



STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Reports Thereon)

(THIS PAGE LEFT BLANK INTENTIONALLY)

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Table of Contents

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements:	
Statements of Net Position – State of Mississippi Institutions of Higher Learning	16
Statements of Financial Position – Discretely Presented Component Unit – Mississippi State University Foundation, Inc.	17
Statements of Financial Position – Discretely Presented Component Unit – The University of Mississippi Foundation	18
Statements of Financial Position – Discretely Presented Component Unit – The University of Southern Mississippi Foundation	19
Statements of Revenues, Expenses and Changes in Net Position – State of Mississippi Institutions of Higher Learning	20
Statements of Activities – Discretely Presented Component Unit – Mississippi State University Foundation, Inc.	21
Statements of Activities – Discretely Presented Component Unit – The University of Mississippi Foundation	23
Statements of Activities – Discretely Presented Component Unit – The University of Southern Mississippi Foundation	25
Statements of Cash Flows – State of Mississippi Institutions of Higher Learning	27
Notes to Financial Statements	29
Combining Supplemental Information:	
Combining Statement of Net Position	131
Combining Statement of Revenues, Expenses and Changes in Net Position	133
Combining Statement of Cash Flows	135
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of Net Pension Liability	138
Schedule of Proportionate Share of Contributions	139

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Table of Contents

	Page
Notes to Required Supplementary Information (Unaudited)	140
Report on Internal Control and Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	141
Component Unit Additional Information for Inclusion in the State of Mississippi Comprehensive Annual Financial Report:	
Component Unit – Combining Schedule of Net Position	143
Component Unit – Combining Schedule of Activities	145
Component Unit – Schedule of Accounts Receivable Disclosure	146
Component Unit – Schedule of Notes and Pledges Receivable Disclosure	147
Component Unit – Schedule of Assets under Capital Lease Disclosure	148
Component Unit – Schedule of Capital Assets Disclosure	149
Component Unit – Schedule of Construction Commitments and Financing Disclosure	150
Component Unit – Schedule of Long-Term Liabilities Disclosure (Rollforward)	151
Component Unit – Schedule of Debt Service Disclosure (IHL System Only by Institution)	152
Component Unit – Schedule of Debt Service Disclosures (Combined)	154
Component Unit – Schedule of Bonds and Notes Payable Disclosure	155
Component Unit – Schedule of Functional Expenses Disclosure	157

FINANCIAL AUDIT REPORT

(THIS PAGE LEFT BLANK INTENTIONALLY)



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the State of Mississippi Institutions of Higher Learning (the IHL System), a component unit of the State of Mississippi, as of and for the 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

(THIS PAGE LEFT BLANK INTENTIONALLY)



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

(THIS PAGE LEFT BLANK INTENTIONALLY)



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

(THIS PAGE LEFT BLANK INTENTIONALLY)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

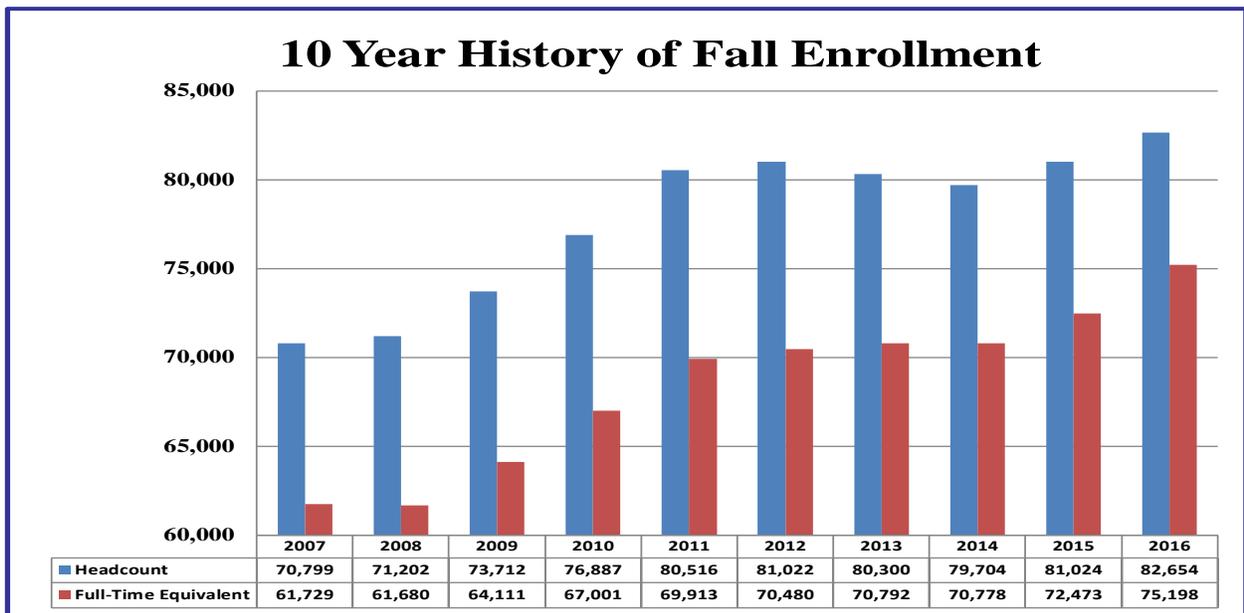
Net Position, and the Statement of Cash Flows; and the Statement of Financial Position and Statement of Activities for the discretely presented component units.

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)					
	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	Changes between years	
				<u>2015 to 2016</u>	<u>2016 to 2017</u>
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	<u>225,965,134</u>	<u>502,780,121</u>	<u>643,940,266</u>	<u>122.5</u>	<u>28.1</u>
Total assets and deferred outflows of resources	<u>\$ 5,893,675,517</u>	<u>6,510,291,407</u>	<u>6,871,719,140</u>	<u>10.5 %</u>	<u>5.6 %</u>
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	<u>268,176,489</u>	<u>67,548,820</u>	<u>9,514,525</u>	<u>(74.8)</u>	<u>(85.9)</u>
Total liabilities and deferred inflows of resources	<u>\$ 3,893,820,042</u>	<u>4,337,417,906</u>	<u>4,670,073,621</u>	<u>11.4 %</u>	<u>7.7 %</u>
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	<u>(964,796,055)</u>	<u>(922,024,948)</u>	<u>(1,149,761,910)</u>	<u>4.4</u>	<u>(24.7)</u>
Total net position	<u>\$ 1,999,855,475</u>	<u>2,172,873,501</u>	<u>2,201,645,519</u>	<u>8.7 %</u>	<u>1.3 %</u>

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	
	2015	2016	2017	2015 to 2016	2016 to 2017
	Operating revenues	\$ 2,383,402,942	2,539,686,979	2,525,496,552	6.6 %
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	
	Years ended June 30			2015 to 2016	2016 to 2017
	2015	2016	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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

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					
	Years ended June 30			Changes between years		
	2015	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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

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 to 2016	2016 to 2017
	2015	2016	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	\$ <u>3,170,312,715</u>	<u>3,411,932,544</u>	<u>3,556,425,430</u>	<u>7.6 %</u>	<u>4.2 %</u>

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

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	<u>4,820,364,006</u>	<u>5,107,789,054</u>	<u>5,343,700,289</u>	<u>6.0</u>	<u>4.6</u>
Total cost of capital assets	5,455,780,447	5,865,644,721	6,192,937,741	7.5	5.6
Less accumulated depreciation	<u>(1,870,606,688)</u>	<u>(1,991,398,267)</u>	<u>(2,117,518,028)</u>	<u>6.5</u>	<u>6.3</u>
Capital assets, net	<u>\$ 3,585,173,759</u>	<u>3,874,246,454</u>	<u>4,075,419,713</u>	<u>8.1 %</u>	<u>5.2 %</u>

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	<u>71,692,377</u>	<u>104,770,423</u>	<u>2,712,097</u>	<u>46.1</u>	<u>(97.4)</u>
Total long-term debt	<u>\$ 1,159,918,513</u>	<u>1,237,076,600</u>	<u>1,215,130,766</u>	<u>6.7 %</u>	<u>(1.8)%</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

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 Revenues¹ 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	\$ <u>1,713,907,881</u>	<u>1,831,868,211</u>	<u>1,382,050,020</u>	<u>1,468,339,156</u>	<u>1,482,169,628</u>

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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	1,046,579	9,031,684
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	4,233,001	4,690,987
Total noncurrent assets	<u>5,086,589,924</u>	<u>4,861,154,628</u>
Total assets	<u>6,227,778,874</u>	<u>6,007,511,286</u>
Deferred outflows of resources:		
Deferred loss on refunding of debt	27,502,308	25,673,108
Pension-related deferred outflows	616,437,958	477,107,013
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	31,999,461	26,795,839
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	88,868,018	87,221,272
Total noncurrent liabilities	<u>4,229,368,829</u>	<u>3,831,860,414</u>
Total liabilities	<u>4,660,559,096</u>	<u>4,269,869,086</u>
Deferred inflows of resources:		
Deferred amount of refundings	2,010,151	2,129,565
Pension-related deferred inflows	7,504,374	65,419,255
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	(1,149,761,910)	(922,024,948)
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	<u>8,533,398</u>	<u>8,968,555</u>
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	<u>595,766</u>	<u>31,716</u>
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	<u>44,286,842</u>	<u>42,419,717</u>
Total unrestricted net assets	85,952,349	79,940,487
Temporarily restricted	103,032,871	81,381,257
Permanently restricted	<u>354,035,381</u>	<u>340,116,528</u>
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	\$ 121,144,945	112,511,490
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	736,182	658,173
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	120,408,763	111,853,317
Total liabilities and net assets	\$ 121,144,945	112,511,490

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	<u>(9,203,957)</u>	<u>(3,748,359)</u>
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	<u>(32,485,106)</u>	<u>(31,328,422)</u>
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	<u>69,886,166</u>	<u>103,801,727</u>
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	<u>5,433,655</u>	<u>9,906,457</u>
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	<u>(2,059,979)</u>	<u>(11,416,532)</u>
Total nonoperating revenues, net	<u>900,121,765</u>	<u>917,290,331</u>
Income before other revenues, expenses, gains and losses	<u>(130,807,113)</u>	<u>45,044,766</u>
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	<u>(4,965,451)</u>	<u>(6,045,051)</u>
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	<u>21,670,106</u>	<u>(21,670,106)</u>	<u>—</u>	<u>—</u>
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	<u>596,002</u>	<u>—</u>	<u>—</u>	<u>596,002</u>
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	<u>4,031,605</u>	<u>—</u>	<u>—</u>	<u>4,031,605</u>
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	<u>(1,705,860)</u>	<u>—</u>	<u>—</u>	<u>(1,705,860)</u>
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	<u>31,761,371</u>	<u>(34,498,632)</u>	<u>2,737,261</u>	<u>—</u>
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	<u>1,431,811</u>	<u>—</u>	<u>—</u>	<u>1,431,811</u>
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	8,386,447	(8,386,447)	—	—
	<u>11,988,266</u>	<u>3,492,083</u>	<u>4,738,821</u>	<u>20,219,170</u>
Total revenues, gains and other support				
Expenses:				
Program services:				
Contributions and support for The University of Southern Mississippi	8,797,840	—	—	8,797,840
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	1,240,225	—	—	1,240,225
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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
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	<u>12,657,803</u>	<u>(9,032,520)</u>	<u>8,544,972</u>	<u>12,170,255</u>
Expenses:				
Program services:				
Contributions and support for The University of Southern Mississippi	9,605,938	—	—	9,605,938
Total program services	<u>9,605,938</u>	<u>—</u>	<u>—</u>	<u>9,605,938</u>
Supporting services:				
General and administrative	1,557,489	—	—	1,557,489
Fund raising	863,209	—	—	863,209
Total supporting services	<u>2,420,698</u>	<u>—</u>	<u>—</u>	<u>2,420,698</u>
Total expenses	<u>12,026,636</u>	<u>—</u>	<u>—</u>	<u>12,026,636</u>
Change in net assets	631,167	(9,032,520)	8,544,972	143,619
Net assets, beginning of year	<u>5,392,868</u>	<u>42,722,252</u>	<u>63,594,578</u>	<u>111,709,698</u>
Net assets, end of year	<u>\$ 6,024,035</u>	<u>33,689,732</u>	<u>72,139,550</u>	<u>111,853,317</u>

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statements of Cash Flows

Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
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	<u>(12,746,831)</u>	<u>(9,366,058)</u>
Net cash used in operating activities	<u>(666,157,549)</u>	<u>(668,636,965)</u>
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	<u>(2,202,506)</u>	<u>(32,641,048)</u>
Net cash provided by noncapital financing activities	<u>907,943,715</u>	<u>930,871,781</u>
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	<u>(3,168,115)</u>	<u>(19,862,003)</u>
Net cash used in capital and related financing activities	<u>(225,239,365)</u>	<u>(279,545,619)</u>
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	<u>(442,301,414)</u>	<u>(614,429,071)</u>
Net cash provided by (used in) investing activities	<u>13,282,540</u>	<u>(37,807,685)</u>
Net change in cash and cash equivalents	29,829,341	(55,118,488)
Cash and cash equivalents, beginning of year	<u>646,511,969</u>	<u>701,630,457</u>
Cash and cash equivalents, end of the year	<u>\$ 676,341,310</u>	<u>646,511,969</u>

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	211,957,675	185,490,081
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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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:

	2017	2016
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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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).

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income investments:				
U.S. Treasury securities	\$ 219,794,697	—	—	219,794,697
Fixed income mutual funds	21,102,957	—	—	21,102,957
U.S. government securities	—	308,298,543	—	308,298,543
Mortgage obligations and asset backed securities	—	40,830,355	—	40,830,355
Corporate bonds and notes	—	8,358,870	—	8,358,870
Certificates of deposit	—	49,411,539	—	49,411,539
Municipal bonds	—	39,444,537	—	39,444,537
Money market funds	—	13,095,205	—	13,095,205
Total fixed income investments	<u>\$ 240,897,654</u>	<u>459,439,049</u>	<u>—</u>	<u>700,336,703</u>
Equity securities:				
Domestic equity securities	15,225,930	—	—	15,225,930
Equity mutual funds	52,960,637	—	—	52,960,637
Total equity securities	<u>\$ 68,186,567</u>	<u>—</u>	<u>—</u>	<u>68,186,567</u>
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				<u>172,145,184</u>
Total investments measured at fair value			<u>\$ 940,668,454</u>	

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>\$ 280,356,724</u>	<u>439,397,874</u>	<u>—</u>	<u>719,754,598</u>
Equity securities:				
Domestic equity securities	9,046,754	—	—	9,046,754
Mutual funds (international, domestic)	39,231,517	—	—	39,231,517
Total equity securities	<u>\$ 48,278,271</u>	<u>—</u>	<u>—</u>	<u>48,278,271</u>
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				<u>20,377,455</u>
Total investments measured at NAV				<u>149,207,397</u>
Total investments measured at fair value			\$	<u>917,240,266</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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.

		<u>2017</u>			
		<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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

		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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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:

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

<u>Issuer</u>	<u>2016</u>	
	<u>Fair value</u>	<u>Percentage</u>
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:

<u>Type of receivable</u>	<u>2017</u>	<u>2016</u>
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	<u>(2,531,812,566)</u>	<u>(2,594,076,336)</u>
Net accounts receivable	\$ <u>356,604,945</u>	<u>374,690,496</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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%	<u>3,962,686</u>	<u>2,115,099</u>	<u>1,847,587</u>
Total notes receivable		136,555,984	19,628,289	116,927,695
Less allowance for doubtful accounts		<u>(19,849,141)</u>	<u>(2,539,370)</u>	<u>(17,309,771)</u>
Net notes receivable		\$ <u><u>116,706,843</u></u>	<u><u>17,088,919</u></u>	<u><u>99,617,924</u></u>
	<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%	<u>3,987,580</u>	<u>2,158,859</u>	<u>1,828,721</u>
Total notes receivable		135,010,698	18,276,867	116,733,831
Less allowance for doubtful accounts		<u>(19,197,810)</u>	<u>(2,510,659)</u>	<u>(16,687,151)</u>
Net notes receivable		\$ <u><u>115,812,888</u></u>	<u><u>15,766,208</u></u>	<u><u>100,046,680</u></u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(5) Capital Assets

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

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Balance June 30, 2017</u>
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	<u>1,890,354</u>	<u>75,061</u>	<u>(253,752)</u>	<u>1,711,663</u>
Total nondepreciable capital assets	<u>757,855,667</u>	<u>300,660,997</u>	<u>(209,279,212)</u>	<u>849,237,452</u>
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	<u>402,635,256</u>	<u>15,338,289</u>	<u>(445,456)</u>	<u>417,528,089</u>
Total depreciable assets	<u>5,107,789,054</u>	<u>266,275,711</u>	<u>(30,364,476)</u>	<u>5,343,700,289</u>
Total capital assets	<u>5,865,644,721</u>	<u>566,936,708</u>	<u>(239,643,688)</u>	<u>6,192,937,741</u>
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	<u>342,415,015</u>	<u>14,053,277</u>	<u>(419,556)</u>	<u>356,048,736</u>
Total accumulated depreciation	<u>1,991,398,267</u>	<u>152,073,862</u>	<u>(25,954,101)</u>	<u>2,117,518,028</u>
Net capital assets	\$ <u><u>3,874,246,454</u></u>	<u><u>414,862,846</u></u>	<u><u>(213,689,587)</u></u>	<u><u>4,075,419,713</u></u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	Balance June 30, 2015	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	<u>1,841,819</u>	<u>277,666</u>	<u>(229,131)</u>	<u>1,890,354</u>
Total nondepreciable capital assets	<u>635,416,441</u>	<u>369,204,891</u>	<u>(246,765,665)</u>	<u>757,855,667</u>
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	<u>390,159,181</u>	<u>13,451,971</u>	<u>(975,896)</u>	<u>402,635,256</u>
Total depreciable assets	<u>4,820,364,006</u>	<u>319,216,454</u>	<u>(31,791,406)</u>	<u>5,107,789,054</u>
Total capital assets	<u>5,455,780,447</u>	<u>688,421,345</u>	<u>(278,557,071)</u>	<u>5,865,644,721</u>
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	<u>329,268,006</u>	<u>14,098,928</u>	<u>(951,919)</u>	<u>342,415,015</u>
Total accumulated depreciation	<u>1,870,606,688</u>	<u>147,049,697</u>	<u>(26,258,118)</u>	<u>1,991,398,267</u>
Net capital assets	\$ <u>3,585,173,759</u>	<u>541,371,648</u>	<u>(252,298,953)</u>	<u>3,874,246,454</u>

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	—	—

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(6) Accounts Payable and Accrued Liabilities

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

	<u>2017</u>	<u>2016</u>
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	<u>6,250,735</u>	<u>6,717,078</u>
Total	\$ <u>201,746,438</u>	<u>214,690,067</u>

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:

	<u>2017</u>	<u>2016</u>
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	<u>57,487,178</u>	<u>51,969,942</u>
Total	\$ <u>128,992,187</u>	<u>125,018,901</u>

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								
	<u>ASU</u>	<u>DSU</u>	<u>JSU</u>	<u>MSU</u>	<u>MVSU</u>	<u>UM</u>	<u>USM</u>	<u>UMMC</u>
Current assets	\$ 3,816	—	—	—	—	15,952,250	6,525,066	6,923,119
Noncurrent assets	<u>43,140,708</u>	<u>15,305,000</u>	<u>99,145,670</u>	<u>333,885,000</u>	<u>18,155,000</u>	<u>253,378,897</u>	<u>173,595,042</u>	<u>241,617,657</u>
Total assets	<u>43,144,524</u>	<u>15,305,000</u>	<u>99,145,670</u>	<u>333,885,000</u>	<u>18,155,000</u>	<u>269,331,147</u>	<u>180,120,108</u>	<u>248,540,776</u>
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	<u>49,292,164</u>	<u>14,330,000</u>	<u>95,440,535</u>	<u>323,945,000</u>	<u>17,900,000</u>	<u>251,939,882</u>	<u>173,595,042</u>	<u>245,137,989</u>
Total liabilities	<u>51,229,775</u>	<u>15,305,000</u>	<u>99,145,670</u>	<u>333,885,000</u>	<u>18,155,000</u>	<u>267,320,996</u>	<u>180,120,108</u>	<u>252,060,581</u>
Deferred inflows of resources	—	—	—	—	—	2,010,151	—	—
Total net position	\$ <u>(8,085,251)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>527,475</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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 outflows 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 inflows 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).

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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				<u>2,515,000</u>	<u>15,105,000</u>	<u>2,315,000</u>	<u>15,305,000</u>	<u>975,000</u>
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				<u>16,065,808</u>	<u>—</u>	<u>15,710,231</u>	<u>355,577</u>	<u>324,035</u>
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				<u>45,721,405</u>	<u>10,504,540</u>	<u>5,367,840</u>	<u>50,858,105</u>	<u>247,125</u>
Total				<u>\$ 64,302,213</u>	<u>25,609,540</u>	<u>23,393,071</u>	<u>66,518,682</u>	<u>1,546,160</u>
Due within one year							(1,546,160)	
Total long-term liabilities							<u>\$ 64,972,522</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, 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	57,595,000	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				<u>94,813,117</u>	<u>6,000,000</u>	<u>3,283,915</u>	<u>97,529,202</u>	<u>3,348,915</u>
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				<u>140,151,358</u>	<u>24,988,291</u>	<u>1,145,751</u>	<u>163,993,898</u>	<u>724,796</u>
Total				<u>\$ 234,964,475</u>	<u>30,988,291</u>	<u>4,429,666</u>	<u>261,523,100</u>	<u>4,073,711</u>
Due within one year							<u>(4,073,711)</u>	
Total long-term liabilities							<u>\$ 257,449,389</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, 2017				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
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	46,545,000	—	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	0.29%–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				<u>318,465,000</u>	<u>63,270,000</u>	<u>47,065,000</u>	<u>334,670,000</u>	<u>10,105,000</u>
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				<u>528,059,974</u>	<u>88,150,388</u>	<u>1,315,509</u>	<u>614,894,853</u>	<u>2,416,263</u>
Total				<u>\$ 846,524,974</u>	<u>151,420,388</u>	<u>48,380,509</u>	<u>949,564,853</u>	<u>12,521,263</u>
Due within one year							(12,521,263)	
Total long-term liabilities							<u>\$ 937,043,590</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, 2017				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi University for Women:								
Capital leases:								
Various equipment				\$ 374,916	—	146,890	228,026	150,973
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	55,018
Refundable government advances and other				1,006,946	—	123,454	883,492	—
Total other long-term liabilities				<u>37,765,710</u>	<u>10,751,716</u>	<u>4,673,708</u>	<u>43,843,718</u>	<u>55,018</u>
Total				<u>\$ 38,140,626</u>	<u>10,751,716</u>	<u>4,820,598</u>	44,071,744	<u>205,991</u>
Due within one year							<u>(205,991)</u>	
Total long-term liabilities							<u>\$ 43,865,753</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, 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				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
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				<u>193,279,469</u>	<u>85,752,228</u>	<u>21,884,087</u>	<u>257,147,610</u>	<u>13,001,866</u>
Capital leases:								
Buildings				47,580,382	—	47,580,382	—	—
Assets under construction				38,246,846	—	38,246,846	—	—
Total capital leases				<u>85,827,228</u>	<u>—</u>	<u>85,827,228</u>	<u>—</u>	<u>—</u>
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				<u>323,706,742</u>	<u>45,815,852</u>	<u>998,802</u>	<u>368,523,792</u>	<u>2,427,671</u>
Total				<u>\$ 602,813,439</u>	<u>131,568,080</u>	<u>108,710,117</u>	<u>625,671,402</u>	<u>15,429,537</u>
Due within one year							(15,429,537)	
Total long-term liabilities							<u>\$ 610,241,865</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, 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
SMEBC Series 2015A	38,600,000	2.00%–5.00%	2034	38,345,000	—	455,000	37,890,000	1,210,000
SMEBC Series 2015B	16,690,000	0.50%–3.25%	2034	16,315,000	—	2,165,000	14,150,000	2,190,000
SMEBC 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				<u>185,568,069</u>	<u>—</u>	<u>6,224,910</u>	<u>179,343,159</u>	<u>5,840,584</u>
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				<u>242,179,250</u>	<u>29,295,525</u>	<u>945,856</u>	<u>270,528,919</u>	<u>1,433,730</u>
Total				<u>\$ 428,862,645</u>	<u>29,295,525</u>	<u>7,680,873</u>	<u>450,477,297</u>	<u>7,787,066</u>
Due within one year							<u>(7,787,066)</u>	
Total long-term liabilities							<u>\$ 442,690,231</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, 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%–6.69%	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	2,371,333	—	564,083	1,807,250	579,083
Series 2012A	51,860,000	4.00%–5.00%	2041	51,683,190	—	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				<u>256,810,678</u>	<u>—</u>	<u>5,807,690</u>	<u>251,002,988</u>	<u>6,092,690</u>
Other long-term liabilities:								
Pension liability				1,087,561,173	273,088,660	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				<u>1,184,098,538</u>	<u>281,570,660</u>	<u>77,903,594</u>	<u>1,387,765,604</u>	<u>9,818,170</u>
Total				<u>\$ 1,440,909,216</u>	<u>281,570,660</u>	<u>83,711,284</u>	<u>1,638,768,592</u>	<u>15,910,860</u>
Due within one year							(15,910,860)	
Total long-term liabilities							<u>\$ 1,622,857,732</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, 2017				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
IHL 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				<u>\$ 59,226,156</u>	<u>4,904,628</u>	<u>7,037,493</u>	57,093,291	<u>8,785,190</u>
Due within one year							(8,785,190)	
Total long-term liabilities							<u>\$ 48,308,101</u>	
M CVS:								
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				<u>\$ 1,297,205</u>	<u>364,182</u>	<u>—</u>	1,661,387	<u>4,792</u>
Due within one year							(4,792)	
Total long-term liabilities							<u>\$ 1,656,595</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, 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	660,860
Total bonded debt				<u>45,535,460</u>	<u>48,463,665</u>	<u>42,493,588</u>	<u>51,505,537</u>	<u>1,300,860</u>
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				<u>61,940,575</u>	<u>15,885,280</u>	<u>1,643,501</u>	<u>76,182,354</u>	<u>867,445</u>
Total				<u>\$ 107,476,035</u>	<u>64,348,945</u>	<u>44,137,089</u>	127,687,891	<u>2,168,305</u>
Due within one year							(2,168,305)	
Total long-term liabilities							\$ <u>125,519,586</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
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				\$ 56,818,333	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				<u>98,017,032</u>	<u>—</u>	<u>3,203,915</u>	<u>94,813,117</u>	<u>2,929,367</u>
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				<u>108,144,386</u>	<u>31,122,338</u>	<u>95,007</u>	<u>139,171,717</u>	<u>523,987</u>
Total				<u>\$ 207,233,051</u>	<u>31,122,338</u>	<u>3,390,914</u>	<u>234,964,475</u>	<u>3,550,093</u>
Due within one year							(3,550,093)	
Total long-term liabilities							<u>\$ 231,414,382</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 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				<u>328,190,000</u>	<u>—</u>	<u>9,725,000</u>	<u>318,465,000</u>	<u>11,385,000</u>
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				<u>416,838,945</u>	<u>111,419,476</u>	<u>198,447</u>	<u>528,059,974</u>	<u>2,081,145</u>
Total				<u>\$ 745,028,945</u>	<u>111,419,476</u>	<u>9,923,447</u>	<u>846,524,974</u>	<u>13,466,145</u>
Due within one year							(13,466,145)	
Total long-term liabilities							<u>\$ 833,058,829</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 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							<u>(197,265)</u>	
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				<u>149,674,289</u>	<u>87,416,146</u>	<u>43,810,966</u>	<u>193,279,469</u>	<u>10,546,322</u>
Capital leases:								
Buildings				14,550,606	36,753,154	3,723,378	47,580,382	3,207,972
Assets under construction				<u>38,246,846</u>	<u>—</u>	<u>—</u>	<u>38,246,846</u>	<u>—</u>
Total capital leases				<u>52,797,452</u>	<u>36,753,154</u>	<u>3,723,378</u>	<u>85,827,228</u>	<u>3,207,972</u>
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				<u>9,405,200</u>	<u>—</u>	<u>78,500</u>	<u>9,326,700</u>	<u>—</u>
Total other long-term liabilities and notes payable				<u>249,846,090</u>	<u>73,951,302</u>	<u>90,650</u>	<u>323,706,742</u>	<u>2,278,191</u>
Total				<u>\$ 452,317,831</u>	<u>198,120,602</u>	<u>47,624,994</u>	<u>602,813,439</u>	<u>16,032,485</u>
Due within one year							<u>(16,032,485)</u>	
Total long-term liabilities							<u>\$ 586,780,954</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
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	—	47,675,000	2,110,000	335,000
SMEBC Series 2013	51,875,000	2.75%–5.38%	2044	59,307,664	—	1,883,029	57,424,635	985,000
SMEBC Series 2015A	38,600,000	2.00%–5.00%	2034	38,600,000	—	255,000	38,345,000	455,000
SMEBC Series 2015B	16,690,000	0.50%–3.25%	2034	16,690,000	—	375,000	16,315,000	2,165,000
SMEBC Series 2016	58,870,000	2.00%–5.00%	2040	—	70,793,434	—	70,793,434	1,704,911
Total bonded debt				<u>167,657,664</u>	<u>70,793,434</u>	<u>52,883,029</u>	<u>185,568,069</u>	<u>6,224,911</u>
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				<u>201,561,269</u>	<u>41,307,930</u>	<u>689,949</u>	<u>242,179,250</u>	<u>1,857,981</u>
Total				<u>\$ 385,096,738</u>	<u>112,101,364</u>	<u>68,335,457</u>	<u>428,862,645</u>	<u>8,592,999</u>
Due within one year							(8,592,999)	
Total long-term liabilities							<u>\$ 420,269,646</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
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				<u>262,393,369</u>	<u>—</u>	<u>5,582,691</u>	<u>256,810,678</u>	<u>5,807,690</u>
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				<u>914,527,121</u>	<u>347,562,365</u>	<u>77,990,948</u>	<u>1,184,098,538</u>	<u>9,378,887</u>
Total				<u>\$ 1,176,920,490</u>	<u>347,562,365</u>	<u>83,573,639</u>	<u>1,440,909,216</u>	<u>15,186,577</u>
Due within one year							<u>(15,186,577)</u>	
Total long-term liabilities							<u>\$ 1,425,722,639</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
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	
M CVS:								
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				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
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				<u>2,082,445,259</u>	<u>649,521,600</u>	<u>96,669,695</u>	<u>2,635,297,164</u>	<u>17,564,470</u>
Total				<u>\$ 3,266,808,823</u>	<u>914,539,958</u>	<u>277,984,502</u>	<u>3,903,364,279</u>	<u>71,503,865</u>
Due within one year							(71,503,865)	
Total noncurrent liabilities							<u>\$ 3,831,860,414</u>	

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:

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>50,012,164</u>	<u>—</u>	<u>—</u>	<u>25,174,125</u>	<u>75,186,289</u>

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>15,305,000</u>	<u>355,577</u>	<u>—</u>	<u>6,778,837</u>	<u>22,439,414</u>

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>97,529,202</u>	<u>1,194,461</u>	<u>422,007</u>	<u>50,302,915</u>	<u>149,448,585</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>334,670,000</u>	<u>—</u>	<u>—</u>	<u>221,469,314</u>	<u>556,139,314</u>

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

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>18,155,000</u>	<u>328,814</u>	<u>—</u>	<u>7,871,251</u>	<u>26,355,065</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>257,147,610</u>	<u>—</u>	<u>8,659,809</u>	<u>99,000,726</u>	<u>364,808,145</u>

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>179,343,159</u>	<u>605,219</u>	<u>171,730</u>	<u>99,927,178</u>	<u>280,047,286</u>

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
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	\$ <u>251,002,988</u>	<u>—</u>	<u>—</u>	<u>178,778,773</u>	<u>429,781,761</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

<u>University – fiscal year(s)</u>	<u>Bonded debt</u>	<u>Capital leases</u>	<u>Notes payable</u>	<u>Interest</u>	<u>Total</u>
State of Mississippi – Institutions of Higher Learning (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	<u>\$ 1,203,165,123</u>	<u>2,712,097</u>	<u>9,253,546</u>	<u>689,309,441</u>	<u>1,904,440,207</u>

(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

Notes to Financial Statements

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									
	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	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	—	—	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	—	—	—	—	—	—	—	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
	<u>1,603,139,386</u>	<u>695,316,787</u>	<u>55,904,251</u>	<u>491,907,612</u>	<u>64,571,389</u>	<u>204,329,908</u>	<u>361,903,237</u>	<u>151,955,292</u>	<u>5,433,655</u>	<u>3,634,461,517</u>
Elimination entities	—	—	—	(50,301,701)	—	(27,734,386)	—	—	—	(78,036,087)
Total operating expenses	<u>\$ 1,603,139,386</u>	<u>695,316,787</u>	<u>55,904,251</u>	<u>441,605,911</u>	<u>64,571,389</u>	<u>176,595,522</u>	<u>361,903,237</u>	<u>151,955,292</u>	<u>5,433,655</u>	<u>3,556,425,430</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

Functional classification	2016									
	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships and fellowships	Commodities	Depreciation expense	Other	Total
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	13,933,283	—	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	—	3,659,449	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	547,646	—	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	20,708,055	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	—	259,046,269	—	—	981,069,973
Loan fund expense	—	—	—	—	—	—	—	—	512,543	512,543
	<u>1,579,864,383</u>	<u>554,689,495</u>	<u>57,412,800</u>	<u>498,604,596</u>	<u>64,855,950</u>	<u>202,545,582</u>	<u>377,571,345</u>	<u>147,049,697</u>	<u>9,906,457</u>	<u>3,492,500,305</u>
Elimination entities	—	—	—	(52,699,905)	—	(27,867,856)	—	—	—	(80,567,761)
Total operating expenses	<u>\$ 1,579,864,383</u>	<u>554,689,495</u>	<u>57,412,800</u>	<u>445,904,691</u>	<u>64,855,950</u>	<u>174,677,726</u>	<u>377,571,345</u>	<u>147,049,697</u>	<u>9,906,457</u>	<u>3,411,932,544</u>

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><u>193,006,891</u></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:

	Remaining estimated cost to complete	Funded by			
		Federal sources	State sources	Institutional sources	Other
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><u>487,957,259</u></u>	<u><u>1,310,059</u></u>	<u><u>187,551,390</u></u>	<u><u>216,924,129</u></u>	<u><u>82,171,681</u></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:

<u>Plan type</u>	<u>Plan name</u>
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

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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)
	100.00 %	

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
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:

	<u>2017</u>	<u>2016</u>
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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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	\$ 17,106,742	(5,696,261)	11,410,481
Delta State University	11,098,459	(2,624,960)	8,473,499
Jackson State University	34,973,938	(10,866,478)	24,107,460
Mississippi State University	155,380,264	(44,050,717)	111,329,547
Mississippi University for Women	9,847,194	(3,370,396)	6,476,798
Mississippi Valley State University	10,396,810	(2,632,916)	7,763,894
University of Mississippi	85,070,095	(24,493,965)	60,576,130
University of Southern Mississippi	66,120,058	(14,134,589)	51,985,469
University Medical Center	299,776,805	(113,639,454)	186,137,351
Executive Office	5,367,713	(2,972,147)	2,395,566
MS Commission for Volunteer Service	178,709	(4,579)	174,130
	<u>\$ 695,316,787</u>	<u>(224,486,462)</u>	<u>470,830,325</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	<u>Year ended June 30, 2016</u>		
	<u>Total fringe benefits expense</u>	<u>Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68</u>	<u>Fringe benefits expense excluding non-cash impact of GASB 68</u>
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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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

	2017								
	Deferred outflows				Deferred inflows				
	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 investment	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 outflows				Deferred inflows				
	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	157,218,362	—	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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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					Total
	2018	2019	2020	2021	2022	
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
M CVS	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					Total
	2018	2019	2020	2021	2022	
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
M CVS	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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	<u>2015</u>
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	<u>3,974</u>	<u>4,606</u>	<u>4,336</u>
Total payments	<u>5,661</u>	<u>6,482</u>	<u>6,201</u>
Total accrued claims at end of year	\$ <u>21,419</u>	<u>21,467</u>	<u>22,600</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 \$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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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
Incurred 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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):

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

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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

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

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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			Total	Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3			
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	<u>93,412,038</u>	<u>11,370,563</u>	<u>—</u>	<u>104,782,601</u>		
Global equities:						
Domestic	81,576,176	9,402,279	—	90,978,455	Daily	1-3
Non-U.S.	<u>51,824,438</u>	<u>—</u>	<u>—</u>	<u>51,824,438</u>	Daily	1
Total equities	<u>133,400,614</u>	<u>9,402,279</u>	<u>—</u>	<u>142,802,893</u>		
Contributed properties held for investment	—	—	27,098,091	27,098,091	(1)	(1)
Cash-surrender value of life insurance	—	<u>1,925,702</u>	—	<u>1,925,702</u>	(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				<u>166,366,328</u>		
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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	June 30, 2016			Total	Redemption or liquidation	Days' notice
	Level 1	Level 2	Level 3			
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>	267,964,296		
Investments at net asset value				142,608,980		
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>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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:

		<u>2017</u>	<u>2016</u>
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		<u>2,402,335</u>	<u>(1,123,233)</u>
Fair value at June 30	\$	<u><u>50,228,587</u></u>	<u><u>46,924,276</u></u>

(e) Net Assets

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

		<u>2017</u>		<u>2016</u>		
		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		<u>6,607,142</u>	<u>9,019,359</u>		<u>5,786,621</u>	<u>8,755,559</u>
	\$	<u><u>103,032,871</u></u>	<u><u>354,035,381</u></u>		<u><u>81,381,257</u></u>	<u><u>340,116,528</u></u>

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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	<u>19,382,126</u>	<u>—</u>	<u>—</u>	<u>19,382,126</u>
	<u>\$ 18,553,312</u>	<u>42,860,804</u>	<u>292,785,696</u>	<u>354,199,812</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, 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

Notes to Financial Statements

June 30, 2017 and 2016

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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:

	2017	2016
Temporarily restricted	\$ 75,044,354	57,215,469
Permanently restricted	9,251,535	10,661,872
	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%)	(11,731,019)	(11,086,981)
	\$ 68,728,048	51,542,933

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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			Total
	Level 1	Level 2	Level 3	
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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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:

	<u>Real estate</u>	<u>Venture capital and private equity</u>	<u>Hedge funds</u>	<u>Total</u>
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)	<u>(189,455)</u>	<u>15,524,000</u>	<u>26,603,312</u>	<u>41,937,857</u>
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)	<u>(1,330,628)</u>	<u>19,878,322</u>	<u>(24,024,684)</u>	<u>(5,476,990)</u>
Balance as of June 30, 2017	\$ <u>16,194,125</u>	<u>111,120,721</u>	<u>41,047,385</u>	<u>168,362,231</u>

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:

	<u>2017</u>	<u>2016</u>
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	<u>13,888,379</u>	<u>13,854,301</u>
Total	\$ <u>237,329,255</u>	<u>223,219,104</u>

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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. USMF 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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

(b) Pledges Receivable, Net

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

	2017	2016
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	11,629	76,361
	5,357,645	8,797,988
Less unamortized discounts ranging from 0.72% to 5.15%	(111,031)	(206,472)
	5,246,614	8,591,516
Less allowance for uncollectible pledges	(296,000)	(367,000)
	\$ 4,950,614	8,224,516

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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><u>107,101,292</u></u>	\$ <u><u>96,668,501</u></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><u>1,611,191</u></u>	\$ <u><u>8,874,527</u></u>	\$ <u><u>111,610</u></u>	\$ <u><u>10,597,328</u></u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

	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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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	<u>30,848,800</u>	<u>8,709,568</u>	<u>—</u>	<u>—</u>	<u>39,558,368</u>
Equities:					
Mutual and common stock funds	55,622,272	—	—	—	55,622,272
Total equities	<u>55,622,272</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>55,622,272</u>
Alternative investments:					
Hedge funds	—	—	—	6,365,885	6,365,885
Real estate investment funds	—	—	—	2,937,743	2,937,743
Total alternative investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,303,628</u>	<u>9,303,628</u>
Cash surrender value of insurance policies	—	—	2,529,687	—	2,529,687
Other	—	—	87,337	—	87,337
Total investments	<u>\$ 86,471,072</u>	<u>8,709,568</u>	<u>2,617,024</u>	<u>9,303,628</u>	<u>107,101,292</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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	<u>30,503,982</u>	<u>8,564,567</u>	<u>—</u>	<u>—</u>	<u>39,068,549</u>
Equities:					
Mutual and common stock funds	47,396,182	—	—	—	47,396,182
Total equities	<u>47,396,182</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>47,396,182</u>
Alternative investments:					
Hedge funds	—	—	—	4,984,804	4,984,804
Real estate investment funds	—	—	—	2,700,067	2,700,067
Total alternative investments	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,684,871</u>	<u>7,684,871</u>
Cash surrender value of insurance policies	—	—	2,472,867	—	2,472,867
Other	—	—	46,032	—	46,032
Total investments	\$ <u>77,900,164</u>	<u>8,564,567</u>	<u>2,518,899</u>	<u>7,684,871</u>	<u>96,668,501</u>
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	—	—	—	—	—

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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:

Level 3	2017			
	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

Level 3	2016			
	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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

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:

	<u>2017</u>	<u>2016</u>
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	<u>\$ 263,831</u>	<u>286,181</u>

(iv) Life Estate Payable

	<u>2017</u>	<u>2016</u>
Beginning value as of June 30	\$ —	—
Additions	33,489	—
Change in valuation	—	—
Annuity payments	—	—
Terminations	—	—
Fair value at June 30	<u>\$ 33,489</u>	<u>—</u>

(e) Temporarily Restricted Net Assets

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

	<u>2017</u>	<u>2016</u>
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	<u>\$ 37,181,815</u>	<u>33,689,732</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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:

	<u>2017</u>	<u>2016</u>
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	<u>4,308,686</u>	<u>4,124,317</u>
Total	<u>\$ 76,878,371</u>	<u>72,139,550</u>

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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><u>2,326,743</u></u>	<u><u>23,775,016</u></u>	<u><u>68,649,203</u></u>	<u><u>94,750,962</u></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><u>2,326,743</u></u>	<u><u>23,775,016</u></u>	<u><u>68,649,203</u></u>	<u><u>94,750,962</u></u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2017 and 2016

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>

(THIS PAGE LEFT BLANK INTENTIONALLY)

COMBINING SUPPLEMENTAL INFORMATION

(THIS PAGE LEFT BLANK INTENTIONALLY)

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2017

Assets	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	MCVS	Elimination entries	Total
Current assets:													
Cash and cash equivalents	\$ 32,470,937	2,759,730	9,804,755	113,270,613	5,123,631	13,023,761	80,754,109	23,913,029	173,950,157	8,989,674	323,239	—	464,383,635
Short-term investments	4,885,537	137,461	250,000	10,550,927	—	3,027,082	125,021,331	4,850,278	91,330,747	5,253,480	—	—	245,306,843
Accounts receivable, net	11,125,011	6,221,041	28,652,052	62,029,420	5,484,560	4,321,275	39,167,502	23,451,443	173,606,006	2,063,297	483,338	—	356,604,945
Student notes receivable, net	715,351	333,006	65,636	4,172,288	82,046	—	8,142,325	2,256,682	511,912	809,673	—	—	17,088,919
Inventories	141,526	395,050	684,607	2,374,348	—	550,084	992,521	273,909	26,318,037	606,993	—	—	32,337,075
Prepaid expenses	—	52,525	9,014	10,180,931	96,918	69,201	1,750,426	4,563,392	7,698,547	—	—	—	24,420,954
Other current assets	—	—	—	—	—	—	—	—	1,046,579	—	—	—	1,046,579
Total current assets	49,338,362	9,898,813	39,466,064	202,578,527	10,787,155	20,991,403	255,828,214	59,308,733	474,461,985	17,723,117	806,577	—	1,141,188,950
Noncurrent assets:													
Restricted cash and cash equivalents	3,693,598	914,268	1,720,927	33,299,046	1,159,432	—	20,616,912	1,489	150,552,003	—	—	—	211,957,675
Restricted short-term investments	1,055,340	—	—	—	—	286,492	—	—	901,863	—	—	—	2,243,695
Endowments investments	17,313,676	—	42,613,417	37,122,542	3,981,309	1,922,804	102,635,891	9,365,631	82,827,260	18,109,833	—	—	315,892,363
Other long-term investments	—	4,633,141	—	83,408,839	9,427,800	1,255,336	140,199,682	51,979,911	44,855,916	40,902,962	561,966	—	377,225,553
Student notes receivable, net	—	1,180,658	1,845,746	15,659,295	943,525	—	19,853,594	26,719,655	6,327,364	27,088,087	—	—	99,617,924
Capital assets, net	147,606,407	119,209,374	271,805,237	991,550,517	99,844,513	102,564,975	1,099,018,811	582,696,488	656,759,136	4,343,566	20,689	—	4,075,419,713
Other noncurrent assets	—	—	84,841	—	—	180,696	69,900	—	3,897,564	—	—	—	4,233,001
Total noncurrent assets	169,669,021	125,937,441	318,070,168	1,161,040,239	115,356,579	106,210,303	1,382,394,790	670,763,174	946,121,106	90,444,448	582,655	—	5,086,589,924
Total assets	219,007,383	135,836,254	357,536,232	1,363,618,766	126,143,734	127,201,706	1,638,223,004	730,071,907	1,420,583,091	108,167,565	1,389,232	—	6,227,778,874
Deferred outflows of resources:													
Deferred amount of refundings	5,589,359	—	—	5,442,713	—	—	—	12,422,956	4,047,280	—	—	—	27,502,308
Pension related deferred outflows	16,129,647	8,354,093	33,465,157	125,297,351	9,156,438	8,777,737	69,088,436	43,608,136	299,521,455	2,674,008	365,500	—	616,437,958
Total assets and deferred outflows of resources	\$ 240,726,389	144,190,347	391,001,389	1,494,358,830	135,300,172	135,979,443	1,707,311,440	786,102,999	1,724,151,826	110,841,573	1,754,732	—	6,871,719,140

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2017

Liabilities	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
Current liabilities:													
Accounts payable and accrued liabilities	\$ 3,165,713	2,463,386	16,840,171	23,816,800	2,777,161	1,824,934	28,491,948	18,213,288	101,790,171	2,280,418	82,448	—	201,746,438
Unearned revenues	2,064,226	739,423	3,836,374	36,051,652	1,384,273	706,139	54,037,762	13,579,938	16,592,400	—	—	—	128,992,187
Accrued leave liabilities – current portion	885,841	247,125	368,576	2,416,263	55,018	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	150,973	334,466	13,867,537	6,525,066	10,969,690	8,747,167	—	—	56,424,069
Other current liabilities	—	—	—	61,000	261,000	65,634	3,109,888	28,025	28,473,914	—	—	—	31,999,461
Total current liabilities	6,835,780	4,748,969	24,750,256	72,450,715	4,628,425	3,178,477	101,069,135	39,608,317	162,767,345	11,065,608	87,240	—	431,190,267
Noncurrent liabilities:													
Net pension liability	82,196,659	47,229,075	155,284,587	575,770,041	41,584,769	44,719,677	333,566,560	233,764,776	1,288,831,062	20,018,666	1,586,388	—	2,824,552,260
Deposits refundable	666,192	110,527	96,148	34,195	—	30,587	91,515	9,696	—	—	—	—	1,038,850
Accrued leave liabilities	3,571,949	1,372,829	4,750,535	23,108,227	1,320,439	1,656,475	15,198,808	9,052,876	54,187,057	783,363	70,207	—	115,072,755
Long-term liabilities	49,292,164	14,361,542	95,440,535	324,565,000	77,053	10,149,348	251,939,882	173,595,042	244,910,298	27,506,082	—	—	1,199,836,948
Other long-term liabilities	—	1,898,549	1,877,584	13,566,127	883,492	—	9,445,100	26,267,851	34,929,315	—	—	—	88,868,018
Total noncurrent liabilities	135,726,964	64,972,522	257,449,389	937,043,590	43,865,753	64,556,087	610,241,865	442,690,231	1,622,857,732	48,308,101	1,656,595	—	4,229,368,829
Total liabilities	142,562,744	69,721,491	282,199,645	1,009,494,305	48,494,178	67,734,564	711,311,000	482,298,548	1,785,625,077	59,373,709	1,743,835	—	4,660,559,096
Deferred inflows of resources:													
Deferred amount of refundings	—	—	—	—	—	—	2,010,151	—	—	—	—	—	2,010,151
Pension related deferred inflows	218,382	125,482	412,565	1,529,728	110,483	118,814	886,231	621,075	3,424,215	53,185	4,214	—	7,504,374
Total liabilities and deferred inflows of resources	\$ 142,781,126	69,846,973	282,612,210	1,011,024,033	48,604,661	67,853,378	714,207,382	482,919,623	1,789,049,292	59,426,894	1,748,049	—	4,670,073,621
Net Position													
Net investment in capital assets	\$ 103,092,502	103,401,298	181,056,212	671,845,050	99,616,488	84,427,645	839,679,611	399,656,086	405,756,233	4,343,566	20,689	—	2,892,895,380
Restricted for:													
Nonexpendable:													
Scholarship and fellowships	—	—	7,861,610	2,394,439	824,033	813,914	7,763,330	5,569,090	—	1,003,497	—	—	26,229,913
Research	—	—	—	4,418,732	—	—	112,697	—	—	—	—	—	4,531,429
Other purposes	14,578,804	—	26,040,000	7,759,112	286,659	—	43,751,081	—	26,751,471	18,000,457	—	—	137,167,584
Expendable:													
Scholarships and fellowships	—	—	7,899,595	3,108,546	500,839	1,377,460	6,899,132	1,128,596	2,924,219	30,095,263	—	—	53,933,650
Research	—	—	—	17,057,300	—	—	4,108,649	—	34,333,371	—	—	—	55,499,320
Capital projects	—	741,659	89,098	855,422	1,963,425	489,651	4,908,877	—	—	—	—	—	9,048,132
Debt service	—	57,487	3,216	2,133,714	—	126,446	—	16,673,576	1,123,989	9,010	—	—	20,127,438
Loans	547,707	—	331,338	7,820,051	182,479	—	21,734,293	5,558,647	4,158,044	—	—	—	40,332,559
Other purposes	—	15,188	735,865	1,356,093	—	678,701	22,110,470	6,507,414	70,878,340	8,100,166	1,259,787	—	111,642,024
Unrestricted	(20,273,750)	(29,872,258)	(115,627,755)	(235,413,662)	(16,678,412)	(19,787,752)	(42,035,918)	(131,910,033)	(610,823,133)	(10,137,280)	(1,273,793)	—	(1,149,761,910)
Total net position	\$ 97,945,263	74,343,374	108,389,179	483,334,797	86,695,511	68,126,065	993,104,058	303,183,376	(64,897,466)	51,414,679	6,683	—	2,201,645,519

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	IHL Board Office	MCVS	Elimination entries	Total
Operating revenues:													
Tuition and fees	\$ 22,000,354	22,050,401	69,925,134	256,899,100	22,058,156	14,034,666	338,441,713	137,201,836	33,521,851	—	—	—	916,133,211
Less:													
Scholarship allowances	(11,787,745)	(4,420,606)	(18,787,223)	(91,893,288)	(7,683,835)	(8,734,438)	(99,563,674)	(45,496,508)	(5,104,236)	—	—	—	(293,471,553)
Bad debt expense	(162,928)	(5,405)	(4,101,360)	(3,217,187)	(168,575)	(344,330)	(712,691)	(450,000)	(41,481)	—	—	—	(9,203,957)
Net tuition and fees	10,049,681	17,624,390	47,036,551	161,788,625	14,205,746	4,955,898	238,165,348	91,255,328	28,376,134	—	—	—	613,457,701
Federal appropriations	—	—	—	13,749,480	—	—	—	—	—	—	—	—	13,749,480
Federal grants and contracts	14,003,258	2,527,863	37,678,789	105,088,480	29,910	6,700,191	44,131,906	38,421,979	42,824,103	2,477,576	3,478,539	(33,155,929)	264,206,665
State grants and contracts	527,962	1,433,969	994,209	23,400,465	6,143,777	10,287	18,274,069	8,971,202	8,424,460	336,088	—	(27,734,386)	40,782,102
Nongovernmental grants and contracts	1,416,981	3,129,441	2,621,493	15,908,338	2,748,811	—	27,614,485	16,366,256	8,824,994	944,939	—	—	79,575,738
Sales and services of educational departments	1,203,968	1,174,913	1,847,969	41,468,676	1,595,101	2,610,546	7,301,628	3,166,270	1,006,197	3,780,093	27,898	(2,895,659)	62,287,600
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	—	—	—	—	109,708,001
Food services	5,249,468	2,319,224	11,435,748	2,674,689	1,846,208	3,050,730	3,480,925	2,745,164	—	—	—	—	32,802,156
Bookstore	275,509	344,280	—	711,051	140,425	1,131,902	658,892	1,083,000	2,459,530	—	—	—	6,804,589
Athletics	—	—	—	58,356,367	—	—	76,090,299	12,893,525	—	—	—	—	147,340,191
Other auxiliary revenues	691,537	1,710,807	3,608,146	12,197,579	207,607	1,670,957	12,248,948	6,039,679	1,659,079	1,981,453	—	—	42,015,252
Less auxiliary enterprise scholarship allowances	(3,133,451)	—	(7,546,882)	(9,747,336)	(1,476,551)	—	(7,724,768)	(2,856,118)	—	—	—	—	(32,485,106)
Interest earned on loans to students	—	24,706	—	340,709	—	—	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	6,404,493	5,134,178	86,916	1,396,709	7,376,079	5,816,687	36,014,330	16,850,324	1,618	(14,250,113)	69,886,166
Total operating revenues	44,900,701	34,914,527	119,165,812	461,467,649	27,864,664	25,257,886	455,896,023	200,041,604	1,204,145,245	26,370,473	3,508,055	(78,036,087)	2,525,496,552
Operating expenses:													
Salaries and wages	36,895,435	27,732,789	79,323,624	327,227,860	21,458,709	21,432,778	224,424,378	145,112,008	710,889,380	8,005,835	636,590	—	1,603,139,386
Fringe benefits	17,106,742	11,098,459	34,973,938	155,380,264	9,847,194	10,396,810	85,070,095	66,120,058	299,776,805	5,367,713	178,709	—	695,316,787
Travel	2,234,194	1,739,880	3,774,648	17,173,618	383,779	1,513,636	15,632,274	7,522,560	5,711,402	159,273	58,987	—	55,904,251
Contractual services	15,599,131	13,763,079	44,879,851	73,808,300	8,214,917	8,336,960	75,631,458	53,698,057	180,287,362	14,445,037	3,243,460	(50,301,701)	441,605,911
Utilities	3,635,205	1,593,533	4,581,291	15,351,664	2,702,976	2,148,185	13,140,382	9,418,457	11,413,549	586,147	—	—	64,571,389
Scholarships and fellowships	7,505,623	6,857,106	20,150,359	37,386,022	6,078,916	3,145,631	51,810,535	24,156,988	4,963,022	42,275,706	—	(27,734,386)	176,595,522
Commodities	6,250,019	4,202,454	3,518,041	48,871,275	2,174,344	3,663,072	25,101,054	14,782,009	252,866,356	409,029	65,584	—	361,903,237
Depreciation	4,478,836	3,766,069	8,324,297	33,097,811	2,705,091	2,337,693	33,906,387	18,054,913	45,136,438	144,528	3,229	—	151,955,292
Other operating expenses	146,667	—	3,203,518	—	—	—	353,940	—	—	1,723,345	6,185	—	5,433,655
Total operating expenses	93,851,852	70,753,369	202,729,567	708,296,814	53,565,926	52,974,765	525,070,503	338,865,050	1,511,044,314	73,116,613	4,192,744	(78,036,087)	3,556,425,430
Operating loss	(48,951,151)	(35,838,842)	(83,563,755)	(246,829,165)	(25,701,262)	(27,716,879)	(69,174,480)	(138,823,446)	(306,899,069)	(46,746,140)	(684,689)	—	(1,030,928,878)

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	IHL Board Office	MCVS	Elimination entries	Total
Nonoperating revenue (expenses):													
State appropriations	\$ 28,988,610	21,298,321	47,102,534	176,101,014	15,615,941	17,233,120	90,063,046	94,402,297	172,520,882	46,784,059	712,576	—	710,822,400
Gifts and grants	12,308,049	5,902,539	22,035,384	62,924,677	5,541,958	9,536,691	31,068,724	34,655,586	9,743,553	—	—	—	193,717,161
Investment income, net of investment expense	614,631	134,903	2,197,642	4,086,945	147,191	402,719	13,615,710	279,738	10,357,459	1,399,987	(3,034)	—	33,233,891
Interest expense on capital assets-related debt	(2,727,819)	—	(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	—	5,853,421	75,080	142,970	21,156	—	—	—	—	—	—	—	6,092,627
Other nonoperating expenses	—	—	—	(1,259,206)	(413,228)	—	(172,240)	—	—	(215,305)	—	—	(2,059,979)
Total net nonoperating revenues	39,183,471	33,189,184	66,631,269	234,994,260	20,903,677	25,844,708	126,083,147	122,965,706	181,648,060	47,968,741	709,542	—	900,121,765
Income (loss) before other revenues, expenses, gains and losses	(9,767,680)	(2,649,658)	(16,932,486)	(11,834,905)	(4,797,585)	(1,872,171)	56,908,667	(15,857,740)	(125,251,009)	1,222,601	24,853	—	(130,807,113)
Capital grants and gifts	—	—	—	19,205,537	—	—	15,855,382	8,920,642	13,258,087	—	—	—	57,239,648
State appropriations restricted for capital purposes	959,261	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	—	—	97,011,723
Additions to permanent endowments	1,415,000	—	2,170,000	—	54,337	9,843	8,300	—	1,089,366	—	—	—	4,746,846
Other additions	3,201,304	870,243	—	—	—	—	159,510	1,315,308	—	—	—	—	5,546,365
Other deletions	(808,373)	—	—	(1,025,217)	(25,461)	—	(2,307,307)	(29,568)	(64,861)	(704,664)	—	—	(4,965,451)
Changes in net position	(5,000,488)	266,285	(6,078,470)	19,488,030	249,426	412,541	84,860,807	10,821,895	(78,471,216)	2,198,355	24,853	—	28,772,018
Net position, beginning of the year	102,945,751	74,077,089	114,467,649	463,846,767	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	74,343,374	108,389,179	483,334,797	86,695,511	68,126,065	993,104,058	303,183,376	(64,897,466)	51,414,679	6,683	—	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	\$ 9,884,966	17,624,389	54,326,335	165,359,021	13,912,345	5,529,788	236,024,917	91,852,086	29,794,993	—	—	—	624,308,840
Grants and contracts	15,590,427	7,091,273	38,890,342	147,831,751	8,813,019	6,302,748	90,782,299	59,610,750	61,431,435	3,953,976	3,478,539	(60,890,315)	382,886,244
Sales and services of educational departments	1,203,968	1,174,913	1,732,453	41,974,981	1,591,030	2,610,546	7,428,446	3,166,270	955,303	3,356,087	27,898	(2,895,659)	62,326,236
Payments to suppliers	(24,230,011)	(19,399,501)	(56,643,871)	(146,172,450)	(10,641,194)	(13,520,695)	(102,780,679)	(75,145,937)	(446,802,092)	(20,565,449)	(3,368,031)	50,301,701	(868,968,209)
Payments to employees for salaries and benefits	(53,964,539)	(38,834,981)	(114,515,947)	(440,777,936)	(28,020,108)	(29,309,429)	(284,373,776)	(198,380,078)	(894,511,949)	(16,688,602)	(886,171)	—	(2,100,263,516)
Payments for utilities	(3,635,205)	(1,593,533)	(4,581,291)	(15,351,664)	(2,760,633)	(2,148,185)	(13,172,671)	(9,415,334)	(11,413,549)	(586,147)	—	—	(64,658,212)
Payment for scholarships and fellowships	(7,505,623)	(6,857,106)	(20,150,359)	(37,390,772)	(6,078,916)	(3,145,631)	(49,964,209)	(24,222,747)	(6,038,385)	(38,242,081)	—	27,734,386	(171,861,443)
Loans issued to students and employees	—	—	—	(6,021,677)	—	—	(4,224,573)	(6,010,938)	(1,621,387)	1,790,413	—	—	(16,088,162)
Collections of loans to students and employees	—	360,558	—	3,287,176	—	761	2,526,261	4,352,395	1,778,023	1,022,538	—	—	13,327,712
Auxiliary enterprise charges:													
Student housing	8,177,400	3,911,516	10,780,670	29,581,317	1,496,561	3,730,666	19,252,595	14,913,940	—	—	—	—	91,844,665
Food services	5,249,468	2,319,224	7,437,701	2,747,301	1,133,269	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	931,230	2,463,019	—	—	—	6,613,480
Athletics	—	—	—	59,377,325	—	—	73,861,566	11,701,181	—	—	—	—	144,940,072
Other auxiliary enterprises	691,537	1,635,392	3,608,146	3,232,870	204,352	1,565,207	12,827,852	5,965,370	1,658,575	1,949,083	—	—	33,338,384
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
Other receipts	4,284,924	1,038,647	6,225,524	17,620,581	86,916	1,452,543	7,399,944	5,331,749	42,735,668	16,782,829	1,618	(14,250,113)	88,710,830
Other payments	—	—	—	—	—	—	(15,414,916)	—	(139,321)	2,813,591	(6,185)	—	(12,746,831)
Net cash used in operating activities	(43,977,179)	(31,184,929)	(72,890,297)	(173,991,125)	(20,122,934)	(22,749,049)	(15,238,388)	(113,030,563)	(128,083,092)	(44,137,661)	(752,332)	—	(666,157,549)
Noncapital financing activities:													
State appropriations	28,988,610	22,735,981	47,152,786	175,360,012	15,615,941	16,917,683	90,083,962	94,044,073	172,373,043	46,824,792	712,579	—	710,809,462
Gifts and grants for other than capital purposes	—	2,087	21,967,348	62,850,903	5,541,958	9,536,691	32,683,907	34,456,917	9,743,553	—	—	—	176,783,364
Private gifts for endowment purposes	1,415,000	—	2,238,036	—	54,337	9,843	8,300	—	1,089,366	—	—	—	4,814,882
Federal loan program receipts	32,546,981	16,335,111	80,726,867	123,422,495	14,404,133	18,920,384	104,994,647	82,001,259	35,458,859	—	—	—	508,810,736
Federal loan program disbursements	(32,546,981)	(12,698,436)	(80,726,867)	(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	10,991,484	17,911	231,233	—	2,659,369	—	—	—	—	—	14,567,489
Other uses	—	—	—	(839,571)	(690,802)	—	—	(19,570)	(409,057)	(243,506)	—	—	(2,202,506)
Net cash provided by noncapital financing activities	30,403,610	27,042,235	82,349,654	237,151,114	20,752,667	26,464,217	125,435,538	128,252,920	182,797,895	46,581,286	712,579	—	907,943,715

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
Capital and related financing activities:													
Proceeds from capital debt	\$ —	—	6,000,000	63,270,000	—	—	—	—	—	—	—	—	69,270,000
Cash paid for capital assets	1,818,639	(438,258)	—	(45,505,531)	(299,642)	(287,926)	(120,038,792)	(15,101,758)	(62,487,457)	—	(23,918)	—	(242,364,643)
Capital appropriations received	—	2,045,700	—	2,594,557	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	39,417	—	3,400	—	98,859
Principal paid on capital debt and leases	(895,000)	(1,288,413)	(3,678,436)	(47,065,000)	(146,891)	(453,690)	(22,317,954)	(7,362,709)	(5,580,000)	—	—	—	(88,788,093)
Interest paid on capital debt and leases	(1,968,634)	(785,649)	(4,779,371)	(14,010,324)	(9,341)	(1,318,242)	(8,852,500)	(6,476,993)	(11,764,565)	—	—	—	(49,965,619)
Other sources	—	1,930,224	43,178	4,202,177	—	—	1,131,239	1,963,932	—	—	—	—	9,270,750
Other uses	—	—	(63,643)	(2,449,895)	—	—	(654,577)	—	—	—	—	—	(3,168,115)
Net cash provided by (used in) capital and related financing activities	11,263,054	1,463,604	(2,478,272)	(28,247,397)	(109,957)	(2,059,858)	(131,454,489)	(17,960,378)	(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	60,801,340	11,353,936	5,550,584	172,761,805	16,882,589	110,277,634	42,067,046	251,295	—	436,850,881
Interest received on investments	614,631	—	2,197,642	3,714,534	—	275,619	5,954,187	929,531	3,486,385	1,590,329	(29,785)	—	18,733,073
Purchases of investments	(1,415,000)	(5,000,000)	(12,261,759)	(61,189,256)	(11,964,691)	(5,104,569)	(134,119,185)	(30,189,846)	(133,701,946)	(46,855,162)	(500,000)	—	(442,301,414)
Net cash provided by (used in) investing activities	614,631	2,000,000	(1,574,465)	3,326,618	(610,755)	721,634	44,596,807	(12,377,726)	(19,937,927)	(3,197,787)	(278,490)	—	13,282,540
Net increase (decrease) in cash and cash equivalents	(1,695,884)	(679,090)	5,406,620	38,239,210	(90,979)	2,376,944	23,339,468	(15,115,747)	(20,858,278)	(754,162)	(338,761)	—	29,829,341
Cash and cash equivalents – beginning of year	37,860,419	4,353,088	6,119,062	108,330,449	6,374,042	10,646,817	78,031,553	39,030,265	345,360,438	9,743,836	662,000	—	646,511,969
Cash and cash equivalents – end of year	\$ 36,164,535	3,673,998	11,525,682	146,569,659	6,283,063	13,023,761	101,371,021	23,914,518	324,502,160	8,989,674	323,239	—	676,341,310

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
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating loss	\$ (48,951,151)	(35,838,842)	(83,563,755)	(246,829,165)	(25,701,262)	(27,716,879)	(69,174,480)	(138,823,446)	(306,899,069)	(46,746,140)	(684,689)	—	(1,030,928,878)
Adjustment to reconcile net income (loss) to net cash provided by (used in) operating activities:													
Depreciation expenses	4,478,836	3,766,069	8,324,297	33,097,811	2,705,091	2,337,693	33,906,387	18,054,913	45,136,438	144,528	3,229	—	151,955,292
Self-insurance claims expense	—	—	—	—	—	—	—	—	6,622,696	6,470,775	—	—	13,093,471
Provision for uncollectible accounts receivable	—	5,405	—	3,217,187	168,575	344,330	712,691	—	116,842,805	147,269	—	—	121,438,262
Other	—	(5,405)	—	1	(2,380,014)	(3,712,911)	67,519	450,000	—	(9,210,971)	293,063	—	(14,498,718)
Changes in assets and liabilities:													
(Increase) decrease in assets:													
Receivables, net	601,367	(764,645)	(737,704)	(1,871,960)	(506,021)	(746,845)	2,918,197	(3,318,064)	(106,833,971)	4,130,239	(259,970)	—	(107,389,377)
Inventories	153,013	(181,500)	(379,698)	687,555	—	(75,871)	(47,990)	9,540	(166,243)	(125,070)	—	—	(126,264)
Prepaid expenses	—	22,448	—	8,926,999	130,589	(42,972)	4,744	462,467	(849,498)	—	(262,693)	—	8,392,084
Other assets	—	—	—	—	—	(447,120)	—	(13,112,736)	8,560,814	(72,168)	—	—	(5,071,210)
Increase (decrease) in liabilities:													
Accounts payable and accrued liabilities	703,277	(779,201)	3,691,333	(3,922,343)	13,135	(64,475)	(2,689,452)	(949,370)	(8,930,014)	96,718	(113,237)	—	(12,943,629)
Unearned revenue	(188,760)	(146,162)	(653,577)	7,478,879	(32,299)	548,515	(1,852,148)	(2,740,299)	251,983	—	—	—	2,666,132
Deposits refundable	2,278	(17,668)	25,779	(6,238)	—	(102)	3,443	(3,857)	—	—	—	—	3,635
Accrued leave liability	(25,818)	135,162	(799,054)	(1,166,301)	116,103	(8,282)	(158,611)	268,894	421,184	(1,531)	8,909	—	(1,209,325)
Loans to students and employees	—	—	—	—	—	—	(1,737,737)	(2,038,433)	—	—	—	—	(3,776,170)
Other liabilities	(750,221)	2,619,390	1,202,082	26,396,450	5,363,169	6,835,870	22,809,049	28,709,828	117,759,783	1,028,690	263,056	—	212,237,146
Total adjustments	4,973,972	4,653,913	10,673,458	72,838,040	5,578,328	4,967,830	53,936,092	25,792,883	178,815,977	2,608,479	(67,643)	—	364,771,329
Net cash used in operating activities	\$ (43,977,179)	(31,184,929)	(72,890,297)	(173,991,125)	(20,122,934)	(22,749,049)	(15,238,388)	(113,030,563)	(128,083,092)	(44,137,661)	(752,332)	—	(666,157,549)
Noncash capital related financing and investing activities:													
Capital assets acquired through donations and capital lease obligations	\$ —	—	—	—	—	—	101,235	518,952	130,350	—	—	—	750,537
Capital appropriations from the State of Mississippi	959,261	2,045,700	8,684,016	13,142,615	5,018,135	2,274,869	14,236,255	16,473,253	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

	<u>Proportionate share of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Estimated Covered- employee payroll provided by PERS</u>	<u>Proportionate share of the net pension liability as a percentage of its covered- employee payroll</u>	<u>PERS fiduciary net position as a of the percentage total pension liability</u>
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	<u>15.24</u>	<u>1,850,037,000</u>	<u>931,333,441</u>	<u>199.00</u>	<u>67.00</u>
2016 Total	<u>15.54</u>	<u>2,402,927,178</u>	<u>971,178,203</u>	<u>247.42</u>	<u>61.70</u>
2017 Total	<u>15.81 %</u>	<u>\$ 2,824,552,260</u>	<u>1,011,579,899</u>	<u>279.22 %</u>	<u>57.47 %</u>

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
MCVS:					
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.

REPORT ON INTERNAL CONTROL AND COMPLIANCE

(THIS PAGE LEFT BLANK INTENTIONALLY)



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.

(THIS PAGE LEFT BLANK INTENTIONALLY)



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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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

(THIS PAGE LEFT BLANK INTENTIONALLY)

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	<u>1,141,188,950</u>	<u>—</u>	<u>21,615,602</u>	<u>19,737,050</u>	<u>7,403,538</u>	<u>(284,307)</u>	<u>1,189,660,833</u>
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	<u>5,086,589,924</u>	<u>—</u>	<u>533,601,148</u>	<u>513,061,975</u>	<u>113,741,407</u>	<u>(43,401,106)</u>	<u>6,203,593,348</u>
Total assets	<u>6,227,778,874</u>	<u>—</u>	<u>555,216,750</u>	<u>532,799,025</u>	<u>121,144,945</u>	<u>(43,685,413)</u>	<u>7,393,254,181</u>
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	<u>643,940,266</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>643,940,266</u>
Total assets and deferred outflows of resources	<u>\$ 6,871,719,140</u>	<u>—</u>	<u>555,216,750</u>	<u>532,799,025</u>	<u>121,144,945</u>	<u>(43,685,413)</u>	<u>8,037,194,447</u>

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)	441,611,482
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	Expenses	Program revenues			Net revenue (expense) and changes in net position					Total
		Charges for services	Operating grants and contributions	Capital grants and contributions	IHL System	MSU Foundation	UM Foundation	USM Foundation	Foundation Eliminations	
IHL System	\$ 3,614,339,152	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	<u>\$ 3,704,967,359</u>	<u>2,136,386,524</u>	<u>490,293,319</u>	<u>57,239,648</u>	<u>(1,022,398,995)</u>	<u>(8,393,289)</u>	<u>16,268,614</u>	<u>(6,524,198)</u>	<u>—</u>	<u>(1,021,047,868)</u>
General revenues:										
Interest and investment income					33,233,891	38,075,215	46,366,363	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					4,746,846	11,900,403	8,006,208	5,104,139	—	29,757,596
Total general revenues and contributions					<u>1,051,171,013</u>	<u>49,975,618</u>	<u>54,372,571</u>	<u>15,079,644</u>	<u>(1,737,277)</u>	<u>1,168,861,569</u>
Change in net position					<u>\$ 28,772,018</u>	<u>41,582,329</u>	<u>70,641,185</u>	<u>8,555,446</u>	<u>(1,737,277)</u>	<u>147,813,701</u>
Net position – beginning of the year										<u>3,177,551,632</u>
Net position – end of the year										<u>\$ 3,325,365,333</u>

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Accounts Receivable Disclosure

June 30, 2017

	<u>Per IHL System</u>	<u>DFA reclass</u>	<u>Total</u>
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	<u>21,294,916</u>	<u>—</u>	<u>21,294,916</u>
Total accounts receivable	2,888,417,511	(11,842,995)	2,876,574,516
Less bad debt provision	<u>(2,531,812,566)</u>	<u>—</u>	<u>(2,531,812,566)</u>
Net accounts receivable	<u>\$ 356,604,945</u>	<u>(11,842,995)</u>	<u>344,761,950</u>

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Notes and Pledges Receivable Disclosure

June 30, 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</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Balance</u> <u>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			
		Federal sources	State sources	Institutional funds	Other
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>	4,330,460,824	<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

	<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>
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
	<u>\$ 1,904,440,207</u>	<u>1,203,165,123</u>	<u>688,039,337</u>	<u>9,253,546</u>	<u>993,353</u>	<u>2,712,097</u>	<u>276,751</u>	<u>689,309,441</u>
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
	<u>\$ 75,186,289</u>	<u>50,012,164</u>	<u>25,174,125</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,174,125</u>
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
	<u>\$ 22,439,414</u>	<u>15,305,000</u>	<u>6,766,475</u>	<u>—</u>	<u>—</u>	<u>355,577</u>	<u>12,362</u>	<u>6,778,837</u>
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
	<u>\$ 149,448,585</u>	<u>97,529,202</u>	<u>50,096,373</u>	<u>422,007</u>	<u>28,981</u>	<u>1,194,461</u>	<u>177,561</u>	<u>50,302,915</u>
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
	<u>\$ 556,139,314</u>	<u>334,670,000</u>	<u>221,469,314</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>221,469,314</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

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

June 30, 2017

	<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>
Mississippi University for Women:								
2018	\$ 156,232	—	—	—	—	150,973	5,259	5,259
2019	78,116	—	—	—	—	77,053	1,063	1,063
	<u>\$ 234,348</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>228,026</u>	<u>6,322</u>	<u>6,322</u>
Mississippi Valley State University:								
2018	\$ 936,526	255,000	595,106	—	—	79,466	6,954	602,060
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
	<u>\$ 26,355,065</u>	<u>18,155,000</u>	<u>7,854,567</u>	<u>—</u>	<u>—</u>	<u>328,814</u>	<u>16,684</u>	<u>7,871,251</u>
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
	<u>\$ 364,808,145</u>	<u>257,147,610</u>	<u>98,037,462</u>	<u>8,659,809</u>	<u>963,264</u>	<u>—</u>	<u>—</u>	<u>99,000,726</u>
University of Southern Mississippi:								
2018	\$ 13,565,280	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
	<u>\$ 280,047,286</u>	<u>179,343,159</u>	<u>99,862,248</u>	<u>171,730</u>	<u>1,108</u>	<u>605,219</u>	<u>63,822</u>	<u>99,927,178</u>
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
	<u>\$ 429,781,761</u>	<u>251,002,988</u>	<u>178,778,773</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>178,778,773</u>

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Schedule of Debt Service Disclosures (Combined)

June 30, 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	45,022,784
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
	<u>\$ 1,904,155,900</u>	<u>1,203,165,123</u>	<u>688,039,337</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

<u>Functional classification</u>	<u>Salaries and wages</u>	<u>Fringe benefits</u>	<u>Travel</u>	<u>Contractual services</u>	<u>Utilities</u>	<u>Scholarships and fellowships</u>	<u>Commodities</u>	<u>Depreciation expense</u>	<u>Other</u>	<u>Total</u>
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	23,368,500	—	116,502	318,905,438
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	—	—	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	<u>\$ 1,603,139,386</u>	<u>695,316,787</u>	<u>55,904,251</u>	<u>455,606,620</u>	<u>64,571,389</u>	<u>176,595,522</u>	<u>361,903,237</u>	<u>152,567,718</u>	<u>47,117,990</u>	<u>3,612,722,900</u>

See accompanying independent auditors' report.