | (46,746,140) | (684,689) | — | (11,030,929,078) |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2017

| | Aloom 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 | HL Board Office | MCVS | Elimination entries | Total |
|---|------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|--------------------|----------|------------------------|---------------|
| Nonoperating revenue (expenses) | | | | | | | | | | | | | |
| State appropriations | \$ 28,968,610 | 21,250,321 | 47,102,534 | 175,101,014 | 15,615,941 | 17,233,120 | 90,063,046 | 34,402,207 | 172,520,802 | 46,784,059 | 712,576 | — | 710,822,400 |
| Gifts and grants | 12,550,049 | 5,902,530 | 22,030,284 | 62,954,677 | 9,541,958 | 9,536,691 | 31,060,724 | 34,655,586 | 9,743,503 | — | — | — | 193,717,161 |
| Investment income, net of investment expense | 614,631 | 134,905 | 2,197,642 | 4,086,945 | 147,191 | 402,719 | 13,615,710 | 279,738 | 10,357,459 | 1,399,967 | (3,034) | — | 33,233,891 |
| Interest expense on capital assets-related debt | (2,727,612) | — | (4,779,371) | (7,002,140) | (9,341) | (1,327,822) | (8,492,093) | (6,371,915) | (10,973,834) | — | — | — | (41,684,335) |
| Other nonoperating revenues | — | 5,653,421 | 75,060 | 142,970 | 21,156 | — | — | — | — | — | — | — | 6,992,637 |
| Other nonoperating expenses | — | — | — | (1,259,206) | (413,229) | — | (173,240) | — | — | (715,205) | — | — | (2,559,979) |
| Total net nonoperating revenues | 39,455,471 | 33,189,184 | 66,631,269 | 234,994,260 | 20,803,677 | 25,444,208 | 135,083,147 | 122,965,706 | 181,848,000 | 47,968,741 | 709,542 | — | 900,121,765 |
| Income (loss) before other revenues, expenses, gains and losses | (9,767,690) | (7,649,656) | (16,932,486) | (11,824,905) | (4,797,585) | (1,672,171) | 56,988,667 | (15,857,740) | (125,251,009) | 1,222,601 | 24,853 | — | (130,807,113) |
| Capital grants and gifts | — | — | — | 19,289,537 | — | — | 15,855,382 | 8,520,642 | 13,258,087 | — | — | — | 57,233,648 |
| State appropriations restricted for capital purposes | 959,251 | 2,045,700 | 8,684,016 | 13,142,615 | 5,018,135 | 2,274,869 | 14,236,255 | 16,473,253 | 32,497,201 | 1,680,418 | — | — | 97,811,723 |
| Additions to permanent endowments | 1,415,000 | — | 2,170,000 | — | 54,337 | 9,843 | 8,300 | — | 1,069,365 | — | — | — | 4,746,948 |
| Other additions | 3,291,304 | 870,243 | — | — | — | — | 169,510 | 1,315,308 | — | — | — | — | 5,546,365 |
| Other deletions | (806,373) | — | — | (1,025,217) | (25,451) | — | (2,307,307) | (29,568) | (64,661) | (704,664) | — | — | (6,985,451) |
| Changes in net position | (5,000,488) | 266,285 | (6,078,470) | 19,488,030 | 249,426 | 412,541 | 84,850,807 | 10,821,895 | (78,471,216) | 2,190,355 | 24,853 | — | 28,772,018 |
| Net position, beginning of the year | 102,945,751 | 74,677,649 | 114,487,843 | 463,645,767 | 86,446,085 | 67,713,524 | 908,243,251 | 292,361,481 | 13,573,750 | 49,216,324 | (18,170) | — | 2,172,873,501 |
| Net position, end of the year | \$ 97,945,263 | 74,943,934 | 108,409,373 | 483,134,797 | 86,695,511 | 68,126,065 | 993,104,058 | 303,183,376 | 164,897,466 | 51,414,678 | 6,623 | — | 2,201,645,519 |

See accompanying independent auditors' report

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2017

| | 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 | \$ 3,164,966 | 17,624,969 | 54,325,335 | 166,309,021 | 13,912,345 | 5,529,788 | 236,034,917 | 91,452,086 | 23,734,900 | — | — | — | 424,309,645 |
| Grants and contracts | 15,500,427 | 7,591,273 | 38,890,342 | 147,831,751 | 8,813,019 | 6,302,748 | 30,782,299 | 59,410,759 | 61,431,435 | 3,953,976 | 3,478,539 | (60,990,315) | 392,816,244 |
| Sales and services of educational departments | 1,203,968 | 1,174,913 | 1,732,453 | 41,974,981 | 1,591,030 | 2,610,545 | 7,428,446 | 3,166,270 | 955,203 | 3,356,087 | 27,898 | (2,895,559) | 62,326,256 |
| Payments to suppliers | (24,230,911) | (19,299,501) | (16,443,871) | (146,172,450) | (19,641,194) | (13,528,695) | (102,780,479) | (75,145,937) | (440,802,092) | (20,565,449) | (13,394,031) | 30,301,791 | (866,368,209) |
| Payments to employees for salaries and benefits | (53,964,539) | (28,804,941) | (114,515,947) | (440,777,996) | (28,020,038) | (29,301,459) | (384,375,276) | (158,380,076) | (894,511,949) | (16,668,622) | (666,171) | — | (2,100,260,514) |
| Payments for utilities | (3,636,200) | (1,593,533) | (4,581,291) | (15,351,564) | (2,760,632) | (2,148,189) | (13,172,671) | (9,415,334) | (11,413,545) | (586,147) | — | — | (64,658,212) |
| Payment for scholarships and fellowships | (7,505,623) | (6,897,106) | (20,150,393) | (37,390,772) | (6,878,916) | (3,145,631) | (49,964,209) | (24,222,747) | (6,838,385) | (36,242,081) | — | 27,734,386 | (171,961,443) |
| Loans issued to students and employees | — | — | — | (5,021,577) | — | — | (4,224,073) | (6,810,938) | (5,521,367) | 1,730,413 | — | — | (16,988,102) |
| Collectors of loans to students and employees | — | 360,550 | — | 3,287,176 | — | 761 | 2,525,261 | 4,352,395 | 1,779,623 | 1,822,538 | — | — | 13,327,712 |
| Auxiliary enterprise charges | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Student housing | 8,177,400 | 3,911,516 | 18,780,670 | 29,381,317 | 1,496,561 | 3,730,666 | 19,252,595 | 14,913,540 | — | — | — | — | 91,844,665 |
| Food services | 5,780,468 | 2,319,224 | 7,437,701 | 2,747,301 | 1,130,269 | 3,050,730 | 3,528,308 | 2,319,500 | — | — | — | — | 27,785,501 |
| Bookstore | 275,509 | 344,280 | — | 711,051 | 140,425 | 1,131,902 | 616,064 | 991,230 | 2,463,019 | — | — | — | 6,613,480 |
| Athletics | — | — | — | 59,377,325 | — | — | 73,661,566 | 11,701,181 | — | — | — | — | 144,940,072 |
| Other auxiliary enterprises | 691,537 | 1,635,392 | 3,668,148 | 3,232,810 | 204,352 | 1,565,207 | 12,827,002 | 5,565,370 | 1,658,575 | 1,549,083 | — | — | 33,338,364 |
| Patient care services | — | — | — | — | — | — | — | 1,091,284,861 | — | — | — | — | 1,091,284,861 |
| Interest earned on loans to students | — | — | — | — | — | — | 444,184 | — | 341,714 | 276,101 | — | — | 1,061,999 |
| Interest earned on loans to employees | 4,294,904 | 1,630,647 | 6,225,524 | 17,830,581 | 86,916 | 1,432,543 | 7,399,944 | 42,735,568 | 16,782,939 | — | 1,618 | (14,260,113) | 83,710,630 |
| Other receipts | — | — | — | — | — | — | (15,414,918) | 5,331,749 | (139,321) | — | (6,185) | — | (12,746,831) |
| Other payments | — | — | — | — | — | — | — | — | — | — | — | — | — |
| Net cash used in operating activities | (43,977,179) | (31,184,929) | (72,890,297) | (173,991,129) | (20,122,934) | (22,749,699) | (15,358,368) | (110,830,563) | (128,083,092) | (44,117,661) | (752,332) | — | (626,157,509) |
| Noncapital financing activities | | | | | | | | | | | | | |
| State appropriations | 28,968,610 | 22,735,981 | 47,152,786 | 175,360,012 | 15,615,941 | 16,917,683 | 90,083,962 | 94,044,073 | 172,373,043 | 48,824,792 | 712,579 | — | 710,009,862 |
| Gifts and grants for other than capital purposes | — | 2,087 | 21,967,348 | 62,850,903 | 5,541,558 | 9,836,691 | 32,693,907 | 34,456,917 | 9,743,503 | — | — | — | 176,763,364 |
| Private gifts for endowment purposes | 1,415,000 | — | 2,238,036 | — | 54,337 | 9,843 | 8,300 | — | 1,620,396 | — | — | — | 4,914,682 |
| Federal loan program receipts | 32,546,981 | 16,335,111 | 80,728,867 | 123,422,436 | 14,404,133 | 18,920,384 | 104,994,647 | 82,001,259 | 35,450,859 | — | — | — | 508,610,736 |
| Federal loan program disbursements | (22,546,981) | (12,698,436) | (80,728,867) | (123,660,636) | (14,404,133) | (18,920,384) | (104,994,647) | (82,229,759) | (35,457,869) | — | — | — | (505,639,712) |
| Other sources | — | 667,492 | 10,951,464 | 17,911 | 231,233 | 2,659,369 | — | — | (409,657) | — | — | — | 14,567,469 |
| Other funds | — | — | — | (859,571) | — | — | — | — | (243,506) | — | — | — | (2,202,506) |
| Net cash provided by noncapital financing activities | 30,403,610 | 27,042,236 | 62,345,654 | 220,191,114 | 20,752,667 | 26,464,217 | 125,435,538 | 128,243,930 | 142,797,690 | 48,581,236 | 712,579 | — | 907,943,715 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Condensing Statement of Cash Flows

Year ended June 30, 2017

| | 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 | HL Board Office | MCVS | Elimination entries | Total |
|---|-------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|--------------------|-----------|------------------------|---------------|
| Capital and related financing activities: | | | | | | | | | | | | | |
| Proceeds from capital debt | \$ — | — | 6,000,000 | 63,270,000 | — | — | — | — | — | — | — | — | 69,270,000 |
| Cash paid for capital assets | 1,810,639 | (430,250) | — | (45,905,531) | (299,642) | (287,928) | (120,638,732) | (15,101,750) | (62,487,457) | — | (23,918) | — | (242,364,643) |
| Capital appropriations received | — | 2,045,700 | — | 2,994,557 | 345,917 | — | 2,395,548 | — | 6,000,000 | — | — | — | 13,381,722 |
| Capital grants and contracts received | 12,308,049 | — | — | 10,716,619 | — | — | 16,882,547 | 8,961,108 | 18,157,451 | — | — | — | 67,025,774 |
| Proceeds from sales of capital assets | — | — | — | — | — | — | — | 56,042 | 29,417 | — | 3,400 | — | 86,609 |
| Principal paid on capital debt and leases | (895,000) | (1,258,413) | (3,678,430) | (47,065,000) | (145,891) | (453,690) | (22,317,954) | (7,362,709) | (5,580,000) | — | — | — | (88,788,093) |
| Interest paid on capital debt and leases | (1,968,634) | (780,649) | (4,779,371) | (14,010,324) | (9,341) | (1,318,242) | (8,852,500) | (6,476,993) | (11,784,565) | — | — | — | (49,965,619) |
| Other sources | — | 1,530,224 | 43,178 | 4,202,177 | — | — | 1,131,235 | 1,963,932 | — | — | — | — | 9,270,760 |
| Other uses | — | — | (63,643) | (2,449,890) | — | — | (854,872) | — | — | — | — | — | (3,168,115) |
| Net cash provided by (used in) capital and related financing activities | 11,753,054 | 1,453,684 | (2,478,772) | (28,287,397) | (109,867) | (2,059,856) | (131,454,489) | (17,569,378) | (55,635,154) | — | (20,518) | — | (225,239,365) |
| Investing activities: | | | | | | | | | | | | | |
| Proceeds from sales and maturities of investments | 1,415,000 | 7,000,000 | 8,489,652 | 60,801,348 | 11,592,506 | 5,500,594 | 172,761,805 | 16,092,569 | 110,277,634 | 42,067,846 | 251,295 | — | 438,800,581 |
| Interest received on investments | 614,631 | — | 2,197,542 | 3,714,334 | — | 273,619 | 5,554,187 | 929,531 | 3,406,365 | 1,500,329 | (23,765) | — | 16,733,073 |
| Purchases of investments | (1,415,000) | (5,000,000) | (12,281,759) | (61,199,256) | (11,564,931) | (5,194,567) | (113,419,195) | (30,489,846) | (133,201,840) | (6,565,122) | (593,800) | — | (442,301,414) |
| Net cash provided by (used in) investing activities | 614,631 | 2,000,000 | (1,574,465) | 3,326,426 | (610,756) | 721,634 | 44,996,897 | (12,377,728) | (119,337,802) | (3,197,287) | (278,490) | — | 13,282,540 |
| Net increase (decrease) in cash and cash equivalents | (1,685,884) | (679,090) | 5,406,620 | 38,239,210 | (90,979) | 2,376,944 | 23,339,468 | (15,115,747) | (20,658,270) | (754,102) | (338,761) | — | 29,829,341 |
| Cash and cash equivalents - beginning of year | 37,860,419 | 4,353,058 | 6,119,062 | 158,330,443 | 6,374,042 | 10,646,817 | 78,031,553 | 39,030,265 | 345,369,438 | 9,743,636 | 862,000 | — | 646,511,968 |
| Cash and cash equivalents - end of year | \$ 36,174,535 | 3,673,968 | 11,525,682 | 196,569,653 | 6,283,063 | 13,023,761 | 101,371,021 | 23,914,518 | 324,711,168 | 8,989,534 | 523,239 | — | 676,341,309 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2017

| | Aloom 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 | BIL Board Office | MCVS | Elimination entries | Total |
|--|------------------------------|------------------------------|--------------------------------|------------------------------------|--|---|---------------------------------|--|---|---------------------|-----------|------------------------|-----------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | | | | | | | | | | |
| Operating loss | \$ (48,915,513) | (35,842,575) | (83,592,612) | (247,844,173) | (25,651,736) | (27,858,320) | (68,678,402) | (138,456,175) | (306,378,277) | (46,946,829) | (755,561) | — | (1,030,928,878) |
| Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities | | | | | | | | | | | | | |
| Depreciation expenses | 4,478,636 | 3,766,069 | 8,324,297 | 33,097,811 | 2,705,091 | 2,337,693 | 33,906,387 | 18,054,913 | 45,136,416 | 144,528 | 3,229 | — | 151,955,292 |
| Self-insurance claims expense | — | — | — | — | — | — | — | — | 6,822,556 | 6,470,775 | — | — | 13,293,331 |
| Provision for uncollectible accounts receivable | — | 5,405 | — | 3,217,187 | 168,575 | 344,330 | 712,691 | — | 114,842,825 | 147,269 | — | — | 121,458,262 |
| Other | — | (5,405) | — | 1 | (2,380,014) | (3,712,911) | 67,519 | 450,000 | — | (9,218,971) | 293,063 | — | (14,856,718) |
| Changes in assets and liabilities: | | | | | | | | | | | | | |
| (Increase) decrease in assets: | | | | | | | | | | | | | |
| Receivables, net | 601,367 | (754,645) | (737,704) | (1,871,960) | (506,021) | (746,845) | 2,918,197 | (3,318,064) | 106,833,971 | 4,130,239 | (259,970) | — | (107,388,377) |
| Inventories | 153,013 | (181,500) | (379,638) | 687,555 | — | (75,871) | (47,990) | 9,540 | (156,243) | (125,070) | — | — | (126,264) |
| Prepaid expenses | — | 22,448 | — | 8,928,999 | 130,589 | (42,972) | 4,744 | 452,457 | (943,498) | — | (262,693) | — | 8,392,684 |
| Other assets | — | — | — | — | — | (447,120) | — | (12,112,736) | 8,560,814 | (72,168) | — | — | (5,071,210) |
| Increase (decrease) in liabilities: | | | | | | | | | | | | | |
| Accounts payable and accrued liabilities | 705,277 | (779,201) | 3,691,333 | (3,922,343) | 13,135 | (64,475) | (2,689,452) | (949,370) | (8,930,814) | 96,718 | (113,237) | — | (12,943,629) |
| Unearned revenue | (188,762) | (146,162) | (653,577) | 7,478,879 | (32,299) | 548,515 | (1,852,148) | (2,740,299) | 251,383 | — | — | — | 2,696,132 |
| Deposits refundable | 2,278 | (17,668) | 25,779 | (6,238) | — | (102) | 3,443 | (3,457) | — | — | — | — | 3,505 |
| Accrued leave liability | (25,818) | 135,162 | (799,054) | (1,106,301) | 116,103 | (8,262) | (158,611) | 268,894 | 421,184 | (1,531) | 8,309 | — | (1,209,320) |
| Loans to students and employees | — | — | — | — | — | — | (1,737,737) | (2,038,433) | — | — | — | — | (3,776,170) |
| Other liabilities | (787,859) | 2,629,123 | 1,338,909 | 37,411,458 | 5,313,645 | 6,877,915 | 22,312,971 | 28,882,657 | 117,293,891 | 1,199,378 | 333,028 | — | 272,737,188 |
| Total adjustments | 4,926,334 | 8,637,646 | 10,702,315 | 73,833,048 | 5,539,602 | 5,439,816 | 53,440,014 | 26,465,612 | 178,295,265 | 2,779,168 | 3,229 | — | 364,771,329 |
| Net cash used in operating activities | \$ (43,977,179) | (27,184,929) | (72,890,297) | (173,991,125) | (20,122,934) | (22,749,049) | (15,258,389) | (113,030,563) | (128,083,012) | (44,167,661) | (752,332) | — | (666,157,549) |
| Noncash capital related financing and investing activities | | | | | | | | | | | | | |
| Capital assets acquired through donations and capital lease obligations | — | — | — | — | — | — | 181,235 | 518,952 | 130,350 | — | — | — | 750,537 |
| Capital appropriations from the State of Mississippi | 959,261 | 2,045,700 | 8,684,016 | 13,142,515 | 5,018,135 | 2,274,869 | 14,236,255 | 16,473,229 | 26,497,201 | 1,680,418 | — | — | 91,011,723 |

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, 2017

| | Proportionate share of the net pension liability | Proportionate share of the net pension liability | Estimated Covered- employee payroll provided by PERS | Proportionate share of the net pension liability as a percentage of its covered- employee payroll | PERS fiduciary net position as a of the percentage total pension liability |
|--|---|---|---|--|--|
| Alcorn State University: | | | | | |
| 2015 | 0.47 % | \$ 56,758,259 | 28,572,870 | 199.00 % | 67.00 % |
| 2016 | 0.46 | 71,034,832 | 28,709,073 | 247.43 | 61.70 |
| 2017 | 0.46 | 82,196,659 | 29,437,759 | 279.22 | 57.47 |
| Delta State University: | | | | | |
| 2015 | 0.28 | 33,537,396 | 16,883,175 | 199.00 | 67.00 |
| 2016 | 0.27 | 42,181,402 | 17,047,771 | 247.43 | 61.70 |
| 2017 | 0.26 | 47,229,076 | 16,914,533 | 279.22 | 57.47 |
| Jackson State University: | | | | | |
| 2015 | 0.83 | 100,387,620 | 50,536,476 | 199.00 | 67.00 |
| 2016 | 0.85 | 130,840,285 | 52,898,190 | 247.43 | 61.70 |
| 2017 | 0.87 | 155,284,587 | 55,613,333 | 279.22 | 57.47 |
| Mississippi State University: | | | | | |
| 2015 | 3.11 | 377,668,592 | 190,123,441 | 199.00 | 67.00 |
| 2016 | 3.15 | 487,619,653 | 197,073,543 | 247.43 | 61.70 |
| 2017 | 3.22 | 575,770,041 | 206,205,213 | 279.22 | 57.47 |
| Mississippi University for Women: | | | | | |
| 2015 | 0.22 | 27,087,951 | 13,636,438 | 199.00 | 67.00 |
| 2016 | 0.23 | 35,499,410 | 14,347,232 | 247.43 | 61.70 |
| 2017 | 0.23 | 41,584,769 | 14,893,092 | 279.22 | 57.47 |
| Mississippi Valley State University: | | | | | |
| 2015 | 0.26 | 31,120,964 | 15,666,711 | 199.00 | 67.00 |
| 2016 | 0.24 | 37,755,185 | 15,258,908 | 247.43 | 61.70 |
| 2017 | 0.25 | 44,719,677 | 16,015,822 | 279.22 | 57.47 |
| University of Mississippi: | | | | | |
| 2015 | 1.85 | 224,435,474 | 112,983,803 | 199.00 | 67.00 |
| 2016 | 1.86 | 287,872,551 | 116,344,946 | 247.43 | 61.70 |
| 2017 | 1.87 | 333,566,560 | 119,462,908 | 279.22 | 57.47 |
| University of Southern Mississippi: | | | | | |
| 2015 | 1.35 | 163,430,215 | 82,272,965 | 199.00 | 67.00 |
| 2016 | 1.32 | 204,738,145 | 82,745,841 | 247.43 | 61.70 |
| 2017 | 1.31 | 233,764,776 | 83,720,083 | 279.22 | 57.47 |
| University of Mississippi Medical Center: | | | | | |
| 2015 | 6.76 | 821,435,313 | 413,521,568 | 199.00 | 67.00 |
| 2016 | 7.04 | 1,087,561,173 | 439,542,508 | 247.43 | 61.70 |
| 2017 | 7.22 | 1,288,831,062 | 461,579,562 | 279.22 | 57.47 |
| IHL Board Office: | | | | | |
| 2015 | 0.10 | 13,082,977 | 6,586,146 | 199.00 | 67.00 |
| 2016 | 0.11 | 16,593,427 | 6,706,305 | 247.43 | 61.70 |
| 2017 | 0.11 | 20,018,665 | 7,169,448 | 279.22 | 57.47 |
| MCVS: | | | | | |
| 2015 | 0.01 | 1,092,239 | 549,848 | 199.00 | 67.00 |
| 2016 | 0.01 | 1,231,115 | 503,886 | 244.32 | 61.70 |
| 2017 | 0.01 | 1,586,388 | 568,146 | 279.22 | 57.47 |
| 2015 Total | 15.24 | 1,850,037,000 | 931,333,441 | 199.00 | 67.00 |
| 2016 Total | 15.54 | 2,402,927,178 | 971,178,203 | 247.42 | 61.70 |
| 2017 Total | 15.81 % | \$ 2,824,552,260 | 1,011,579,899 | 279.22 % | 57.47 % |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Required Supplementary Information (Unaudited)

Schedule of Proportionate Share of Contributions

Year ended June 30, 2017

| | <u>Proportionate share of contributions</u> | <u>Required contributions</u> | <u>Contribution deficiency (excess)</u> | <u>Actual covered- employee payroll</u> | <u>Contributions as a percentage of covered- employee payroll</u> |
|---|---|-----------------------------------|---|---|---|
| Alcorn State University: | | | | | |
| 2015 | \$ 4,487,694 | (4,487,694) | — | 28,493,295 | 15.75 % |
| 2016 | 4,578,969 | (4,578,969) | — | 29,072,818 | 15.75 |
| 2017 | 4,612,758 | (4,612,758) | — | 29,287,346 | 15.75 |
| Delta State University: | | | | | |
| 2015 | 2,664,943 | (2,664,943) | — | 16,920,273 | 15.75 |
| 2016 | 2,629,908 | (2,629,908) | — | 16,697,827 | 15.75 |
| 2017 | 2,650,434 | (2,650,434) | — | 16,828,152 | 15.75 |
| Jackson State University: | | | | | |
| 2015 | 8,271,356 | (8,271,356) | — | 52,516,546 | 15.75 |
| 2016 | 8,653,220 | (8,653,220) | — | 54,940,820 | 15.75 |
| 2017 | 8,714,352 | (8,714,352) | — | 55,329,219 | 15.75 |
| Mississippi State University: | | | | | |
| 2015 | 30,812,946 | (30,812,946) | — | 195,637,752 | 15.75 |
| 2016 | 32,082,720 | (32,082,720) | — | 203,700,062 | 15.75 |
| 2017 | 32,311,407 | (32,311,407) | — | 205,151,790 | 15.75 |
| Mississippi University for Women: | | | | | |
| 2015 | 2,243,470 | (2,243,470) | — | 14,244,254 | 15.75 |
| 2016 | 2,316,938 | (2,316,938) | — | 14,710,717 | 15.75 |
| 2017 | 2,333,680 | (2,333,680) | — | 14,817,016 | 15.75 |
| Mississippi Valley State University: | | | | | |
| 2015 | 2,384,644 | (2,384,644) | — | 15,140,597 | 15.75 |
| 2016 | 2,491,943 | (2,491,943) | — | 15,821,863 | 15.75 |
| 2017 | 2,509,604 | (2,509,604) | — | 15,933,994 | 15.75 |
| University of Mississippi: | | | | | |
| 2015 | 18,189,943 | (18,189,943) | — | 115,491,702 | 15.75 |
| 2016 | 18,587,600 | (18,587,600) | — | 118,016,509 | 15.75 |
| 2017 | 18,719,288 | (18,719,288) | — | 118,852,622 | 15.75 |
| University of Southern Mississippi: | | | | | |
| 2015 | 12,934,612 | (12,934,612) | — | 82,124,521 | 15.75 |
| 2016 | 13,009,957 | (13,009,957) | — | 82,602,900 | 15.75 |
| 2017 | 13,118,547 | (13,118,547) | — | 83,292,362 | 15.75 |
| University of Mississippi Medical Center: | | | | | |
| 2015 | 68,736,092 | (68,736,092) | — | 436,419,632 | 15.75 |
| 2016 | 71,818,771 | (71,818,771) | — | 455,992,197 | 15.75 |
| 2017 | 72,327,391 | (72,327,391) | — | 459,221,530 | 15.75 |
| IHL Board Office: | | | | | |
| 2015 | 1,048,459 | (1,048,459) | — | 6,656,883 | 15.75 |
| 2016 | 959,854 | (959,854) | — | 6,094,318 | 15.75 |
| 2017 | 1,123,420 | (1,123,420) | — | 7,132,825 | 15.75 |
| M CVS: | | | | | |
| 2015 | 78,708 | (78,708) | — | 499,733 | 15.75 |
| 2016 | 88,482 | (88,482) | — | 561,790 | 15.75 |
| 2017 | 89,025 | (89,025) | — | 565,238 | 15.75 |
| 2015 Total | <u>151,852,867</u> | <u>(151,852,867)</u> | <u>—</u> | <u>964,145,188</u> | <u>15.75</u> |
| 2016 Total | <u>157,218,362</u> | <u>(157,218,362)</u> | <u>—</u> | <u>998,211,821</u> | <u>15.75</u> |
| 2017 Total | <u>\$ 158,509,906</u> | <u>(158,509,906)</u> | <u>—</u> | <u>1,006,412,094</u> | <u>15.75 %</u> |

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Required Supplementary Information (Unaudited)

June 30, 2017

(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 2017 reflect no changes in assumptions. In fiscal year 2016, price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes of benefit terms: Amounts reported for fiscal year 2017 and 2016 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, 2017, 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 21, 2017. 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. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 21, 2017

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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, 2017

| 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 | 464,383,635 | — | 3,129,779 | 2,412,726 | 3,122,635 | — | 473,048,775 |
| Short-term investments | 245,306,843 | — | 4,970,398 | 6,337,081 | — | — | 256,614,322 |
| Accounts receivable, net | 356,604,945 | (11,842,995) | — | — | — | — | 344,761,950 |
| Affiliate lease and accounts receivable | — | — | — | — | 284,307 | (284,307) | — |
| Notes and pledges receivable, net | 17,088,919 | — | 13,170,700 | 10,987,243 | 3,440,605 | — | 44,687,467 |
| Due from other governments | — | 11,842,995 | — | — | — | — | 11,842,995 |
| Inventories | 32,337,075 | — | — | — | — | — | 32,337,075 |
| Prepaid expenses | 24,420,954 | — | — | — | — | — | 24,420,954 |
| Other current assets | 1,046,579 | — | 344,725 | — | 555,991 | — | 1,947,295 |
| Total current assets | 1,141,168,950 | — | 21,615,602 | 19,737,050 | 7,403,538 | (284,307) | 1,189,660,833 |
| Noncurrent assets: | | | | | | | |
| Investments | 377,225,553 | — | 139,004,390 | 103,593,251 | — | — | 619,823,194 |
| Notes and pledges receivable, net | 99,617,924 | — | 26,291,090 | 57,740,805 | 1,510,009 | — | 185,159,828 |
| Restricted assets: | | | | | | | |
| Cash and cash equivalents | 211,957,675 | — | 5,572,458 | — | — | — | 217,530,133 |
| Short-term investments | 2,243,695 | — | — | — | — | — | 2,243,695 |
| Investments | 315,892,363 | — | 354,199,812 | 338,448,122 | 107,101,292 | (43,401,106) | 1,072,240,483 |
| Capital assets, net of accumulated depreciation | 4,075,419,713 | — | 8,533,398 | 2,484,477 | 27,155 | — | 4,086,464,743 |
| Other noncurrent assets | 4,233,001 | — | — | 10,795,320 | 5,102,951 | — | 20,131,272 |
| Total noncurrent assets | 5,086,569,924 | — | 533,601,148 | 513,061,975 | 113,741,407 | (43,401,106) | 6,203,593,348 |
| Total assets | 6,227,778,874 | — | 555,216,750 | 532,799,025 | 121,144,945 | (43,685,413) | 7,393,254,181 |
| Deferred outflows of resources: | | | | | | | |
| Deferred loss on refunding of debt | 27,502,308 | — | — | — | — | — | 27,502,308 |
| Pension related deferred outflows | 616,437,958 | — | — | — | — | — | 616,437,958 |
| Total deferred outflows of resources | 643,940,266 | — | — | — | — | — | 643,940,266 |
| Total assets and deferred outflows of resources | \$ 6,871,719,140 | — | 555,216,750 | 532,799,025 | 121,144,945 | (43,685,413) | 8,037,194,447 |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2017

| Liabilities and Net Position | IHL System only | DFA reclass entry | MSU Foundation | UM Foundation | USM Foundation | Foundation eliminations | Total |
|--|----------------------------|------------------------------|---------------------------|--------------------------|---------------------------|------------------------------------|----------------------|
| Liabilities: | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable and accrued liabilities | \$ 201,746,438 | (1,476,366) | 7,205,441 | — | 438,862 | — | 207,914,375 |
| Due to primary government | — | 1,476,366 | — | — | — | — | 1,476,366 |
| Unearned revenues | 128,992,187 | — | — | — | — | — | 128,992,187 |
| Bonds and notes payable | 41,477,293 | — | — | — | — | — | 41,477,293 |
| Lease obligations payable | 1,322,609 | — | — | — | — | (180,713) | 1,141,896 |
| Current portion of noncurrent liabilities | 25,652,279 | — | 748,606 | 689,309 | 48,334 | — | 27,138,528 |
| Other current liabilities | 31,999,461 | — | — | 1,471,376 | — | — | 33,470,837 |
| Total current liabilities | 431,190,267 | — | 7,954,047 | 2,160,685 | 487,196 | (180,713) | 441,611,492 |
| Noncurrent liabilities: | | | | | | | |
| Bonds and notes payable | 1,170,941,376 | — | — | — | — | — | 1,170,941,376 |
| Lease obligations payable | 1,389,488 | — | — | — | — | (103,594) | 1,285,894 |
| Net pension liability | 2,824,552,260 | — | — | — | — | — | 2,824,552,260 |
| Other noncurrent liabilities | 232,485,705 | — | 4,242,102 | 26,946,784 | 248,986 | — | 263,923,577 |
| Total noncurrent liabilities | 4,229,368,829 | — | 4,242,102 | 26,946,784 | 248,986 | (103,594) | 4,260,703,107 |
| Total liabilities | 4,660,559,096 | — | 12,196,149 | 29,107,469 | 736,182 | (284,307) | 4,702,314,589 |
| Deferred inflows of resources: | | | | | | | |
| Deferred inflows related to pension and refundings | 9,514,525 | — | — | — | — | — | 9,514,525 |
| Total deferred inflows of resources | 9,514,525 | — | — | — | — | — | 9,514,525 |
| Total liabilities and deferred inflows of resources | 4,670,073,621 | — | 12,196,149 | 29,107,469 | 736,182 | (284,307) | 4,711,829,114 |
| Net position: | | | | | | | |
| Net investment in capital assets | 2,892,895,380 | — | 8,533,398 | 2,484,477 | 27,155 | — | 2,903,940,410 |
| Restricted for: | | | | | | | |
| Other purposes | 290,583,123 | — | 103,032,871 | 248,262,610 | 37,181,815 | — | 679,060,419 |
| Permanent endowments: | | | | | | | |
| Nonexpendable | 167,928,926 | — | 354,035,381 | 237,329,255 | 76,878,371 | — | 836,171,933 |
| Unrestricted | (1,149,761,910) | — | 77,418,951 | 15,615,214 | 6,321,422 | (43,401,106) | (1,093,807,429) |
| Total net position | \$ 2,201,645,519 | — | 543,020,601 | 503,691,556 | 120,408,763 | (43,401,106) | 3,325,365,333 |

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, 2017

| Functions/programs | Program revenues | | | | Net revenue (expense) and changes in net position | | | | | Total |
|--|------------------|----------------------|------------------------------------|----------------------------------|---|----------------|---------------|----------------|-------------------------|------------------|
| | Expenses | Charges for services | Operating grants and contributions | Capital grants and contributions | IHL System | MSU Foundation | UM Foundation | USM Foundation | Foundation Eliminations | |
| IHL System | \$ 3,614,339,162 | 2,136,386,524 | 398,313,985 | 57,239,648 | (1,022,398,995) | — | — | — | — | (1,022,398,995) |
| MSU Foundation | 41,765,553 | — | 33,372,264 | — | — | (8,393,289) | — | — | — | (8,393,289) |
| UM Foundation | 37,198,930 | — | 53,467,544 | — | — | — | 16,268,614 | — | — | 16,268,614 |
| USM Foundation | 11,663,724 | — | 5,139,526 | — | — | — | — | (6,524,198) | — | (6,524,198) |
| Total universities | \$ 3,704,967,359 | 2,136,386,524 | 490,293,319 | 57,239,648 | (1,022,398,995) | (8,393,289) | 16,268,614 | (6,524,198) | — | (1,021,047,865) |
| General revenues: | | | | | | | | | | |
| Interest and Investment Income | | | | | 33,233,891 | 38,075,215 | 46,365,363 | 9,975,505 | (1,737,277) | 125,913,697 |
| Other | | | | | 205,356,153 | — | — | — | — | 205,356,153 |
| Payment from State of Mississippi | | | | | 807,834,123 | — | — | — | — | 807,834,123 |
| Contributions to permanent endowments | | | | | 4,745,846 | 11,900,403 | 8,006,208 | 5,104,139 | — | 29,757,596 |
| Total general revenues and contributions | | | | | 1,051,171,013 | 49,975,618 | 54,372,571 | 15,079,644 | (1,737,277) | 1,168,861,569 |
| Change in net position | | | | | \$ 28,772,018 | 41,582,329 | 70,641,185 | 8,555,446 | (1,737,277) | 147,813,701 |
| Net position – beginning of the year | | | | | | | | | | 3,177,551,632 |
| Net position – end of the year | | | | | | | | | | \$ 3,325,365,333 |

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, 2017

| | Per IHL System | DFA reclass | Total |
|--|---------------------------|------------------------|-----------------|
| Student tuition | \$ 107,888,311 | — | 107,888,311 |
| Auxiliary enterprises and other operating activities | 32,876,012 | — | 32,876,012 |
| Contributions and gifts | 5,112,851 | — | 5,112,851 |
| Federal, state, and private grants and contracts | 99,881,930 | 789,575 | 100,671,505 |
| State appropriations | 12,632,570 | (12,632,570) | — |
| Accrued interest | 3,100,780 | — | 3,100,780 |
| Patient income | 2,605,630,141 | — | 2,605,630,141 |
| Other | 21,294,916 | — | 21,294,916 |
| Total accounts receivable | 2,888,417,511 | (11,842,995) | 2,876,574,516 |
| Less bad debt provision | (2,531,812,566) | — | (2,531,812,566) |
| Net accounts receivable | \$ 356,604,945 | (11,842,995) | 344,761,950 |

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, 2017

| | <u>Interest rates</u> | <u>Total</u> | <u>Current portion</u> | <u>Noncurrent portion</u> |
|--|-----------------------|-----------------------|----------------------------|-------------------------------|
| From students: | | | | |
| Perkins student loans | 3% to 9% | \$ 69,476,005 | 8,271,545 | 61,204,460 |
| Nursing student loans | 3% to 9% | 1,651,279 | 134,112 | 1,517,167 |
| Other federal loans | 3% to 9% | 3,962,686 | 2,115,099 | 1,847,587 |
| Institutional loans | 0% to 10% | 60,794,076 | 9,058,584 | 51,735,492 |
| Medical student loans | 3% to 9% | 187,793 | 14,357 | 173,436 |
| Dental student loans | 3% to 9% | 484,145 | 34,592 | 449,553 |
| Notes and pledges: | | | | |
| Foundations | | <u>118,239,237</u> | <u>28,740,037</u> | <u>89,499,200</u> |
| Total notes and pledges receivable | | 254,795,221 | 48,368,326 | 206,426,895 |
| Less allowance for doubtful accounts | | <u>24,947,926</u> | <u>3,680,859</u> | <u>21,267,067</u> |
| Net notes and pledges receivable | | <u>\$ 229,847,295</u> | <u>44,687,467</u> | <u>185,159,828</u> |
| Foundation notes and pledges, before allowance for doubtful accounts: | | | | |
| MSU Foundation | | \$ 40,427,753 | 13,493,098 | 26,934,655 |
| UM Foundation | | 72,564,870 | 11,600,618 | 60,964,252 |
| USM Foundation | | <u>5,246,614</u> | <u>3,646,321</u> | <u>1,600,293</u> |
| | | <u>\$ 118,239,237</u> | <u>28,740,037</u> | <u>89,499,200</u> |
| Summary of allowance for doubtful accounts: | | | | |
| IHL Universities | | \$ 19,849,141 | 2,539,370 | 17,309,771 |
| MSU Foundation | | 965,963 | 322,398 | 643,565 |
| UM Foundation | | 3,836,822 | 613,375 | 3,223,447 |
| USM Foundation | | <u>296,000</u> | <u>205,716</u> | <u>90,284</u> |
| | | <u>\$ 24,947,926</u> | <u>3,680,859</u> | <u>21,267,067</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, 2017

| | <u>Cost basis</u> | <u>Accumulated depreciation</u> | <u>Net book value</u> |
|------------------------------------|---------------------|-------------------------------------|---------------------------|
| Delta State University | \$ 1,777,530 | 946,536 | 830,994 |
| University of Southern Mississippi | 1,993,738 | 1,590,794 | 402,944 |
| Mississippi University for Women | 725,000 | 496,974 | 228,026 |
| | <u>\$ 4,496,268</u> | <u>3,034,304</u> | <u>1,461,964</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, 2017

| | <u>Balance June 30, 2016</u> | <u>Additions</u> | <u>Deletions/ transfers</u> | <u>Balance June 30, 2017</u> |
|-------------------------------------|----------------------------------|--------------------|---------------------------------|----------------------------------|
| Nondepreciable capital assets: | | | | |
| Land | \$ 104,375,224 | 4,186,697 | (225,304) | 108,336,617 |
| Construction in progress | 652,082,589 | 293,003,950 | (208,800,156) | 736,286,383 |
| Livestock | <u>1,890,354</u> | <u>75,061</u> | <u>(253,752)</u> | <u>1,711,663</u> |
| Total nondepreciable capital assets | <u>758,348,167</u> | <u>297,265,708</u> | <u>(209,279,212)</u> | <u>846,334,663</u> |
| Depreciable capital assets: | | | | |
| Improvements other than buildings | 348,304,115 | 15,160,813 | (2,803,137) | 360,661,791 |
| Buildings | 3,539,670,099 | 192,763,135 | (4,850,455) | 3,727,582,779 |
| Equipment | 842,777,194 | 43,117,743 | (22,298,080) | 863,596,857 |
| Library books | <u>402,635,256</u> | <u>15,338,289</u> | <u>(445,456)</u> | <u>417,528,089</u> |
| Total depreciable capital assets | <u>5,133,386,664</u> | <u>266,379,980</u> | <u>(30,397,128)</u> | <u>5,369,369,516</u> |
| Total capital assets | <u>5,891,734,831</u> | <u>563,645,688</u> | <u>(239,676,340)</u> | <u>6,215,704,179</u> |
| Less accumulated depreciation: | | | | |
| Improvements other than buildings | 142,298,881 | 13,021,610 | (2,242,507) | 153,077,984 |
| Buildings | 925,037,440 | 70,062,667 | (2,380,761) | 992,719,346 |
| Equipment | 596,187,510 | 55,548,735 | (24,257,260) | 627,478,985 |
| Library books | <u>342,415,015</u> | <u>14,053,277</u> | <u>(505,171)</u> | <u>355,963,121</u> |
| Total accumulated depreciation | <u>2,005,938,846</u> | <u>152,686,289</u> | <u>(29,385,699)</u> | <u>2,129,239,436</u> |
| Net capital assets | \$ <u>3,885,795,985</u> | <u>410,959,399</u> | <u>(210,290,641)</u> | <u>4,086,464,743</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, 2017

| | | Cost to complete | Funded by | | | Other |
|--|-----------|-----------------------------|----------------------------|--------------------------|--------------------------------|-------------------|
| | | | Federal sources | State sources | Institutional funds | |
| Alcorn State University | \$ | 11,188,793 | — | 11,188,793 | — | — |
| Delta State University | | 15,518,051 | — | 15,518,051 | — | — |
| Jackson State University | | 12,909,137 | — | 12,909,137 | — | — |
| Mississippi State University | | 115,666,559 | 288,000 | 45,890,808 | 16,298,194 | 53,189,557 |
| Mississippi University for Women | | 249,304 | — | — | 249,304 | — |
| Mississippi Valley State University | | 19,523,324 | — | 19,523,324 | — | — |
| University of Mississippi | | 237,180,620 | — | 40,185,700 | 171,444,720 | 25,550,200 |
| University of Southern Mississippi | | 29,781,901 | 159,266 | 24,828,432 | 4,794,203 | — |
| University of Mississippi Medical Center | | 45,939,570 | 862,793 | 17,507,145 | 24,137,708 | 3,431,924 |
| Total Construction Commitments | \$ | 487,957,259 | 1,310,059 | 187,551,390 | 216,924,129 | 82,171,681 |

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, 2017

| | <u>Balance June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 2017</u> | <u>Due within 1 year</u> |
|-----------------------------------|----------------------------------|--------------------|--------------------|----------------------------------|------------------------------|
| Bonded debt | \$ 1,121,486,870 | 170,438,313 | 88,760,060 | 1,203,165,123 | 40,339,055 |
| Notes payable | 10,819,307 | — | 1,565,761 | 9,253,546 | 1,138,238 |
| | <u>1,132,306,177</u> | <u>170,438,313</u> | <u>90,325,821</u> | <u>1,212,418,669</u> | <u>41,477,293</u> |
| Capital lease obligations | 104,290,478 | 943,583 | 102,806,271 | 2,427,790 | 1,141,896 |
| Other long-term liabilities: | | | | | |
| Pension liability | 2,402,927,178 | 513,737,318 | 92,112,236 | 2,824,552,260 | — |
| Accrued leave liability | 128,310,192 | 8,302,206 | 9,511,531 | 127,100,867 | 12,028,112 |
| Deposits refundable | 1,035,215 | 31,500 | 27,865 | 1,038,850 | — |
| Funds held in trust for others | 22,056,528 | 4,302,731 | 2,768,120 | 23,591,139 | 689,309 |
| Other noncurrent liabilities | 144,741,569 | 3,553,077 | 8,963,397 | 139,331,249 | 14,421,107 |
| Total other long-term liabilities | <u>2,699,070,682</u> | <u>529,926,832</u> | <u>113,383,149</u> | <u>3,115,614,365</u> | <u>27,138,528</u> |
| Total | <u>\$ 3,935,667,337</u> | <u>701,308,728</u> | <u>306,515,241</u> | <u>4,330,460,824</u> | <u>69,757,717</u> |
| Due within one year | | | | <u>(69,757,717)</u> | |
| Total long-term liabilities | | | | <u>\$ 4,260,703,107</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, 2017

| | Total | Bonded debt | Bonded debt interest | Notes payable | Notes payable interest | Capital leases | Capital lease interest | Total interest |
|--------------------------------------|-------------------------|----------------------|-----------------------------|----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| IHL System Universities Only: | | | | | | | | |
| 2018 | \$ 94,615,499 | 40,339,055 | 51,478,523 | 1,138,238 | 227,079 | 1,322,609 | 109,995 | 51,815,597 |
| 2019 | 93,361,021 | 40,584,748 | 50,971,968 | 992,245 | 200,234 | 545,569 | 66,257 | 51,238,459 |
| 2020 | 92,500,297 | 41,442,430 | 49,638,829 | 1,018,669 | 173,810 | 193,852 | 32,707 | 49,845,346 |
| 2021 | 91,705,374 | 43,671,473 | 46,614,684 | 1,045,797 | 146,681 | 200,840 | 25,899 | 46,787,264 |
| 2022 | 89,064,673 | 42,960,631 | 44,883,991 | 960,057 | 119,674 | 121,201 | 19,119 | 45,022,784 |
| 2023-2027 | 437,161,152 | 237,709,492 | 194,876,445 | 4,098,540 | 125,875 | 328,026 | 22,774 | 195,025,094 |
| 2028-2032 | 400,174,166 | 261,738,319 | 138,435,847 | — | — | — | — | 138,435,847 |
| 2033-2037 | 330,891,406 | 252,282,512 | 78,608,894 | — | — | — | — | 78,608,894 |
| 2038-2042 | 210,223,310 | 180,579,031 | 29,644,279 | — | — | — | — | 29,644,279 |
| 2043-2047 | 64,743,309 | 61,857,432 | 2,885,877 | — | — | — | — | 2,885,877 |
| | \$ 1,904,440,207 | 1,203,165,123 | 688,039,337 | 9,253,546 | 993,353 | 2,712,097 | 276,751 | 689,309,441 |
| Alcorn State University: | | | | | | | | |
| 2018 | \$ 2,578,700 | 720,000 | 1,858,700 | — | — | — | — | 1,858,700 |
| 2019 | 2,635,325 | 815,000 | 1,820,325 | — | — | — | — | 1,820,325 |
| 2020 | 2,696,650 | 915,000 | 1,781,650 | — | — | — | — | 1,781,650 |
| 2021 | 2,870,750 | 1,130,000 | 1,740,750 | — | — | — | — | 1,740,750 |
| 2022 | 2,923,550 | 1,230,000 | 1,693,550 | — | — | — | — | 1,693,550 |
| 2023-2027 | 15,436,125 | 7,840,000 | 7,596,125 | — | — | — | — | 7,596,125 |
| 2028-2032 | 12,773,250 | 8,300,000 | 4,473,250 | — | — | — | — | 4,473,250 |
| 2033-2037 | 19,426,175 | 15,705,000 | 3,721,175 | — | — | — | — | 3,721,175 |
| 2038-2042 | 13,845,764 | 13,357,164 | 488,600 | — | — | — | — | 488,600 |
| | \$ 75,186,289 | 50,012,164 | 25,174,125 | — | — | — | — | 25,174,125 |
| Delta State University: | | | | | | | | |
| 2018 | \$ 1,851,816 | 975,000 | 541,038 | — | — | 324,035 | 11,743 | 552,781 |
| 2019 | 1,551,523 | 1,005,000 | 514,362 | — | — | 31,542 | 619 | 514,981 |
| 2020 | 1,079,700 | 585,000 | 494,700 | — | — | — | — | 494,700 |
| 2021 | 1,077,900 | 595,000 | 482,900 | — | — | — | — | 482,900 |
| 2022 | 1,080,850 | 610,000 | 470,850 | — | — | — | — | 470,850 |
| 2023-2027 | 4,883,575 | 2,845,000 | 2,038,575 | — | — | — | — | 2,038,575 |
| 2028-2032 | 4,545,750 | 3,135,000 | 1,410,750 | — | — | — | — | 1,410,750 |
| 2033-2037 | 4,547,500 | 3,805,000 | 742,500 | — | — | — | — | 742,500 |
| 2038-2042 | 1,820,800 | 1,750,000 | 70,800 | — | — | — | — | 70,800 |
| | \$ 22,439,414 | 15,305,000 | 6,766,475 | — | — | 355,577 | 12,362 | 6,778,837 |
| Jackson State University: | | | | | | | | |
| 2018 | \$ 8,207,902 | 3,348,915 | 4,446,109 | 100,837 | 11,910 | 255,383 | 44,748 | 4,502,767 |
| 2019 | 8,291,253 | 3,433,915 | 4,444,460 | 103,885 | 8,862 | 263,243 | 36,888 | 4,490,210 |
| 2020 | 8,130,449 | 3,533,915 | 4,343,467 | 107,025 | 5,722 | 110,750 | 29,570 | 4,378,759 |
| 2021 | 8,129,607 | 3,663,915 | 4,212,625 | 110,260 | 2,487 | 115,858 | 24,462 | 4,239,574 |
| 2022 | 8,016,897 | 3,838,915 | 4,037,662 | — | — | 121,201 | 19,119 | 4,056,781 |
| 2023-2027 | 44,299,437 | 27,509,575 | 16,439,062 | — | — | 328,026 | 22,774 | 16,461,836 |
| 2028-2032 | 39,380,563 | 30,069,575 | 9,310,988 | — | — | — | — | 9,310,988 |
| 2033-2037 | 18,155,453 | 16,029,453 | 2,126,000 | — | — | — | — | 2,126,000 |
| 2038-2042 | 4,336,480 | 3,726,880 | 609,600 | — | — | — | — | 609,600 |
| 2043-2047 | 2,500,544 | 2,374,144 | 126,400 | — | — | — | — | 126,400 |
| | \$ 149,448,585 | 97,529,202 | 50,096,373 | 422,007 | 28,981 | 1,194,461 | 177,561 | 50,302,915 |
| Mississippi State University: | | | | | | | | |
| 2018 | \$ 25,774,109 | 10,105,000 | 15,669,109 | — | — | — | — | 15,669,109 |
| 2019 | 26,151,730 | 10,170,000 | 15,981,730 | — | — | — | — | 15,981,730 |
| 2020 | 26,690,790 | 11,085,000 | 15,605,790 | — | — | — | — | 15,605,790 |
| 2021 | 25,071,040 | 11,435,000 | 13,636,040 | — | — | — | — | 13,636,040 |
| 2022 | 24,973,655 | 11,840,000 | 13,133,655 | — | — | — | — | 13,133,655 |
| 2023-2027 | 116,308,796 | 58,955,000 | 57,353,796 | — | — | — | — | 57,353,796 |
| 2028-2032 | 103,984,163 | 59,535,000 | 44,449,163 | — | — | — | — | 44,449,163 |
| 2033-2037 | 94,862,532 | 65,515,000 | 29,347,532 | — | — | — | — | 29,347,532 |
| 2038-2042 | 80,361,522 | 65,910,000 | 14,451,522 | — | — | — | — | 14,451,522 |
| 2043-2047 | 31,960,977 | 30,120,000 | 1,840,977 | — | — | — | — | 1,840,977 |
| | \$ 556,139,314 | 334,670,000 | 221,469,314 | — | — | — | — | 221,469,314 |

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, 2017

| | Total | Bonded debt | Bonded debt interest | Notes payable | Notes payable interest | Capital leases | Capital lease interest | Total interest |
|---|-----------------------|--------------------|-----------------------------|----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
| Mississippi University for Women: | | | | | | | | |
| 2018 | \$ 156,232 | — | — | — | — | 150,973 | 5,259 | 5,259 |
| 2019 | 78,116 | — | — | — | — | 77,053 | 1,063 | 1,063 |
| | \$ 234,348 | — | — | — | — | 228,026 | 6,322 | 6,322 |
| Mississippi Valley State University: | | | | | | | | |
| 2018 | \$ 936,526 | 255,000 | 595,106 | — | — | 79,466 | 6,954 | 602,080 |
| 2019 | 1,258,026 | 585,000 | 586,606 | — | — | 81,264 | 5,156 | 591,762 |
| 2020 | 1,282,545 | 625,000 | 571,306 | — | — | 83,102 | 3,137 | 574,443 |
| 2021 | 1,316,625 | 675,000 | 555,206 | — | — | 84,982 | 1,437 | 556,643 |
| 2022 | 1,262,906 | 725,000 | 537,906 | — | — | — | — | 537,906 |
| 2023–2027 | 5,786,155 | 3,385,000 | 2,401,155 | — | — | — | — | 2,401,155 |
| 2028–2032 | 6,715,031 | 4,915,000 | 1,800,031 | — | — | — | — | 1,800,031 |
| 2033–2037 | 7,797,251 | 6,990,000 | 807,251 | — | — | — | — | 807,251 |
| | \$ 26,355,065 | 18,155,000 | 7,854,567 | — | — | 328,814 | 16,684 | 7,871,251 |
| University of Mississippi: | | | | | | | | |
| 2018 | \$ 23,099,269 | 13,001,866 | 9,017,671 | 865,671 | 214,061 | — | — | 9,231,732 |
| 2019 | 23,159,838 | 13,438,143 | 8,641,963 | 888,360 | 191,372 | — | — | 8,833,335 |
| 2020 | 22,241,214 | 12,890,825 | 8,270,657 | 911,644 | 168,088 | — | — | 8,438,745 |
| 2021 | 22,656,548 | 13,723,951 | 7,852,866 | 935,537 | 144,194 | — | — | 7,997,060 |
| 2022 | 20,372,969 | 11,863,109 | 7,430,129 | 960,057 | 119,674 | — | — | 7,549,803 |
| 2023–2027 | 103,407,459 | 68,891,881 | 30,291,163 | 4,098,540 | 125,875 | — | — | 30,417,038 |
| 2028–2032 | 82,429,236 | 65,515,708 | 16,913,528 | — | — | — | — | 16,913,528 |
| 2033–2037 | 46,017,347 | 39,753,237 | 6,264,110 | — | — | — | — | 6,264,110 |
| 2038–2042 | 13,791,802 | 11,128,177 | 2,663,625 | — | — | — | — | 2,663,625 |
| 2043–2047 | 7,632,463 | 6,940,713 | 691,750 | — | — | — | — | 691,750 |
| | \$ 364,808,145 | 257,147,610 | 98,037,462 | 8,659,809 | 963,264 | — | — | 99,000,726 |
| University of Southern Mississippi: | | | | | | | | |
| 2018 | \$ 13,585,280 | 5,840,584 | 6,997,815 | 171,730 | 1,108 | 512,752 | 41,291 | 7,040,214 |
| 2019 | 11,791,382 | 4,765,000 | 6,911,384 | — | — | 92,467 | 22,531 | 6,933,915 |
| 2020 | 11,936,509 | 5,135,000 | 6,801,509 | — | — | — | — | 6,801,509 |
| 2021 | 12,138,651 | 5,465,000 | 6,673,651 | — | — | — | — | 6,673,651 |
| 2022 | 12,001,401 | 5,515,000 | 6,486,401 | — | — | — | — | 6,486,401 |
| 2023–2027 | 57,335,169 | 28,350,000 | 28,985,169 | — | — | — | — | 28,985,169 |
| 2028–2032 | 62,181,381 | 40,685,000 | 21,496,381 | — | — | — | — | 21,496,381 |
| 2033–2037 | 51,887,413 | 40,705,000 | 11,182,413 | — | — | — | — | 11,182,413 |
| 2038–2042 | 24,560,775 | 20,460,000 | 4,100,775 | — | — | — | — | 4,100,775 |
| 2043–2047 | 22,649,325 | 22,422,575 | 226,750 | — | — | — | — | 226,750 |
| | \$ 280,047,286 | 179,343,159 | 99,862,248 | 171,730 | 1,108 | 605,219 | 63,822 | 99,927,178 |
| University of Mississippi Medical Center: | | | | | | | | |
| 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 | 18,444,253 | 6,983,607 | 11,460,646 | — | — | — | — | 11,460,646 |
| 2022 | 18,432,445 | 7,338,607 | 11,093,838 | — | — | — | — | 11,093,838 |
| 2023–2027 | 89,704,436 | 39,933,036 | 49,771,400 | — | — | — | — | 49,771,400 |
| 2028–2032 | 88,164,792 | 49,583,036 | 38,581,756 | — | — | — | — | 38,581,756 |
| 2033–2037 | 88,197,735 | 63,779,822 | 24,417,913 | — | — | — | — | 24,417,913 |
| 2038–2042 | 71,506,167 | 64,246,810 | 7,259,357 | — | — | — | — | 7,259,357 |
| | \$ 429,781,761 | 251,002,988 | 178,778,773 | — | — | — | — | 178,778,773 |

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, 2017

| <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> |
|---------------------------|-------------------------|------------------------|---------------------------------|--------------------------|-----------------------------------|---------------------------|-----------------------------------|---------------------------|
| 2018 | \$ 94,434,786 | 40,339,055 | 51,478,523 | 1,138,238 | 227,079 | 1,141,896 | 109,995 | 51,815,597 |
| 2019 | 93,361,021 | 40,584,748 | 50,971,968 | 992,245 | 200,234 | 545,569 | 66,257 | 51,238,459 |
| 2020 | 92,500,297 | 41,442,430 | 49,638,829 | 1,018,669 | 173,810 | 193,852 | 32,707 | 49,845,346 |
| 2021 | 91,601,780 | 43,671,473 | 46,614,684 | 1,045,797 | 146,681 | 97,246 | 25,899 | 46,787,264 |
| 2022 | 89,064,673 | 42,960,631 | 44,883,991 | 960,057 | 119,674 | 121,201 | 19,119 | 45,022,764 |
| 2023–2027 | 437,161,152 | 237,709,492 | 194,876,445 | 4,098,540 | 125,875 | 328,026 | 22,774 | 195,025,094 |
| 2028–2032 | 400,174,166 | 261,738,319 | 138,435,847 | — | — | — | — | 138,435,847 |
| 2033–2037 | 330,891,406 | 252,282,512 | 78,608,894 | — | — | — | — | 78,608,894 |
| 2038–2042 | 210,223,310 | 180,579,031 | 29,644,279 | — | — | — | — | 29,644,279 |
| 2043–2047 | 64,743,309 | 61,857,432 | 2,885,877 | — | — | — | — | 2,885,877 |
| | <u>\$ 1,904,155,900</u> | <u>1,203,165,123</u> | <u>689,039,337</u> | <u>9,253,546</u> | <u>993,353</u> | <u>2,427,790</u> | <u>276,751</u> | <u>689,309,441</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, 2017

| | <u>Original issue</u> | <u>Balance outstanding June 30, 2017</u> | <u>Interest rate</u> | <u>Maturity date</u> |
|---|---------------------------|--|--------------------------|--------------------------|
| Alcorn State University: | | | | |
| Bonds: | | | | |
| 2009 Series A Student Housing Project | \$ 47,000,000 | 2,450,000 | 5.13%–5.25% | 09/2039 |
| 2016 Series Facilities Refinancing Project | 43,630,000 | 47,562,164 | 2.00%–5.00% | 09/2039 |
| | <u>90,630,000</u> | <u>50,012,164</u> | | |
| Delta State University: | | | | |
| Bonds: | | | | |
| Student Housing, 2003 | 2,475,000 | — | 3.00%–4.25% | 12/2023 |
| Student Housing, 2009 | 3,135,000 | 845,000 | 2.50%–3.75% | 12/2018 |
| Foundation Hall, 2016 | 15,105,000 | 14,460,000 | 2.00% - 5.00% | 12/2038 |
| | <u>20,715,000</u> | <u>15,305,000</u> | | |
| Jackson State University: | | | | |
| Bonds: | | | | |
| Series 1982 – Dormitory | 4,000,000 | 670,000 | 1.00%–3.00% | 12/2020 |
| Series 2010A-1 | 31,325,000 | 25,064,836 | 3.00%–5.00% | 03/2034 |
| Series 2015A | 57,595,000 | 57,909,366 | 2.00%–5.00% | 03/2045 |
| Series 2015B | 13,065,000 | 7,885,000 | 2.60 % | 03/2021 |
| Series 2017 | 6,000,000 | 6,000,000 | 3.38 % | 08/2027 |
| | <u>111,985,000</u> | <u>97,529,202</u> | | |
| Notes: | | | | |
| Housing project | 2,222,000 | 422,007 | 3.00 % | 12/2021 |
| Mississippi State University: | | | | |
| Bonds: | | | | |
| Dormitory bonds | 2,250,000 | 365,000 | 3.00 % | 12/2021 |
| Student apartments | 2,038,000 | 420,000 | 3.00 % | 12/2022 |
| EBC-Revenue | 31,865,000 | 1,630,000 | 3.75%–5.25% | 12/2018 |
| EBC-Revenue | 6,110,000 | 290,000 | 4.13%–5.00% | 08/2028 |
| EBC-Revenue | 29,615,000 | 2,180,000 | 2.50%–5.25% | 08/2039 |
| EBC-Revenue | 17,105,000 | 3,650,000 | 2.75%–5.00% | 08/2024 |
| EBC-Revenue | 54,370,000 | 44,425,000 | 2.00%–5.00% | 12/2042 |
| EBC-Revenue | 60,470,000 | 58,950,000 | 2.00%–5.00% | 08/2043 |
| EBC-Revenue | 89,810,000 | 83,400,000 | 2.00%–5.00% | 08/2043 |
| EBC-Revenue | 23,435,000 | 21,075,000 | 0.29%–4.81% | 08/2043 |
| EBC-Revenue | 56,010,000 | 55,015,000 | 2.00%–5.00% | 08/2045 |
| EBC-Revenue | 63,270,000 | 63,270,000 | 2.00%–5.00% | 08/2045 |
| | <u>436,348,000</u> | <u>334,670,000</u> | | |
| Mississippi Valley State University: | | | | |
| Bonds: | | | | |
| EBC – 2007 | 19,015,000 | 885,000 | 4.00 % | 03/2037 |
| EBC – 2015 | 17,270,000 | 17,270,000 | 2.00 % | 06/2037 |
| | <u>36,285,000</u> | <u>18,155,000</u> | | |

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2017

| | <u>Original issue</u> | <u>Balance outstanding June 30, 2017</u> | <u>Interest rate</u> | <u>Maturity date</u> |
|--|---------------------------|--|--------------------------|--------------------------|
| The University of Mississippi: | | | | |
| Bonds: | | | | |
| EBC – 2006A | 17,985,000 | — | 5.00 % | 08/2025 |
| EBC – 2006B-1 | 17,290,000 | — | 3.63%–5.00% | 10/2026 |
| EBC – 2008A | 29,785,000 | 1,900,000 | 4.00%–4.25% | 10/2033 |
| EBC – 2009A | 19,870,000 | 14,470,000 | 3.25%–4.50% | 10/2029 |
| EBC – 2009B | 24,165,000 | 9,605,000 | 3.62%–5.00% | 10/2020 |
| EBC – 2009C | 14,770,000 | 11,925,000 | 3.00%–4.75% | 11/2034 |
| EBC – 2011 | 27,995,000 | 26,845,070 | 3.00%–4.75% | 10/2031 |
| EBC – Series 2013C | 62,900,000 | 62,900,000 | 3.22 % | 12/2033 |
| EBC – Series 2013D | 12,100,000 | 8,669,465 | 3.10 % | 12/2020 |
| EBC – Series 2015 | 12,600,000 | 11,250,000 | Variable | 12/2025 |
| EBC – 2015A | 15,660,000 | 15,380,000 | 2.00%–4.00% | 11/2040 |
| EBC – 2015B | 10,125,000 | 8,985,000 | 0.90%–3.75% | 11/2030 |
| EBC – 2015C | 31,630,000 | 32,962,588 | 2.00%–5.00% | 09/2046 |
| EBC – 2015D | 17,660,000 | 18,907,586 | 0.69%–4.45% | 09/2036 |
| EBC – 2016A | 33,245,000 | 33,347,901 | 2.00%–5.00% | 10/2034 |
| | <u>347,780,000</u> | <u>257,147,610</u> | | |
| Notes: | | | | |
| Hancock Bank | 9,500,000 | 8,659,809 | 2.59 % | 06/2026 |
| The University of Southern Mississippi: | | | | |
| Bonds: | | | | |
| Athletic improvements | 27,190,000 | — | 4.00%–5.00% | 03/2034 |
| Dormitory construction | 49,900,000 | 1,775,000 | 2.75%–5.38% | 09/2036 |
| SMEBC Series 2013 | 51,875,000 | 55,848,866 | 2.00%–5.00% | 09/2043 |
| SMEBC Series 2015A | 38,600,000 | 37,890,000 | 2.00%–5.00% | 03/2034 |
| SMEBC Series 2015B | 16,690,000 | 14,150,000 | 0.50%–3.25% | 03/2034 |
| SMEBC Series 2016 | 58,870,000 | 69,679,293 | 2.00%–5.00% | 09/2039 |
| | <u>243,125,000</u> | <u>179,343,159</u> | | |
| Notes: | | | | |
| Stadium scoreboard | 3,160,000 | 171,730 | 1.29 % | 09/2017 |
| | <u>3,160,000</u> | <u>171,730</u> | | |
| University Medical Center: | | | | |
| Bonds: | | | | |
| Series 1998B | 41,075,000 | 23,670,000 | 3.88%–5.90% | 12/2023 |
| Series 2009 | 105,605,000 | 74,344,879 | 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 | 1,807,250 | 2.50%–5.00% | 06/2020 |
| Series 2012A | 51,860,000 | 51,638,988 | 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>251,002,988</u> | | |
| Total | <u>\$ 1,603,680,000</u> | <u>1,212,418,669</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, 2017

| Functional classification | Salaries and wages | Fringe benefits | Travel | Contractual services | Utilities | Scholarships and fellowships | Commodities | Depreciation expense | Other | Total |
|---------------------------|--------------------|-----------------|------------|----------------------|------------|------------------------------|-------------|----------------------|------------|---------------|
| Instruction | \$ 456,502,565 | 198,618,999 | 11,896,348 | 46,472,085 | 335,729 | 3,011,295 | 15,470,923 | — | 1,545,327 | 733,853,271 |
| Research | 182,971,481 | 83,395,794 | 9,219,034 | 55,956,193 | 2,943,271 | 1,800,031 | 23,453,184 | — | 1,308,302 | 361,047,290 |
| Public service | 84,177,710 | 38,589,919 | 5,548,229 | 29,989,511 | 816,567 | 449,675 | 9,147,697 | — | 31,485 | 168,750,793 |
| Academic support | 83,055,593 | 34,482,611 | 3,088,101 | 26,817,897 | 523,007 | 139,218 | 14,728,115 | — | 334,337 | 163,168,879 |
| Student services | 47,243,157 | 20,356,288 | 5,125,742 | 10,651,609 | 139,359 | 4,159,021 | 6,753,333 | — | 1,992 | 94,430,501 |
| Institutional support | 133,900,257 | 59,182,704 | 2,187,538 | 98,828,637 | 221,680 | 1,099,620 | 23,388,500 | — | 116,502 | 318,905,438 |
| Operation of plant | 53,564,242 | 26,869,320 | 168,638 | 41,188,528 | 41,658,599 | — | 9,506,418 | — | 1,723,345 | 174,677,090 |
| Student aid | 4,801,500 | 5,275,780 | 78,058 | 142,112 | — | 167,925,388 | 219,401 | — | — | 178,442,239 |
| Auxiliary enterprises | 79,781,082 | 30,250,288 | 16,829,018 | 84,964,003 | 16,992,719 | 25,745,660 | 20,923,156 | 7,491 | 18,425 | 275,511,842 |
| Depreciation | — | — | — | — | — | — | — | 152,560,227 | — | 152,560,227 |
| Hospital | 477,141,799 | 198,295,084 | 1,763,545 | 110,897,746 | 942,458 | — | 238,332,510 | — | — | 1,027,373,142 |
| Loan fund expenses | — | — | — | — | — | — | — | — | 353,940 | 353,940 |
| Interest | — | — | — | — | — | — | — | — | 41,684,335 | 41,684,335 |
| Inter-campus eliminations | — | — | — | (50,301,701) | — | (27,734,386) | — | — | — | (78,036,087) |
| Total operating expenses | \$ 1,603,139,386 | 695,316,787 | 55,904,251 | 455,606,620 | 84,571,389 | 176,595,522 | 361,903,237 | 152,567,718 | 47,117,990 | 3,612,722,900 |

See accompanying independent auditors' report.