

STATE OF MISSISSIPPI INSTITUTIONS
OF HIGHER LEARNING

Financial Statements

June 30, 2018



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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Financial Statements

June 30, 2018

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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:	
Statement of Net Position – State of Mississippi Institutions of Higher Learning	17
Statement of Financial Position – Discretely Presented Component Unit – Mississippi State University Foundation, Inc.	18
Statement of Financial Position – Discretely Presented Component Unit – The University of Mississippi Foundation	19
Statement of Financial Position – Discretely Presented Component Unit – The University of Southern Mississippi Foundation	20
Statement of Revenues, Expenses and Changes in Net Position – State of Mississippi Institutions of Higher Learning	21
Statement of Activities – Discretely Presented Component Unit – Mississippi State University Foundation, Inc.	22
Statement of Activities – Discretely Presented Component Unit – The University of Mississippi Foundation	23
Statement of Activities – Discretely Presented Component Unit – The University of Southern Mississippi Foundation	24
Statement of Cash Flows – State of Mississippi Institutions of Higher Learning	25
Notes to Financial Statements	27
Combining Supplemental Information:	
Combining Statement of Net Position	93
Combining Statement of Revenues, Expenses and Changes in Net Position	95
Combining Statement of Cash Flows	97
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of Net Pension Liability	100
Schedule of Proportionate Share of Contributions to PERS	101

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Table of Contents

	Page
Schedule of Proportionate Share of Net OPEB Liability	102
Schedule of Proportionate Share of Contributions to OPEB	103
Notes to Required Supplementary Information	104
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>	105
Component Unit Additional Information for Inclusion in the State of Mississippi Comprehensive Annual Financial Report:	
Component Unit – Combining Schedule of Net Position	109
Component Unit – Combining Schedule of Activities	111
Component Unit – Schedule of Accounts Receivable Disclosure	112
Component Unit – Schedule of Notes and Pledges Receivable Disclosure	113
Component Unit – Schedule of Assets under Capital Lease Disclosure	114
Component Unit – Schedule of Capital Assets Disclosure	115
Component Unit – Schedule of Construction Commitments and Financing Disclosure	116
Component Unit – Schedule of Long-Term Liabilities Disclosure (Rollforward)	117
Component Unit – Schedule of Debt Service Disclosures (IHL System Only, by Institution)	118
Component Unit – Schedule of Debt Service Disclosures (Combined)	120
Component Unit – Schedule of Bonds and Notes Payable Disclosure	121
Component Unit – Schedule of Functional Expenses Disclosure	123

FINANCIAL AUDIT REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
State of Mississippi Institutions of Higher Learning
Jackson, Mississippi

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 State of Mississippi Institutions of Higher Learning (the IHL System), a component unit of the State of Mississippi, as of and for the year ended June 30, 2018, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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. Those financial statements, which reflect approximately 10.8%, 0.8% and 1.2% of the assets, net position and revenues of the IHL System's business-type activities and 100.0%, 100.0% and 100.0% of assets, net assets and revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2018. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for the above mentioned entities/funds, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi 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 of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units of the IHL System as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note (1) to the financial statements, the IHL System implemented the provisions of Governmental Accounting Standards Board (GASB) Statements No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and No. 81 – *Irrevocable Split-Interest Agreements*, for the year ended June 30, 2018, which represent changes in accounting principle. As of July 1, 2017, the IHL System's net position was restated to reflect the impact of adoption. A summary of the restatement is presented in Note (1). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-16 and the various schedules of Proportionate Share of Net Pension Liability, Proportionate Share of Contributions to PERS, Proportionate Share of Net OPEB Liability and Proportionate Share of Contributions to OPEB on pages 100-104 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the IHL System's basic financial statements. The combining supplemental information on pages 93-99 and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report section on pages 109-123 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining supplemental information and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report 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. Such 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining supplemental information and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report 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 February 26, 2019, 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 the 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 the IHL System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
February 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018



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 28,000 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 2018.

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 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, 2018. The IHL System reports as a special purpose government, engaged solely in business-type activities. This section should be read in conjunction with the financial statements and the notes that follow.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

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)

The discussion and analysis below provides an overview of the financial position and activities of the IHL System for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes that follow this section.

Financial Highlights for Fiscal Year 2018

The IHL System recorded a decrease in net position of \$5 million in fiscal year 2018. The offsetting factors for this modest change was primarily the result of the continued growth in capital assets, net of related debt of \$148 million and the \$195 million decrease from unrestricted activities.

Financial highlights (in millions)	Year ended June 30	
	2017	2018
Total operating revenues	\$ 2,525	2,588
Total operating expenses	3,555	3,547
Operating loss	(1,029)	(959)
State appropriations	711	668
Gifts	194	202
Investment income	33	29
Interest expense on capital asset-related debt	(42)	(44)
Other nonoperating revenues, net and other revenue, expenses, gains and losses	162	99
Increase (decrease) in net position	29	(5)
Net position, beginning of the year, as restated	2,030	2,059
Net position, end of year	\$ 2,059	2,054

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

add a margin of educational excellence, upgrade the IHL System's facilities and provide a prudent reserve for contingencies such as the recent period of economic instability.

As discussed in note 1(d) of the Notes to the Financial Statements, the IHL System implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 75 changed how the IHL System reports its participation in certain cost sharing, defined benefits other than pensions administered by the State and School Employees' Life and Health Insurance Plan. It requires governments providing other postemployment benefits (OPEB) to their employees to recognize their proportionate share of the OPEB plan's net OPEB liability, which is measured by the plan's collective OPEB liability less the amount of the plan's fiduciary net position. This Statement requires most changes in the net OPEB liability to be included in OPEB expense in the period of the change, and others to be reported as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position. Prior to adopting this Statement, the IHL System reported OPEB expense based on cash contributions paid to the plan administrator. With the adoption of GASB Statement No. 75, net position was restated at June 30, 2017 by \$143 million.

GASB Statement No. 81 requires recognition of an asset, liability and deferred inflows of resources at the inception of an irrevocable split-interest agreement. Such agreements are created through trusts or equivalent arrangements under which a donor transfers resources to an intermediary to hold and administer for the benefit of the government and at least one other beneficiary. Changes adopted to conform to the provisions of this Statement were applied retroactively by restating fiscal year 2017. The adoption of this statement resulted in recording an asset and corresponding deferred inflow for the fair value of future distributions to be received from the trust in the amount of \$33.6 million at June 30, 2018. These balances are re-measured each year, and upon the termination of the trust, or as assets are distributed pursuant to the terms of the agreement, the deferred inflow is recognized as revenue.

Overview of the Financial Statements

The IHL System's financial report consists of management's discussion and analysis, financial statements including notes, and financial statements of the discrete component units. The statements of IHL System's financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows; and the Statement of Financial Position and Statement of Activities for the discretely presented component units.

Financial Statements

The financial statements present information for the IHL System as a whole. The Statement of Net Position presents the financial position of the IHL System at the end of fiscal year 2018 and includes all assets, deferred outflows, liabilities, and deferred inflows for all institutions within the IHL System. The difference between total assets, deferred outflows, total liabilities, and deferred inflows – net position – is one measure of the IHL System's financial health or position. The change in net position is a useful indicator of financial health of the IHL System. Over time, increases or decreases in the IHL System's net position provide a useful trend in assessing whether its financial health is improving. Other nonfinancial factors such as enrollment trends and the condition of the physical plant are also useful in evaluating the overall financial health of the IHL System.

The Statement of Revenues, Expenses and Changes in Net Position presents the operating results of the IHL System, as well as nonoperating revenues and expenses for the year ended June 30, 2018. 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 18.5% of total IHL System net revenues for fiscal year 2018, are classified as nonoperating revenue because these revenues are appropriated

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

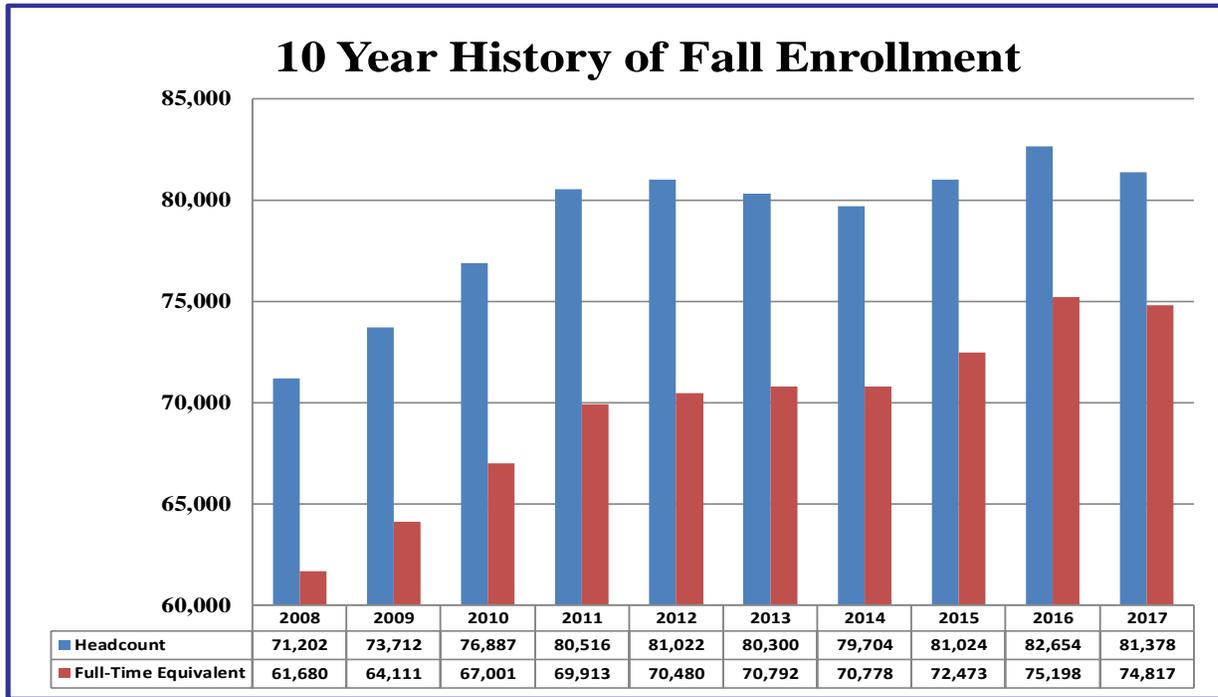
Management’s Discussion and Analysis (Unaudited)

June 30, 2018

at the state level rather than at the institutional level. This accounting treatment for this revenue classification typically results in the IHL System showing an operating loss. Other typical nonoperating revenue sources include gifts, grants, and appropriations restricted for capital purposes.

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

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



Statement of Net Position

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

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, 2017</u>	<u>June 30, 2018</u>	<u>Change 2017 to 2018</u>
Assets:			
Current assets	\$ 1,249,633,427	1,231,183,158	(1.5)%
Capital assets, net	4,075,419,713	4,247,559,575	4.2
Other assets	935,369,515	1,091,287,006	16.7
Deferred outflows	<u>660,687,321</u>	<u>351,140,716</u>	<u>(46.9)</u>
Total assets and deferred outflows of resources	\$ <u>6,921,109,976</u>	<u>6,921,170,455</u>	<u>0.00 %</u>
Liabilities:			
Current liabilities	\$ 431,544,814	462,212,274	7.1
Noncurrent liabilities	4,388,668,243	4,300,768,392	(2.0)
Deferred inflows	<u>42,158,306</u>	<u>104,616,116</u>	<u>148.2</u>
Total liabilities and deferred inflows of resources	\$ <u>4,862,371,363</u>	<u>4,867,596,782</u>	<u>0.1 %</u>
Net position (deficit):			
Investment in capital assets, net of debt	\$ 2,893,421,550	3,041,544,630	5.1 %
Restricted – nonexpendable	167,928,926	171,902,834	2.4
Restricted – expendable	290,583,123	327,321,348	12.6
Unrestricted	<u>(1,293,194,986)</u>	<u>(1,487,195,139)</u>	<u>(15.0)</u>
Total net position	\$ <u><u>2,058,738,613</u></u>	<u><u>2,053,573,673</u></u>	<u><u>(0.3)%</u></u>

At June 30, 2018 and 2017 current assets totaled \$1.23 billion and \$1.25 billion, respectively, and consisted primarily of cash and cash equivalents, short-term and net receivables. Current assets decreased 1.5% (or \$18.4 million) from June 30, 2017 to 2018. Cash and cash equivalents, and short-term investments constituted approximately 65.1% of current assets as of June 30, 2018 while net receivables constituted approximately 29% of current assets as of June 30, 2018. Approximately 29.6% of these net receivables are amounts due from gifts, contracts and grants and the State of Mississippi for appropriations as of June 30, 2018, while 41.9% were related to patient care receivables from UMMC. The remaining receivables were primarily owed from students for tuition, room and board charges.

At June 30, 2018 and 2017, noncurrent assets totaled \$5.3 billion and \$5.0 billion, respectively, which included capital assets of \$4.2 billion (2018) and \$4.1 billion (2017), respectively. Noncurrent cash and investments that are restricted externally by endowment arrangements or specific grant and contract arrangements and unspent bond proceeds approximated

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

\$266.4 million at June 30, 2018. One other significant noncurrent asset of the IHL System was student notes receivable which equaled \$96.3 million at June 30, 2018. In total, noncurrent assets increased 6.5% (\$328 million) during the past twelve months. The majority of this increase has been seen in the accumulation of net capital assets of \$172.1 million since 2017 (4.2%). Specifically, the IHL System's inventory of buildings has increased in pre-depreciation value by a total of \$380.9 million since June 30, 2017. 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, 2018 and 2017, current liabilities equaled \$462.2 million and \$431.5 million, respectively, and consisted primarily of accounts payable and accrued liabilities, and unearned revenues. Unearned revenues include advance receipts for athletic ticket sales, summer tuition, fees, and student housing. Current liabilities increased 7.1% (or \$30.7 million) from June 30, 2017 to 2018.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end. Noncurrent liabilities equaled \$4.3 billion and \$4.4 billion at June 30, 2018 and 2017, respectively. These liabilities have decreased 2% (or \$88 million) since June 30, 2017. The IHL System's proportionate share of the collective net pension liability reported by PERS decreased from \$2.8 billion to \$2.65 billion as of June 30, 2018. As of June 30, 2018, a net OPEB liability of \$143.7 million has been recorded and represents the IHL System's proportionate share of the collective net OPEB liability reported by the State and School Employees' Life and Health Insurance Plan.

Deferred outflows of resources decreased in 2018 while deferred inflows of resources increased in 2018, primarily due to the impact of net pension liabilities. The IHL System recorded \$295 million and \$616 million of pension-related deferred outflows at the end of fiscal year 2018 and 2017, 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, \$57.9 million and \$7.5 million of pension-related deferred inflows at June 30, 2018 and 2017, 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, as well as differences between expected and actual experience with regard to economic and demographic factors.

Restricted nonexpendable net position equaled \$171.9 million and \$167.9 million at June 30, 2018 and 2017, respectively, and consisted of endowment and similar type funds, in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal 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 2.4%, or \$4 million from June 30, 2017 to 2018.

Restricted expendable net position equaled \$327.3 million and \$290.6 million at June 30, 2018 and 2017, 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 12.6%, or \$36.7 million, from June 30, 2017 to 2018.

Unrestricted net position (deficit) equaled (\$1.49) billion and (\$1.29) billion at June 30, 2018 and 2017, respectively, and represents those assets that are available to the IHL System for any lawful purpose. The value of unrestricted net position has decreased 15.0%, or \$194 million from June 30, 2017 to 2018. This change was primarily the result of the implementation of GASB 75, under which IHL recognized a liability for its net OPEB obligation.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

	Years ended June 30,		Changes
	2017	2018	2017 to 2018
Operating revenues	\$ 2,525,496,552	2,588,271,917	2.5 %
Operating expenses	3,554,702,085	3,546,846,603	(0.2)
Operating loss	(1,029,205,533)	(958,574,686)	(6.9)
Nonoperating revenues	\$ 898,398,420	848,725,053	(5.5)
Income before other revenues, expenses, gains or losses	(130,807,113)	(109,849,633)	(16.0)
Other revenues, expenses, gains or losses	159,579,131	104,684,693	(34.4)
Change in net position	28,772,018	(5,164,940)	(118.0)
Net position, beginning of the year	2,172,873,501	2,058,738,613	(5.3)
Adjustment to beginning of year net position, related to OPEB	(142,906,906)	—	
Net position, beginning of the year, as restated	2,029,966,595	2,058,738,613	1.4
Net position, end of the year	\$ 2,058,738,613	2,053,573,673	(0.3)%

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

Operating Revenues

Operating revenues for the IHL System equaled \$2.6 billion and \$2.5 billion for fiscal years 2018 and 2017, respectively. Operating revenues increased 2.5% (or \$62.9 million) during 2018. Major components of operating revenues are the UMMC patient care revenues (42.4% in 2018 and 42.5% in 2017), net tuition and fees (24.6% in 2018 and 24.3% in 2017), grants and contracts revenues (15.1% in 2018 and 15.2% in 2017), and sales and service revenues from auxiliary activities (11.6% in 2018 and 12.1% in 2017). The following table summarizes the IHL System's operating revenues for the past two fiscal years.

	Operating Revenues		
	Years ended June 30		Changes
	2017	2018	2017 to 2018
Tuition and fees, net	\$ 613,457,701	637,343,596	3.9 %
Grants and contracts	384,564,504	390,967,888	1.7
Federal appropriations	13,749,480	11,424,012	(16.9)
Sales and services of educational departments	62,287,601	64,361,012	3.3
Auxiliary enterprises, net	306,185,083	299,776,697	(2.1)
Patient care revenues	1,074,214,704	1,097,355,744	2.2
Other	71,037,479	87,042,968	22.5
Total operating revenues	<u>\$ 2,525,496,552</u>	<u>2,588,271,917</u>	<u>2.5 %</u>

Net tuition and fee revenues increased 3.9% (\$23.9 million) and 6.3% (\$36.5 million) during fiscal year 2018 and 2017, respectively. All IHL institutions raised their in-state tuition rates during 2018 (average increase of 7.2%). At institutions where nonresident surcharges exist, non-Mississippi residents also paid a higher tuition rate during 2018 (average increase of 6.7%). These rate increases, coupled with the positive enrollment growth across the IHL System, resulted in an increase in tuition and fees, net.

Grants and contracts revenue increased 1.7% (\$6.4 million) during fiscal year 2018, due to timing differences in both federal and state funding of student aid, research, and other various grants and contracts.

Patient care revenues at the UMMC was steady at \$1.1 billion in 2018, an increase of \$23.1 million, or 2.2%.

Operating Expenses

Operating expenses for the IHL System totaled \$3.5 billion and \$3.6 billion for fiscal years 2018 and 2017, respectively. Operating expenses only slightly decreased by 0.2% (\$7.9 million) during 2018. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 64% of the total in 2018 and 64.7% in 2017. Other major components include contractual services (13.0% in 2018 and 12.4% in 2017), commodities (10.2% during both 2018

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

and 2017), and scholarships and fellowships (4.9% during 2018 and 5.0% during 2017). The following table summarizes the IHL System's operating expenses (by major object category) for the past two fiscal years.

	Operating Expenses		
	Years ended June 30		Changes
	2017	2018	2017 to 2018
By major object category:			
Salaries and wages	\$ 1,603,139,386	1,606,270,626	0.2 %
Fringe benefits	695,316,787	662,262,302	(4.8)
Travel	55,904,251	51,554,010	(7.8)
Contractual services	441,605,911	460,274,893	4.2
Utilities	64,571,389	67,691,651	4.8
Scholarships and fellowships	176,595,522	173,593,845	(1.7)
Commodities	361,903,237	360,375,027	(0.4)
Depreciation	151,955,292	158,707,098	4.4
Other	3,710,310	6,117,151	64.9
Total operating expenses	\$ <u>3,554,702,085</u>	<u>3,546,846,603</u>	<u>(0.2)%</u>

IHL System's personnel costs (salaries and wages, and fringe benefits) decreased 1.3% (\$29.9 million) during 2018. 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 2018, institutions mainly provided pay increases for promotion-in-rank or additional position responsibilities. The range of these pay raises varied from institution to institution. Net of the non-cash impact of GASB Statement Nos. 68 and 75, UMMC (\$8.6 million) and UM (\$4.9 million) had the only expense increases in this category, while the other institutions were able to decrease this outlay. Travel expenses decreased 7.8% (\$4.4 million) during 2018. Contractual services increased 4.2% (\$18.7 million) during 2018. The cost for commodities decreased (0.4% or \$1.5 million) during 2018. Scholarships and fellowships expenses decreased 1.7% (\$3 million) during 2018.

As an alternative presentation model, the IHL System's operating expenses are shown below by major functional classification. Functional classifications are the traditional categories that universities have used in past financial presentations (pre-GASB 34). These functions represent the types of programs and services that the universities generally

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

provide. For example, funds utilized to compensate a classroom professor or provide classroom materials would be classified as instruction.

Operating Expenses			
	Years ended June 30		Changes
	2017	2018	2017 to 2018
By function:			
Instruction	\$ 733,853,271	712,997,543	(2.8)
Research	361,047,290	357,159,355	(1.1)
Public service	168,302,423	156,483,236	(7.0)
Academic support	163,269,714	157,423,996	(3.6)
Student services	94,430,501	91,020,868	(3.6)
Institutional support	305,313,301	318,663,709	4.4
Operations and maintenance of plant	174,785,671	172,894,846	(1.1)
Student aid	178,442,239	184,242,727	3.3
Auxiliary enterprises	275,342,224	278,349,778	1.1
Depreciation	151,947,801	158,702,986	4.4
Hospital	1,027,373,142	1,034,104,753	0.7
Other	(1,369,405)	1,551,900	(213.3)
Eliminations	(78,036,087)	(76,749,094)	(1.6)
Total operating expenses	\$ <u>3,554,702,085</u>	<u>3,546,846,603</u>	<u>(0.2)%</u>

Funding for the Instruction function continues to be one of the IHL System's highest priorities. While instruction costs decreased by 2.8% (\$20.9 million), it still maintained its 20% share of total operations in 2018. Institutional research (internal and external) and public service costs continue to command one of the System's primary cost missions. Although decreasing between 2017 and 2018, these costs represent approximately 14.5% of the IHL System's total focus during 2018. Research and public service expenses decreased approximately 1.1% (\$3.9 million) and 7.1% (\$11.9 million), respectively. Institutional support costs typically present the functions of the executive management department, general administration, logistical support services, computing, public relations and development. These costs increased 4.5% (\$13.8 million) in 2018. 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 1.0% (\$2.6 million) in fiscal year 2018. Student Aid expenses increased in 2018 by 3.3%, or \$5.8 million. Finally, hospital expenses experienced a less than 1% growth (or \$6.7 million) in 2018 as a result of continuous efforts to cut costs.

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

Capital Asset and Debt Administration

At June 30, 2018 and 2017, the IHL System had approximately \$4.2 billion and \$4.1 billion, respectively, invested in a broad range of capital assets. These assets comprise land, construction in progress, livestock, buildings and improvements

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

(infrastructure), equipment and library books. They are stated net of accumulated depreciation. The following table summarizes the IHL System's capital assets for the past two fiscal years.

Capital Asset Summary			
	2017	2018	Changes 2017 to 2018
Capital assets not being depreciated	\$ 849,237,452	667,968,874	(21.3)%
Depreciable capital assets:			
Improvements other than buildings	360,661,731	413,495,729	14.6
Buildings	3,713,069,481	4,093,940,504	10.3
Equipment	852,440,990	882,341,934	3.5
Library books	417,528,089	431,508,572	3.3
Total depreciable capital assets	5,343,700,291	5,821,286,739	8.9
Total cost of capital assets	6,192,937,743	6,489,255,613	4.8
Less accumulated depreciation	(2,117,518,030)	(2,241,696,038)	5.9
Capital assets, net	\$ 4,075,419,713	4,247,559,575	4.2 %

Nondepreciable capital assets equaled \$668 million and \$849 million, at June 30, 2018 and 2017, respectively. These assets principally consisted of land and construction in progress. The \$181 million decrease during fiscal year 2018 was due to the completion of capitalized facility projects transferred from CIP to a depreciable category.

At June 30, 2018 and 2017, the IHL System had \$1.3 billion and \$1.2 billion, respectively, in bonded debt, notes payable and capital lease obligations. This represents a 7.9% (or \$98 million) increase over the prior year-end. The following table summarizes the IHL System's long-term debt for the past two fiscal years.

Long-Term Debt Summary			
	2017	2018	Changes 2017 to 2018
Bonds payable	\$ 1,223,442,503	1,298,337,852	6.1 %
Notes payable	9,253,546	33,784,898	265.1
Capital lease obligations	2,712,098	1,297,019	(52.2)
Total long-term debt	\$ 1,235,408,147	1,333,419,769	7.9 %

Bonded debt increased during 2018 by 6.1% or \$74.9 million. JSU, MSU, UM, and USM issued approximately \$29.7 million, \$92.1 million, \$40 million, \$44 million, respectively, in new bond refundings during fiscal year 2018. UMMC issued \$150 million for the purpose of financing the expansion of Batson Children's Hospital and to refund \$66 million in Series 2009 (\$5.7 million economic gain). Notes payable increased 265.1% or \$24.5 million during 2018. The UM Athletic Foundation transferred an \$8 million note to UMEBC for the construction of an indoor tennis facility. UM also financed \$18 million for renovations and improvements to the Oxford-University Stadium at Swayze Field.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

Designated Revenues

Bond indentures previously issued, and those that may be issued in the future by the institution's Educational Building Corporations (EBC) are payable from designated revenues. The IHL Board covenants under terms of its various bond agreements that if designated revenues are insufficient to satisfy the IHL Board's obligations, the IHL Board will provide amounts from any other legally available source and will then allocate the same to cure the insufficiency. The following table provides a history of all designated revenues available to the IHL Board from fiscal years 2013 through 2017.

Designated Revenues¹ and Unrestricted Net Positions (excludes UMMC, Board Office, and MCVS)					
	Years ended June 30				
	2014	2015	2016	2017	2018
Tuition, net ²	\$ 497,711,625	517,336,376	551,020,691	585,081,567	606,693,893
Sales and services	54,768,559	60,542,705	60,958,994	60,369,071	62,469,346
Auxiliary enterprises, net ²	217,788,943	259,607,634	286,985,729	300,085,021	293,824,703
Other ³	48,967,419	49,471,340	55,903,573	45,829,086	29,648,772
Sub-total	819,236,546	886,958,055	954,868,987	991,364,745	992,636,714
State appropriations	469,870,373	495,091,965	513,470,169	490,804,883	460,659,547
Unrestricted net positions ⁴	542,761,292	—	—	—	—
Total	\$ 1,831,868,211	1,382,050,020	1,468,339,156	1,482,169,628	1,453,296,261

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 include federal appropriations, other operating revenues, and interest earned on loans to students.

⁴ The unrestricted net positions of \$(471,538,432) for 2015, \$(423,613,421) for 2016, \$(612,732,608) for 2017, and \$(685,017,873) for 2018 did not contribute to total designated revenues since fiscal year 2015, and therefore have been excluded from the table.

Economic Outlook

The IHL System began the 2018 fiscal year with an anticipated systemwide operating budget decrease of \$30 million. This funding gap was to be bridged by a mixture of tuition revenues, auxiliary revenues, and ongoing maintenance of hospital revenues. In reality, fiscal year 2018 closed with a \$5.2 million net deficit, (see the SRECNP summary table on page 10 of management discussion and analysis). While the anticipated tuition revenue gains helped close the gap, actual revenues fell short of budgeted expectations. For fiscal year 2019, general education funding from the State of Mississippi will increase marginally by 1.2% (\$4.2 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 \$13 million in new tuition revenue during 2019 due to a mixture of enrollment growth and general rate increases. Of this amount, approximately \$8.4 million is projected to increase net tuition revenue. In 2019 state appropriated revenues will comprise approximately 28% of the total E&G

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Management's Discussion and Analysis (Unaudited)

June 30, 2018

budget, while self-generated tuition revenues will equal 65.9% 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 compliment 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:

Board of Trustees
Accounting Department
3825 Ridgewood Road
Jackson, MS 39211

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BASIC FINANCIAL STATEMENTS

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statement of Net Position

June 30, 2018

Assets and Deferred Outflows

Current Assets:	
Cash and cash equivalents	\$ 601,356,715
Short term investments	199,707,208
Accounts receivable, net	356,776,034
Student notes receivable, net	17,955,857
Inventories	35,591,998
Prepaid expenses	19,280,346
Other current assets	<u>515,000</u>
Total current assets	<u>1,231,183,158</u>
Non-Current Assets:	
Restricted cash and cash equivalents	76,978,961
Restricted short-term investments	88,506,491
Endowment investments	332,705,805
Other long-term investments	458,919,925
Student notes receivable, net	96,349,058
Beneficial interest in irrevocable trust	33,592,648
Capital assets, net	4,247,559,575
Other noncurrent assets	<u>4,234,118</u>
Total noncurrent assets	<u>5,338,846,581</u>
Total assets	6,570,029,739
Deferred outflows of resources	<u>351,140,716</u>
Total assets and deferred outflows of resources	\$ <u>6,921,170,455</u>

Liabilities, Deferred Inflows and Net Position

Liabilities:	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 229,515,927
Unearned revenues	100,599,458
Accrued leave liabilities - current portion	13,205,087
Long-term liabilities - current portion	60,096,414
Other current liabilities	<u>58,795,388</u>
Total current liabilities	<u>462,212,274</u>
Noncurrent liabilities:	
Accrued leave liabilities	104,664,750
Deposits refundable	305,618
Long-term liabilities	1,313,312,962
Net pension liability	2,653,162,201
Net OPEB liability	143,674,333
Other noncurrent liabilities	<u>85,648,528</u>
Total noncurrent liabilities	<u>4,300,768,392</u>
Total liabilities	4,762,980,666
Deferred inflows of resources	<u>104,616,116</u>
Total liabilities and deferred inflows of resources	\$ <u>4,867,596,782</u>
Net Position:	
Net investment in capital assets	\$ 3,041,544,630
Restricted for:	
Nonexpendable:	
Scholarships and fellowships	26,326,843
Research	4,540,008
Other purposes	141,035,983
Expendable:	
Scholarships and fellowships	50,709,538
Research	69,266,612
Capital projects	9,302,269
Debt service	25,845,161
Loans	46,778,717
Other purposes	125,419,051
Unrestricted	<u>(1,487,195,139)</u>
Total net position	\$ <u>2,053,573,673</u>

See accompanying notes to financial statements.

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

Statement of Financial Position

June 30, 2018

Assets

Cash and cash equivalents	\$	3,096,890
Restricted cash		6,283,364
Accrued interest, other receivables and prepaid assets		74,495
Receivable from MSU Alumni Association		132,575
Pledges receivable, net		39,924,754
Investments		480,996,694
Present value of amounts due from externally managed trusts		50,702,847
Land, buildings, and equipment, net		<u>8,097,478</u>
Total assets	\$	<u><u>589,309,097</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued liabilities	\$	1,822,573
Agency payable		6,283,364
Liabilities under split interest agreements		5,023,829
Payable to Mississippi State University		<u>122,932</u>
Total liabilities		<u><u>13,252,698</u></u>

Net assets:

Unrestricted:

Net assets attributable to the Foundation		42,807,487
Net assets attributable to noncontrolling interest		<u>45,568,476</u>
Total unrestricted net assets		88,375,963

Temporarily restricted		118,911,931
Permanently restricted		<u>368,768,505</u>

Total net assets		<u><u>576,056,399</u></u>
Total liabilities and net assets	\$	<u><u>589,309,097</u></u>

See accompanying notes to financial statements.

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

Statement of Financial Position

June 30, 2018

Assets

Cash and cash equivalents	\$ 3,866,290
Pledges receivable, net	69,532,717
Investments	489,931,616
Beneficial interest in remainder trust	9,867,261
Property and equipment, net	2,324,924
Other assets	<u>1,844,070</u>
Total assets	\$ <u>577,366,878</u>

Liabilities and Net Assets

Liabilities:

Funds held for others	\$ 24,387,393
Liabilities under remainder trusts	4,600,059
Other liabilities	<u>2,500,182</u>
Total liabilities	<u>31,487,634</u>

Net assets:

Unrestricted	17,065,336
Temporarily restricted	280,148,014
Permanently restricted	<u>248,665,894</u>
Total net assets	<u>545,879,244</u>
Total liabilities and net assets	\$ <u>577,366,878</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 Financial Position

June 30, 2018

Assets

Cash and cash equivalents	\$	2,996,270
Accrued earnings		153,608
Prepaid assets and other receivables		1,383,924
Pledges receivable, net		10,671,148
Investments		113,822,707
Present value of amounts due from externally managed trusts		5,644,811
Net investment in direct financing lease		—
Property and equipment, net		<u>301,248</u>
Total assets	\$	<u><u>134,973,716</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$	457,939
Gift annuities payable		244,184
Life estate payable		<u>31,107</u>
Total liabilities		<u>733,230</u>

Net assets:

Unrestricted		7,356,199
Temporarily restricted		44,802,423
Permanently restricted		<u>82,081,864</u>
Total net assets		<u>134,240,486</u>
Total liabilities and net assets	\$	<u><u>134,973,716</u></u>

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statement of Revenues, Expenses and Changes in Net Position

Year ended June 30, 2018

Operating revenues:	
Tuition and fees:	\$ 953,728,789
Less scholarship allowances	(308,667,259)
Less bad debt expense	(7,717,934)
Net tuition and fees	<u>637,343,596</u>
Federal appropriations	11,424,012
Federal grants and contracts	270,136,386
State grants and contracts	38,081,564
Nongovernmental grants and contracts	82,749,938
Sales and services of educational departments	64,361,012
Auxiliary enterprises:	
Student housing	110,983,501
Food services	33,796,466
Bookstore	6,157,581
Athletics	141,592,187
Other auxiliary revenues	42,021,294
Less auxiliary enterprise scholarship allowances	(34,774,332)
Interest earned on loans to students	1,219,054
Patient care revenues, net	1,097,355,744
Other operating revenues, net	<u>85,823,914</u>
Total operating revenues	<u>2,588,271,917</u>
Operating expenses:	
Salaries and wages	1,606,270,626
Fringe benefits	662,262,302
Travel	51,554,010
Contractual services	460,274,893
Utilities	67,691,651
Scholarships and fellowships	173,593,845
Commodities	360,375,027
Depreciation	158,707,098
Other operating expenses	<u>6,117,151</u>
Total operating expenses	<u>3,546,846,603</u>
Operating loss	<u>(958,574,686)</u>
Nonoperating revenues (expenses):	
State appropriations	668,035,638
Gifts and grants	201,862,682
Investment income, net of investment expense	28,577,396
Interest expense on capital asset-related debt	(44,100,794)
Other nonoperating revenues	2,030,728
Other nonoperating expenses	<u>(7,680,597)</u>
Total nonoperating revenues, net	<u>848,725,053</u>
Loss before other revenues, expenses, gains and losses	(109,849,633)
Other revenues, expenses, gains and losses:	
Capital grants and gifts	32,670,277
State appropriations restricted for capital purposes	70,745,168
Additions to permanent endowments	3,847,184
Other additions	8,270,682
Other deletions	<u>(10,848,618)</u>
Change in net position	<u>(5,164,940)</u>
Net position, beginning of the year	2,201,645,519
Effect of adoption of GASB 75	<u>(142,906,906)</u>
Net position, beginning of the year, as restated	<u>2,058,738,613</u>
Net position, end of the year	<u>\$ 2,053,573,673</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, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and support:				
Contributions	\$ 7,282,278	15,850,543	13,849,584	36,982,405
Net investment income	5,003,295	22,546,499	99,277	27,649,071
Change in value of split interest agreements	—	553,919	758,035	1,311,954
Other	5,529,253	157,988	26,228	5,713,469
Net assets released from restrictions	23,229,889	(23,229,889)	—	—
Total revenues and support	41,044,715	15,879,060	14,733,124	71,656,899
Expenditures:				
Program services:				
Contributions and support for Mississippi State				
University	27,130,545	—	—	27,130,545
Contributions and support for Bulldog Clug	1,752,360	—	—	1,752,360
Contributions and support for MSU Alumni				
Association	634,539	—	—	634,539
Total program services	29,517,444	—	—	29,517,444
Supporting services:				
General administrative	3,957,548	—	—	3,957,548
Fund raising	3,881,345	—	—	3,881,345
Total supporting services	7,838,893	—	—	7,838,893
Total expenditures	37,356,337	—	—	37,356,337
Change in net assets before noncontrolling interests	3,688,378	15,879,060	14,733,124	34,300,562
Change in net assets attributable to noncontrolling interests	(1,264,764)	—	—	(1,264,764)
Total change in net assets	2,423,614	15,879,060	14,733,124	33,035,798
Net assets, beginning of the year	85,952,349	103,032,871	354,035,381	543,020,601
Net assets, end of the year	88,375,963	118,911,931	368,768,505	576,056,399

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, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and support:				
Contributions, gifts, and bequests	\$ —	34,662,025	11,009,858	45,671,883
Dividend and interest income	1,574,566	7,628,290	—	9,202,856
Net unrealized and realized gains (losses) on investments	(189,818)	26,926,646	78,974	26,815,802
Change in value of split-interest agreements	—	214,206	(301,002)	(86,796)
Other income	791,950	1,922,316	103,145	2,817,411
Net assets released from restrictions/ redesignated by donor	39,022,415	(39,468,079)	445,664	—
Total revenues and support	41,199,113	31,885,404	11,336,639	84,421,156
Expenses:				
Support for University activities	37,821,554	—	—	37,821,554
General and administrative expenses	3,011,982	—	—	3,011,982
Fund-raising expenses	1,399,932	—	—	1,399,932
Total expenses	42,233,468	—	—	42,233,468
Change in net assets	(1,034,355)	31,885,404	11,336,639	42,187,688
Net assets, beginning of the year	18,099,691	248,262,610	237,329,255	503,691,556
Net assets, end of the year	17,065,336	280,148,014	248,665,894	545,879,244

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, 2018

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues, gains, and support:				
Contributions	\$ 2,213,304	10,799,668	4,401,150	17,414,122
Net investment gain	1,694,378	4,834,766	148,654	6,677,798
Changes in value of split-interest agreements	—	(1,069)	(108,492)	(109,561)
Other	487,525	45,529	30	533,084
Change in restriction by donor	—	(762,151)	762,151	—
Net assets released from restrictions	7,296,135	(7,296,135)	—	—
Total revenues, gains and support	11,691,342	7,620,608	5,203,493	24,515,443
Expenses:				
Program services:				
Contributions and support for the University of Southern Mississippi	7,731,325	—	—	7,731,325
Total program services	7,731,325	—	—	7,731,325
Supporting services:				
General administrative	1,634,969	—	—	1,634,969
Fund raising	1,317,426	—	—	1,317,426
Total supporting services	2,952,395	—	—	2,952,395
Total expenses	10,683,720	—	—	10,683,720
Change in net assets	1,007,622	7,620,608	5,203,493	13,831,723
Net assets, beginning of the year	6,348,577	37,181,815	76,878,371	120,408,763
Net assets, end of the year	7,356,199	44,802,423	82,081,864	134,240,486

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statement of Cash Flows
Year ended June 30, 2018

Operating activities:	
Tuition and fees	\$ 644,196,084
Grants and contracts	407,763,186
Sales and services of educational departments	65,396,290
Payments to suppliers	(864,988,311)
Payments to employees for salaries and benefits	(2,090,020,238)
Payments for utilities	(68,038,434)
Payments for scholarships and fellowships	(171,595,136)
Loans Issued to students and employees	(12,672,585)
Collection of loans from students and employees	17,427,303
Auxiliary enterprise charges:	-
Student housing	93,163,057
Food services	29,622,071
Bookstore	6,023,109
Athletics	133,222,270
Other auxiliary enterprises	32,469,319
Patient care services	1,117,364,045
Interest earned on loans to students	1,256,387
Other receipts	88,826,493
Other payments	(16,532,981)
	<u>(587,118,071)</u>
Net cash used in operating activities	
Noncapital financing activities:	
State appropriations	667,709,846
Gifts and grants for other than capital purposes	176,185,942
Private gifts for endowment purposes	3,847,184
Federal loan program receipts	514,719,203
Federal loan program disbursements	(513,309,367)
Other sources	16,005,610
Other uses	(9,802,140)
	<u>855,356,278</u>
Net cash provided by noncapital financing activities	
Capital and related financing activities:	
Proceeds from capital debt	402,922,019
Cash paid for capital assets	(245,311,926)
Capital appropriations received	18,597,632
Capital grants and contracts received	39,686,297
Proceeds from sales of capital assets	336,998
Principal paid on capital debt and leases	(311,994,891)
Interest paid on capital debt and leases	(51,409,686)
Other sources	4,457,836
Other uses	(13,430,827)
	<u>(156,146,548)</u>
Net cash used in capital and related financing activities	
Investing activities:	
Proceeds from sales and maturities of investments	406,448,987
Interest received on investments	26,718,805
Purchases of investments	(543,265,085)
	<u>(110,097,293)</u>
Net cash used in investing activities	
Net change in cash and cash equivalents	1,994,366
Cash and cash equivalents, beginning of the year	<u>676,341,310</u>
Cash and cash equivalents, end of the year	<u>\$ 678,335,676</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Statement of Cash Flows
Year ended June 30, 2018

RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (958,574,686)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	158,707,098
Self-insured claims expense	12,447,330
Provision for uncollectible receivables	152,759,605
Other	5,919,799
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables, Net	(151,722,473)
Inventories	(3,254,923)
Prepaid Expenses	76,160,463
Loans to Students and Employees	(6,792,222)
Deferred outflows of resources	309,952,204
Other Assets	1,463,501
Increase (Decrease) in Liabilities:	
Accounts Payables and Accrued Liabilities	(61,907,840)
Unearned Revenue	6,354,743
Deposits Refundable	(340,833)
Accrued Leave Liability	(8,546,095)
Net pension liability	(171,390,059)
Net OPEB liability	(4,885,761)
Deferred inflows of resources	61,508,943
Other Liabilities	(4,976,865)
Total Adjustments	<u>371,456,615</u>
Net cash used in operating activities	<u>\$ (587,118,071)</u>
Reconciliation of cash and cash equivalents:	
Current assets - cash and cash equivalents	\$ 601,356,715
Noncurrent assets - restricted cash and cash equivalents	<u>76,978,961</u>
Cash and cash equivalents, end of the year	<u><u>\$ 678,335,676</u></u>
Noncash capital related financing and investing activities:	
Capital assets acquired through donations and capital leases	\$ 8,242,444
Capital assets appropriated by the State of Mississippi	70,745,168

See accompanying notes to financial statements.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 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-An Amendment of GASB Statements No. 14 and No. 34*, 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 operations. These blended component units provide services entirely, or almost entirely, to their respective universities. See note 9 for detailed educational building corporation activities.

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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 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, most resources, or income thereon, which the foundations hold and invest are restricted to the activities of the respective universities by the donors. Because these restricted resources held by the foundations can only be used by, or for the benefit of, the respective universities, these foundations are considered discretely presented component units of the IHL System.

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, 2018, support distributions were as follows:

Mississippi State University Foundation, Inc.	\$	27,130,545
University of Mississippi Foundation		37,821,554
University of Southern Mississippi Foundation		7,731,325

(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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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

(d) New Accounting Standards

On June 30, 2017, The IHL System adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires cost-sharing entities providing postemployment benefits other than pensions (OPEB) to their employees to recognize their proportionate share of the collective OPEB liability, which is measured as the total OPEB liability (TOL) less the amount of the OPEB plan's fiduciary net position. The statement also requires a determination of an OPEB expense (OE), including amounts for service cost, interest on the TOL, employee contributions, administrative expenses, other cash flows during the year, recognition of increases/decreases in the TOL due to changes in the benefit structure, actual versus expected experience, actuarial assumption changes, and recognition of investment gains and losses. The actual experience and assumption changes impacts are recognized over the average expected remaining service life of the plan membership as of the beginning of the measurement period, while investment gains/losses are recognized equally over five years. The unrecognized portions of each year's experience, assumption changes and investment gains/losses are used to develop deferred inflows and outflows of resources, which also must be included on the statement of net position. Prior to adopting this Statement, the IHL System reported OPEB expense based on cash contributions to the State and School Employees' Life and Health Insurance Plan. In addition to the reporting changes described above, implementation of this Statement resulted in the adjustment of fiscal year 2017 beginning unrestricted net position, reducing it by \$142,906,906.

The following schedule summarizes the impact on beginning net position:

<u>Net position</u>	
June 30, 2017, as previously reported	\$ 2,201,645,519
Effect of adoption of GASB 75	<u>(142,906,906)</u>
June 30, 2017, as restated	<u>\$ 2,058,738,613</u>

During fiscal year 2018, the IHL System adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Split-interest agreements are created through trusts or equivalent arrangements under which a donor transfers resources to an intermediary to hold and administer for the benefit of the government and at least one other beneficiary. Common examples of split-interest agreements include charitable lead trusts, charitable remainder trusts, charitable annuity gifts, and life-interests in real estate.

Assets should be recognized for beneficial interests that meet all the following criteria:

- The government is specified by name as beneficiary in the legal document underlying the donation;
- The donation agreement is irrevocable;
- The donor has not granted variance power to the intermediary with respect to the donated resources;
- The donor does not control the intermediary, such that the actions of the intermediary are not influenced by the donor beyond the specified stipulations of the agreement; and
- The irrevocable split-interest agreement establishes a legally enforceable right for the government's benefit (an unconditional beneficial interest).

The adoption of this statement resulted in recording an asset and corresponding deferred inflow for the fair value of future distributions to be received from the trust in the amount of \$33.6 million at June 30, 2018. These balances are re-measured each year, and upon the termination of the trust, or as assets are distributed pursuant to the terms of the agreement, the deferred inflow is recognized as revenue.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

(e) Recently Issued Accounting Standards

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This standard establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement is effective for fiscal years beginning after June 15, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. This standard establishes recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for fiscal years beginning after December 15, 2019.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for fiscal years beginning after June 15, 2018.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This standard establishes accounting requirements for interest cost incurred before the end of a construction period. Such costs should now be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. This Statement is effective for fiscal years beginning after December 15, 2019.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. The primary objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for fiscal years beginning after December 15, 2018.

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

(f) Use of Estimates

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

Significant estimates include the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payor settlements, included as other current assets and as other current liabilities, relating to the IHL System's patient services. In addition, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is 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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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, 2018 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 the date the financial statements were available to be issued.

(g) Cash Equivalents

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

(h) Short-Term Investments

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

(i) Accounts Receivable, Net

Accounts receivable consist of tuition and fee charges to students and patient accounts 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 are expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the statement of net position.

(k) Inventories

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

(l) Prepaid Expenses

Prepaid expenses consist of expenditures 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, to maintain sinking or reserve funds or to purchase or construct capital or noncurrent assets are classified as noncurrent assets in the statement of net position.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

(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) Other Long-Term Investments

Investments are reported at fair value. Unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position. Investments in partnerships for which there are no quoted market prices are valued at net asset value, as a practical expedient in determining fair value.

(p) Investment Valuation

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

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

(q) Capital Assets

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

(r) Impairment of Capital Assets

Management reviews capital assets for impairment whenever events or changes in circumstances indicate that the service utility of an asset has declined significantly and unexpectedly. Any write-downs due to impairment are charged to operations at the time impairment is identified. No write-down of capital assets was required for the year ended June 30, 2018.

(s) 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 and OPEB 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, pension, and OPEB related deferred outflows, and beneficial interests in irrevocable trusts.

(t) Net Pension and OPEB Liabilities

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

(u) Accounts Payable and Accrued Liabilities

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

(v) 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. There is no requirement that annual leave be taken, and there is no maximum accumulation. At termination, these employees are paid for up to 240 hours of accumulated leave.

Nine-month employees earn major medical leave at a rate of 13.36 hours per month for one month to three years of service; 14.24 hours per month for three to eight years of service; 15.12 hours per month for eight to 15 years of service; and from 16 hours per month for fifteen years of service and above. There is no limit on the accumulation of major medical leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

(w) Unearned Revenues

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

(x) Deposits Refundable

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

(y) Non-current Liabilities

Non-current liabilities include: (1) carrying amounts of revenue bonds payable, notes payable and capital lease obligations; (2) estimated amounts of proportionate share of net pension and OPEB liabilities; (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.

(z) 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 \$55.0 million as of June 30, 2018.

(aa) 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).

(bb) Classification of Revenues and Expenses

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

Operating revenues and expenses have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances and bad debt expense; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most 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 expenses; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, commodities (supplies) and contractual services; (4) professional fees; and (5) depreciation expense related to certain capital assets.

Nonoperating revenues and expenses have the characteristics of nonexchange transactions, such as gifts and contributions, state appropriations, 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.

(cc) 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. Examples include residence halls, bookstore, convenience store, laundry, faculty and staff housing, food services and intercollegiate athletic programs (only if they are essentially self-supporting). The general public may be served incidentally by auxiliary enterprises.

(dd) 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 in future periods as final settlements are determined.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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 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 intermediaries.

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 28.5% and 30.9%, respectively, of UMMC's net patient service revenues for the year ended June 30, 2018. 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 will change by a material amount in the near term.

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.

(ee) Hospital Reimbursement

The University Hospitals and Health System (UHHS) Medicare cost reports have been audited and settled by the fiscal intermediary through the cost reports filed for the year ended June 30, 2012 for the Jackson Campus, for the year ended June 30, 2016 for Holmes County Hospital, and for the year ended June 30, 2016 for UMMC Grenada.

During fiscal year 2009, 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, 2018, UHHS maintains a reserve of approximately \$47.0 million for Medicaid rate recalculations and other adjustments for prior fiscal years.

(ff) 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.

(gg) 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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.

Note 2

Cash and Investments

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

Custodial Credit Risk – Deposits

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured and unregistered with securities held by the counterparty's trust department or agent, but not held in the government's name. The IHL System had no investments exposed to custodial credit risk at June 30, 2018.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 of the Mississippi Code Annotated (1972). Under this program, the University's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of the failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

A summary of cash and investments as of June 30, 2018 is as follows:

Cash	\$	601,356,715
Restricted cash and cash equivalents		76,978,961
U.S. Treasury securities		324,124,930
U.S. government agency securities		258,885,057
Commercial mortgage backed securities		2,225,184
Collateralized mortgage obligations		25,659,663
Asset backed securities		14,329,096
Corporate bonds and notes		2,895,352
Certificates of deposit		36,493,441
Municipal bonds		27,927,211
Money market funds		2,005,874
Domestic equity securities		6,224,856
Fixed income mutual funds		35,460,005
International equity mutual funds		26,464,680
Domestic equity mutual funds		36,883,559
Equity long/short hedge funds		78,162,314
Private capital		41,156,570
University of Mississippi Foundation Investment Pool		3,902,992
Mississippi State Foundation Investment Pool		36,658,020
Miscellaneous		120,380,624
Total	\$	<u><u>1,758,175,105</u></u>

The following table presents 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, 2018:

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:				
U.S. Treasury securities	\$ 318,222,116	5,902,814	—	324,124,930
Fixed income mutual funds	35,460,005	—	—	35,460,005
U.S. government securities	31,684,645	227,200,412	—	258,885,057
Mortgage obligations and asset backed securities	—	42,213,943	—	42,213,943
Corporate bonds and notes	1,530,924	1,364,428	—	2,895,352
Certificates of deposit	17,315,702	19,177,739	—	36,493,441
Municipal bonds	1,797,880	26,129,331	—	27,927,211
Money market funds	1,330,577	675,297	—	2,005,874
Total fixed income investments	<u>\$ 407,341,849</u>	<u>322,663,964</u>	<u>—</u>	<u>730,005,813</u>
Equity securities:				
Domestic equity securities	5,099,738	1,125,118	—	6,224,856
Equity mutual funds	36,883,559	—	—	36,883,559
International equity mutual funds	26,464,680	—	—	26,464,680
Total equity securities	<u>\$ 68,447,977</u>	<u>1,125,118</u>	<u>—</u>	<u>69,573,095</u>
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				\$ 78,162,314
Private capital				41,156,570
Mississippi State Foundation Investment Pool				36,658,020
University of Mississippi Foundation Investment Pool				3,902,992
Other miscellaneous investments				35,688,565
Total investments measured at NAV				<u>195,568,461</u>
Total investments measured at fair value				<u>\$ 995,147,369</u>

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

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>
Equity long/short hedge funds (1)	\$ 78,162,314	1,037,284	Quarterly	75 Days
Private capital (2)	41,156,570	18,595,445	Various	Various
Mississippi State Foundation Investment Pool	36,658,020	—	Daily	1-3 Days
University of Mississippi Foundation Investment Pool	3,902,992	—	Daily	1-3 Days
Other miscellaneous investments (3)	35,688,565		Various	Various
	<u>\$ 195,568,461</u>			

- (1) Equity long/short hedge and venture capital 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 investments 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 consist of various other tangible items such as land, timberland and various real estate, etc.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investments are exposed to custodial 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, 2018.

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. As of June 30, 2018, the IHL System had the following investments subject to interest rate risk:

	Fair value	Years to maturity			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasury obligations	\$ 324,124,930	93,192,531	223,692,632	7,163,790	75,977
U.S. government agency obligations	258,885,057	33,675,933	173,607,695	48,808,639	2,792,790
Commercial mortgage backed securities	2,225,184	7,553	277,636	905,684	1,034,311
Collateralized mortgage obligations	25,659,663	4,519,306	-	1,872,768	19,267,589
Asset backed securities	14,329,096	-	-	1,082,917	13,246,179
Corporate bonds and notes	2,895,352	229,999	2,245,534	306,392	113,427
Certificates of deposit	36,493,441	17,602,858	18,890,583	-	-
Municipal obligations	27,927,211	4,477,702	15,864,128	7,283,338	302,043
Fixed income mutual funds	35,460,005	722,104	27,898,832	6,173,538	665,531
Total	\$ 727,999,939	154,427,986	462,477,040	73,597,066	37,497,847

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, 2018, the IHL System had the following investments recorded at fair value subject to credit risk:

Credit rating:		Reconciliation to total cash and investments:	
AAA	\$ 60,872,723	Cash	\$ 601,356,715
Aaa	69,954,856	Restricted cash and cash equivalents	76,978,961
Aa2	25,301,197	U.S. Treasury securities	324,124,930
Aa3	561,419	Certificates of deposit	36,493,441
AA	10,583,488	Money market funds	2,005,874
A1	6,466	Equity securities	69,573,095
A2	785,649	Investments measured at NAV	195,568,461
A3	25,843	Repurchase agreement	84,692,059
A	713,782	Total	1,390,793,537
AA+	95,369,378		
AA-	751,335	Total cash and investments	\$ 1,758,175,105
BA	6,484		
BAA	204,741		
Ba1	100,258		
Not rated, or rating unavailable	102,143,949		
Total	\$ 367,381,568		

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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.

As of June 30, 2018, the IHL System had the following issuer holding investments recorded at fair value that exceeded 5% of total investments:

<u>Issuer</u>	<u>Fair value</u>	<u>Percentage</u>
Federal Home Loan Bank notes	\$ 90,889,953	8.66%
Federal Farm Credit Bank notes	52,622,330	5.01%

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 \$20.8 million at June 30, 2018.

Note 3

Accounts Receivable, net

Accounts receivable consisted of the following at June 30, 2018:

Student tuition	\$ 105,389,440
Auxiliary enterprises and other operating activities	37,922,485
Contributions and gifts	5,686,649
Federal, state, and private grants and contracts	91,586,806
State Appropriations	9,537,728
Accrued Interest	3,959,382
Patient Income	640,749,269
Other	<u>27,798,758</u>
Total Accounts receivable	<u>922,630,517</u>
Less allowance for doubtful accounts	<u>565,854,483</u>
Net Accounts receivable	<u>\$ 356,776,034</u>

Note 4

Notes Receivable from Students

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the IHL System at June 30, 2018:

	Interest Rates	June 30, 2018	Current Portion	Non-Current Portion
Perkins student loans	3% to 9%	\$ 66,650,785	9,184,259	57,466,526
Institutional loans	0% to 9%	62,400,359	9,074,273	53,326,086
Nursing student loans	3% to 9%	3,629,435	112,568	3,516,867
Dental student loans	3% to 9%	296,247	35,352	260,895
Medical student loans	3% to 9%	156,780	9,894	146,886
Other federal loans	3% to 9%	2,195,220	2,152,427	42,793
Total notes receivable		135,328,826	20,568,773	114,760,053
Less allowance for doubtful accounts		(21,023,911)	(2,612,916)	(18,410,995)
Net notes receivable		\$ 114,304,915	17,955,857	96,349,058

Note 5

Capital Assets

A summary of changes in capital assets for the year ended June 30, 2018 is presented as follows:

	Balance June 30, 2017	Additions	Deletions/ transfers	Balance June 30, 2018
Nondepreciable Capital Assets:				
Land	\$ 107,836,842	5,477,406	-	113,314,248
Construction in progress	739,688,947	220,452,269	407,079,290	553,061,926
Livestock	1,711,663	104,087	223,050	1,592,700
Total nondepreciable capital assets	849,237,452	226,033,762	407,302,340	667,968,874
Depreciable capital assets:				
Buildings	3,713,069,481	388,274,431	7,403,408	4,093,940,504
Improvements other than buildings	360,661,731	52,981,857	147,859	413,495,729
Equipment	852,440,990	73,365,156	43,464,212	882,341,934
Library books	417,528,089	14,851,816	871,333	431,508,572
Total depreciable assets	5,343,700,291	529,473,260	51,886,812	5,821,286,739
Total capital assets	6,192,937,743	755,507,022	459,189,152	6,489,255,613
Less accumulated depreciation for:				
Buildings	985,336,353	73,737,217	73,566	1,059,000,004
Improvements other than buildings	153,077,984	14,517,182	6,226	167,588,940
Equipment	623,054,955	58,475,773	35,408,677	646,122,051
Library books	356,048,738	13,784,153	847,848	368,985,043
Total accumulated depreciation	2,117,518,030	160,514,325	36,336,317	2,241,696,038
Net capital assets	\$ 4,075,419,713	594,992,697	422,852,835	4,247,559,575

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

As of June 30, 2018, capital assets included assets under capital leases with an original cost basis of approximately \$2.9 million with accumulated amortization of \$1.5 million.

Depreciation is computed on a straight-line basis except for library books, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

Capital assets	Estimated useful life	Salvage value	Capitalization threshold
Buildings	40 Years	0 - 20 %	\$ 50,000
Improvements other than buildings	20 Years	0 - 20	25,000
Equipment	3-15 Years	0 - 10	50,000
Library books	10 Years	—	—

Note 6

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension related (see note 15)	\$ 295,211,695	\$ 57,944,918
OPEB related (see note 16)	7,289,670	7,670,577
Unamortized loss/gain on refunding of debt	48,575,031	5,407,973
Other	64,320	-
Beneficial interest in irrevocable trusts	-	33,592,648
Totals	<u>\$ 351,140,716</u>	<u>\$ 104,616,116</u>

Note 7

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are considered current and expected to be settled within one year, as follows:

Payable to vendors and contractors	\$ 131,807,475
Accrued salaries, wages and employee withholdings	90,953,089
Accrued interest	6,315,453
Other	<u>439,910</u>
Total	<u>\$ 229,515,927</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 8

Unearned Revenues

Unearned revenues are considered current and expected to be settled within one year, as follows:

Unearned summer school revenue	\$ 29,237,845
Unearned grants and contract revenue	38,191,350
Other principally athletic activities	<u>33,170,263</u>
Total	<u>\$ 100,599,458</u>

Note 9

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, 2018 is listed in the following schedule.

2018 Condensed Financial Information for Educational Building Corporations								
	ASU	DSU	JSU	MSU	MVSU	UM	USM	UMMC
Current assets	\$ 3,494	—	—	—	—	22,188,514	6,289,502	7,620,439
Noncurrent assets	41,783,576	14,330,000	96,086,742	330,015,000	17,900,000	262,017,628	168,824,071	338,205,448
Total assets	<u>41,787,070</u>	<u>14,330,000</u>	<u>96,086,742</u>	<u>330,015,000</u>	<u>17,900,000</u>	<u>284,206,142</u>	<u>175,113,573</u>	<u>345,825,887</u>
Deferred outflows of resources	—	—	10,466,673	—	—	—	—	4,452,879
Current liabilities	2,137,513	1,005,000	3,927,128	10,205,000	585,000	18,117,209	6,289,502	16,742,416
Noncurrent liabilities	48,284,650	13,325,000	102,626,287	319,810,000	17,315,000	260,680,960	168,824,071	332,798,323
Total liabilities	<u>50,422,163</u>	<u>14,330,000</u>	<u>106,553,415</u>	<u>330,015,000</u>	<u>17,900,000</u>	<u>278,798,169</u>	<u>175,113,573</u>	<u>349,540,739</u>
Deferred inflows of resources	—	—	—	—	—	5,407,973	—	—
Total net position	<u>\$ (8,635,093)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>738,027</u>
Operating revenues	\$ 3,796,438	—	—	—	862,861	—	—	13,707,137
Operating expenses	(4,346,280)	—	—	—	(862,861)	—	—	(13,496,585)
Total operating income (loss)	<u>(549,842)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>210,552</u>
Nonoperating revenues	77	—	4,975,388	13,955,635	—	12,117,537	5,907,339	—
Nonoperating expenses	—	(975,000)	(4,975,388)	(13,955,635)	—	(12,117,537)	(5,907,339)	—
Total nonoperating revenue (expenses)	<u>77</u>	<u>(975,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Change in net position	<u>\$ (549,765)</u>	<u>(975,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>210,552</u>

Note 10

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, 2018. 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, net pension liability, net OPEB 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, 2018

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, 2018 is listed in the following schedules.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Alcorn State University:								
Bonded Debt								
2009 Series A Student Residence	\$ 47,000,000	5.125% - 5.25%	2040	\$ 2,450,000	-	720,000	1,730,000	815,000
2016 Series	50,204,677	2.00% - 5.00%	2040	43,375,000	-	-	43,375,000	-
Unamortized Premium				4,187,164	-	192,514	3,994,650	-
Total Bonded Debt				50,012,164	-	912,514	49,099,650	815,000
Other Long-term Liabilities								
Accrued leave liabilities				4,457,790	-	784,661	3,673,129	842,107
Net pension liability				82,196,659	12,522,086	18,784,551	75,934,194	-
Net OPEB liability *				4,692,032	-	138,342	4,553,690	-
Deposits refundable				666,192	170	-	666,362	-
Total Other liabilities				92,012,673	12,522,256	19,707,554	84,827,375	842,107
Total				\$ 142,024,837	12,522,256	20,620,068	133,927,025	1,657,107
Due within one year							(1,657,107)	
Total noncurrent liabilities							\$ 132,269,918	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Delta State University:								
Bonded Debt								
DSU Refunding Bonds, Series 2009A								
Men's Residence Hall	3,135,000	2.50% to 3.75%	2019	\$ 845,000	-	415,000	430,000	430,000
DSU Refunding Bonds, Series 2016								
Foundation Hall/Court of Gov	15,105,000	2.00% to 5.00%	2039	14,460,000	-	560,000	13,900,000	575,000
Total Bonded Debt				<u>15,305,000</u>	<u>-</u>	<u>975,000</u>	<u>14,330,000</u>	<u>1,005,000</u>
Capital Leases								
Aircraft				285,303	-	285,303	-	-
Infrastructure/Desktop/Hardware				70,274	-	38,734	31,540	30,921
Total Capital Leases				<u>355,577</u>	<u>-</u>	<u>324,037</u>	<u>31,540</u>	<u>30,921</u>
Other Long-term Liabilities								
Accrued leave liabilities				1,619,954	15,081	171,421	1,463,614	246,467
Deposits refundable				110,527	-	464	110,063	-
Net pension liability				47,229,075	8,221,537	11,111,732	44,338,880	-
Net OPEB liability *				3,288,310	-	75,367	3,212,943	-
Federal Loan Fund Repayment Contingency				1,898,549	28,006	1,773,598	152,957	-
Total Other liabilities				<u>54,146,415</u>	<u>8,264,624</u>	<u>13,132,582</u>	<u>49,278,457</u>	<u>246,467</u>
Total				<u>\$ 69,806,992</u>	<u>8,264,624</u>	<u>14,431,619</u>	<u>63,639,997</u>	<u>1,282,388</u>
Due within one year							(1,282,388)	
Total noncurrent liabilities							<u>\$ 62,357,609</u>	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Jackson State University:								
Bonded Debt								
Dormitory Revenue Bonds - 1982	\$ 4,000,000	1.00% - 3.00%	2021	\$ 670,000	-	160,000	510,000	165,000
Refunding Bond 2010A-1	31,325,000	3.00% - 5.00%	2034	21,735,000	-	21,735,000	-	-
Campus Revenue Bond 2015A	57,595,000	2.00% - 5.00%	2045	56,485,000	-	545,000	55,940,000	605,000
Campus Revenue Bond 2015B	13,065,000	0.069% - 2.6%	2021	7,885,000	-	2,570,000	5,315,000	2,560,000
EBC Series 2017	6,000,000	3.38%	2028	6,000,000	-	-	6,000,000	-
EBC Series 2017A	29,745,000	1.6% - 3.7%	2034	-	29,745,000	320,000	29,425,000	230,000
Unamortized premium				4,754,202	3,347,128	-	8,101,330	-
Total Bonded Debt				97,529,202	33,092,128	25,330,000	105,291,330	3,560,000
Capital Leases - Buses	1,127,000	4.56%		882,902	-	101,200	781,702	105,867
Capital Leases - Band equipment	463,638	2.06%		311,559	-	154,183	157,376	157,376
Total Capital Leases				1,194,461	-	255,383	939,078	263,243
Other Long-term Liabilities								
Accrued leave liabilities				5,119,111	247,297	684,935	4,681,473	386,381
Net pension liability				155,284,587	34,188,282	37,398,739	152,074,130	-
Net OPEB liability *				8,351,160	-	427,404	7,923,756	-
Deposits refundable				96,148	-	763,949	(667,801)	-
Federal Loan Fund Repayment Contingency				1,877,584	35,203	-	1,912,787	-
Notes Payable				422,007	-	99,000	323,007	103,885
Total Other liabilities				171,150,597	34,470,782	39,374,027	166,247,352	490,266
Total				\$ 269,874,260	67,562,910	64,959,410	272,477,760	4,313,509
Due within one year							(4,313,509)	
Total noncurrent liabilities							\$ 268,164,251	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi State University:								
Bonded Debt								
Dormitory Revenue System	\$ 2,250,000	3.00%	2022	\$ 365,000	-	85,000	280,000	90,000
Student Apartments	2,038,000	3.00%	2023	420,000	-	80,000	340,000	80,000
EBC98 - Revenue Bonds	31,865,000	3.75% - 5.25%	2019	1,630,000	-	1,630,000	-	-
EBC07A - Revenue Bonds	6,110,000	4.125% - 5.00%	2019	290,000	-	290,000	-	-
EBC09A-1 Revenue Bonds	29,615,000	2.50% - 5.25%	2040	2,180,000	-	700,000	1,480,000	725,000
EBC09A-2 Refunding Bonds	17,105,000	2.75% - 5.00%	2025	3,650,000	-	-	3,650,000	1,790,000
EBC11 Refunding Bonds	54,370,000	2.00% - 5.00%	2043	44,425,000	-	39,415,000	5,010,000	1,185,000
EBC13 - Revenue Bonds	60,470,000	2.00% - 5.00%	2044	58,950,000	-	48,280,000	10,670,000	555,000
EBC14A - Revenue Bonds	89,810,000	2.00% - 5.00%	2044	83,400,000	-	3,365,000	80,035,000	3,480,000
EBC14B - Revenue Bonds	23,435,000	0.29% - 4.813%	2044	21,075,000	-	915,000	20,160,000	935,000
EBC15-Revenue Bonds	56,010,000	2.00% - 5.00%	2046	55,015,000	-	1,020,000	53,995,000	1,050,000
EBC17-Revenue Bonds	63,270,000	2.00% - 5.00%	2046	63,270,000	-	330,000	62,940,000	280,000
EBC17A-Revenue Bonds	92,075,000	2.00% - 5.00%	2044	-	92,075,000	-	92,075,000	205,000
Unamortized premium				20,277,381	3,016,935	-	23,294,316	-
Total Bonded Debt				<u>354,947,381</u>	<u>95,091,935</u>	<u>96,110,000</u>	<u>353,929,316</u>	<u>10,375,000</u>
Other Long-term Liabilities								
Accrued leave liabilities				25,524,490	-	2,630,312	22,894,178	3,014,672
Net pension liability				575,770,041	87,903,794	138,021,898	525,651,937	-
Net OPEB liability *				31,763,475	-	1,517,798	30,245,677	-
Deposits refundable				34,195	20,507	-	54,702	-
Federal Loan Fund Repayment Contingency				13,566,127	-	245,815	13,320,312	-
Total Other liabilities				<u>646,658,328</u>	<u>87,924,301</u>	<u>142,415,823</u>	<u>592,166,806</u>	<u>3,014,672</u>
Total				<u>\$ 1,001,605,709</u>	<u>183,016,236</u>	<u>238,525,823</u>	<u>946,096,122</u>	<u>13,389,672</u>
Due within one year							<u>(13,389,672)</u>	
Total noncurrent liabilities							<u>\$ 932,706,450</u>	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi University for Women:								
Capital Leases								
Network Core Upgrade and golf carts		2.76%	10/10/2018	\$ 228,026	-	150,973	77,053	77,053
Other Long-term Liabilities								
Accrued leave liabilities				1,375,457	-	334,624	1,040,833	48,061
Net pension liability				41,584,769	7,778,562	10,089,202	39,274,129	-
Net OPEB liability *				2,415,096	-	72,686	2,342,410	-
Federal Loan Fund Repayment Contingency				883,492	2,124	-	885,616	-
Total Other liabilities				<u>46,258,814</u>	<u>7,780,686</u>	<u>10,496,512</u>	<u>43,542,988</u>	<u>48,061</u>
Total				<u>\$ 46,486,840</u>	<u>7,780,686</u>	<u>10,647,485</u>	<u>43,620,041</u>	<u>125,114</u>
Due within one year							<u>(125,114)</u>	
Total noncurrent liabilities							<u>\$ 43,494,927</u>	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi Valley State University:								
Bonded Debt								
EBC Bonds - 2007	\$ 19,015,000	4.00%	2022	\$ 885,000	-	170,000	715,000	180,000
EBC Bonds - 2015	17,270,000	2.00%	2037	17,270,000	-	85,000	17,185,000	405,000
Total Bonded Debt				18,155,000	-	255,000	17,900,000	585,000
Capital Leases								
				328,814	-	79,466	249,348	81,264
Total Capital Leases				328,814	-	79,466	249,348	81,264
Other Long-term Liabilities								
Accrued leave liabilities				1,903,779	-	295,555	1,608,224	156,329
Net pension liability				44,719,677	7,214,224	9,934,603	41,999,298	-
Net OPEB liability *				3,278,741	-	103,346	3,175,395	-
Deposits refundable				30,587	565	-	31,152	-
Total Other liabilities				49,932,784	7,214,789	10,333,504	46,814,069	156,329
Total				\$ 68,087,784	7,214,789	10,588,504	64,963,417	822,593
Due within one year							(822,593)	
Total noncurrent liabilities							\$ 64,140,824	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Mississippi:								
Bonded Debt								
EBC - Series 2008A	\$ 29,785,000	4.00% - 4.25%	2034	\$ 1,900,000	-	930,000	970,000	970,000
EBC - Series 2009A	19,870,000	3.50% - 4.50%	2030	14,470,000	-	12,635,000	1,835,000	900,000
EBC - Series 2009B	24,165,000	3.623% - 5.00%	2021	9,605,000	-	2,210,000	7,395,000	2,345,000
EBC - Series 2009C	14,770,000	3.25% - 4.75%	2035	11,925,000	-	10,965,000	960,000	470,000
EBC - Series 2011	27,995,000	3.00% - 5.00%	2032	24,920,000	-	20,465,000	4,455,000	945,000
EBC - Series 2013C	62,900,000	3.22%	2034	62,900,000	-	-	62,900,000	-
EBC - Series 2013D	12,100,000	3.10%	2021	8,669,465	-	2,370,085	6,299,380	2,448,080
EBC - Series 2015	12,600,000	Variable	2026	11,250,000	-	900,000	10,350,000	900,000
EBC - Series 2015A	15,660,000	2.00% - 4.00%	2040	15,380,000	-	190,000	15,190,000	215,000
EBC - Series 2015B	10,125,000	1.375% - 3.75%	2030	8,985,000	-	590,000	8,395,000	600,000
EBC - Series 2015C	31,630,000	2.00% - 5.00%	2047	31,030,000	-	610,000	30,420,000	625,000
EBC - Series 2015D	17,660,000	0.993% - 4.452%	2037	16,975,000	-	690,000	16,285,000	700,000
EBC - Series 2016A	33,245,000	2.00% - 5.00%	2035	32,670,000	-	1,850,000	30,820,000	1,890,000
EBC - Series 2017	38,995,000	2.00% - 5.00%	2035	-	38,995,000	595,000	38,400,000	-
Unamortized Premium				6,468,145	3,352,455	764,320	9,056,280	724,376
Total Bonded Debt				257,147,610	42,347,455	55,764,405	243,730,660	13,732,456
Other Long-term Liabilities								
Accrued leave liabilities				16,760,808	-	1,491,059	15,269,749	1,845,000
Net pension liability				333,566,560	62,471,894	76,911,012	319,127,442	-
Net OPEB liability *				19,969,099	-	162,885	19,806,214	-
Deposits refundable				91,515	10,000	-	101,515	-
Notes Payable - Hancock Bank				8,659,809	-	865,670	7,794,139	888,360
Notes Payable - Renasant Bank				-	8,000,000	115,548	7,884,452	705,222
Notes Payable - Trustmark Bank				-	17,783,300	-	17,783,300	1,185,553
Federal Loan Fund Repayment Contingency				9,445,100	-	979,900	8,465,200	-
Total Other liabilities				388,492,891	88,265,194	80,526,074	396,232,011	4,624,135
Total				\$ 645,640,501	130,612,649	136,290,479	639,962,671	18,356,591
Due within one year							(18,356,591)	
Total noncurrent liabilities							\$ 621,606,080	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Southern Mississippi:								
Bonded Debt								
SMEBC Series 2009	\$ 49,900,000	2.75% - 5.38%	2037	\$ 1,775,000	-	455,000	1,320,000	585,000
SMEBC Series 2013	51,875,000	2.00% - 5.00%	2044	47,680,000	-	39,230,000	8,450,000	320,000
SMEBC Series 2015A	38,600,000	2.00% - 5.00%	2034	37,890,000	-	1,210,000	36,680,000	1,290,000
SMEBC Series 2015B	16,690,000	0.50% - 3.25%	2034	14,150,000	-	2,190,000	11,960,000	2,225,000
SMEBC Series 2016	58,870,000	2.00% - 5.00%	2040	58,560,000	-	335,000	58,225,000	345,000
SMEBC Series 2017	44,005,000	2.00% - 5.00%	2044	-	44,005,000	600,000	43,405,000	165,000
Umamortized Premium				19,288,158	1,659,517	5,874,102	15,073,573	1,359,502
Total Bonded Debt				179,343,158	45,664,517	49,894,102	175,113,573	6,289,502
Capital Leases								
Beechcraft King Air	1,585,165	4.50%	2019	250,985	-	250,985	-	-
Voice over IP system	1,754,754	0.75%	2018	354,235	-	354,235	-	-
Total Capital Leases				605,220	-	605,220	-	-
Other Long-term Liabilities								
Accrued leave liabilities				10,314,876	415,207	1,369,520	9,360,563	1,312,800
Net pension liability				233,764,776	40,137,610	51,842,178	222,060,208	-
Net OPEB liability *				14,277,056	-	239,351	14,037,705	-
Deposits refundable				9,686	-	60	9,626	-
Notes Payable, SMEBC Series 2007A				171,730	-	171,730	-	-
Federal Loan Fund Repayment Contingency				26,267,851	-	39,988	26,227,863	-
Total Other liabilities				284,805,975	40,552,817	53,662,827	271,695,965	1,312,800
Total				\$ 464,754,353	86,217,334	104,162,149	446,809,538	7,602,302
Due within one year							(7,602,302)	
Total noncurrent liabilities							\$ 439,207,236	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Mississippi Medical Center:								
Bonded Debt								
G.R. Refunding Bonds, Series 1998B	\$ 41,075,000	3.88% - 5.90%	2024	\$ 23,670,000	-	2,865,000	20,805,000	3,020,000
G.R. Bonds, Series 2009	105,605,000	2.00% - 5.00%	2034	71,635,000	-	69,085,000	2,550,000	2,550,000
G.R. Bonds, Series 2010A	24,870,000	5.92% - 6.69%	2032	24,870,000	-	-	24,870,000	-
G.R. Bonds, Series 2010B	20,000,000	6.84%	2035	20,000,000	-	-	20,000,000	-
G.R. Bonds, Series 2010C	5,130,000	2.5% to 5.0%	2020	1,735,000	-	555,000	1,180,000	575,000
G.R. Bonds Series 2012A	51,860,000	4.0% to 5.0%	2041	51,860,000	-	-	51,860,000	-
G.R. Bonds Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	-	-	53,390,000	-
G.R. Bonds Series 2017A	137,635,000	3.0% to 5.0%	2047	-	137,635,000	245,000	137,390,000	-
G.R. Bonds Series 2017B	12,345,000	2.45% to 3.10%	2024	-	12,345,000	-	12,345,000	-
Unamortized premium				3,842,988	13,558,908	2,848,573	14,553,323	687,314
Total Bonded Debt				251,002,988	163,538,908	75,598,573	338,943,323	6,832,314
Other Long-term Liabilities								
Accrued leave liabilities				59,128,227	3,529,691	5,556,624	57,101,294	5,305,097
Federal Loan Fund Repayment Contingency				4,453,811	138,845	485,863	4,106,793	-
Net pension liability				1,288,831,062	251,490,560	327,350,706	1,212,970,916	-
Net OPEB liability *				59,763,754	-	2,100,043	57,663,711	-
Reserve for unpaid claims				35,352,504	4,421,532	3,886,036	35,888,000	5,311,000
Total Other liabilities				1,447,529,358	259,580,628	339,379,272	1,367,730,714	10,616,097
Total				\$ 1,698,532,346	423,119,536	414,977,845	1,706,674,037	17,448,411
Due within one year							(17,448,411)	
Total noncurrent liabilities							\$ 1,689,225,626	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
IHL Board Office:								
Other Long-term Liabilities								
Accrued leave liabilities				\$ 821,376	-	110,402	710,974	41,934
Net pension liability				20,018,666	4,238,433	6,175,635	18,081,464	-
Net OPEB liability *				761,371	-	48,539	712,832	-
Reserve for unpaid claims				36,253,249	360,308	1,934,951	34,678,606	8,255,641
Total Other liabilities				\$ 57,854,662	4,598,741	8,269,527	54,183,876	8,297,575
Due within one year							(8,297,575)	
Total noncurrent liabilities							\$ 45,886,301	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Beginning balance	Additions	Deletions	Ending balance	Due within one year
MCVS:								
Other Long-term Liabilities								
Accrued leave liabilities				\$ 74,999	435	9,628	65,806	6,239
Net pension liability				1,586,388	476,887	413,672	1,649,603	-
Total Other liabilities				\$ 1,661,387	477,322	423,300	1,715,409	6,239
Due within one year							(6,239)	
Total noncurrent liabilities							\$ 1,709,170	

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Description and Purpose	Beginning balance	Additions	Deletions	Ending balance	Due within one year
State of Mississippi Institutions of Higher Learning -- Combined:					
Total bonded debt	\$ 1,223,442,503	379,734,943	304,839,594	1,298,337,852	43,194,272
Total capital leases	2,712,098	-	1,415,079	1,297,019	452,481
Reserves for unpaid claims	71,605,753	4,781,840	5,820,987	70,566,606	13,566,641
Other long-term liabilities and notes payable:					
Net pension liability	2,824,552,260	516,643,869	688,033,928	2,653,162,201	-
Net OPEB liability *	148,560,094	-	4,885,761	143,674,333	-
Accrued leave liabilities	127,100,867	4,207,711	13,438,741	117,869,837	13,205,087
Deposits refundable	1,038,850	31,242	764,473	305,619	-
Notes payable	9,253,546	25,783,300	1,251,948	33,784,898	2,883,020
Refundable government advances and other	58,392,514	204,178	3,525,164	55,071,528	-
Total other long-term liabilities and notes payable	3,168,898,131	546,870,300	711,900,015	3,003,868,416	16,088,107
Total	\$ 4,466,658,485	931,387,083	1,023,975,675	4,374,069,893	73,301,501
Due within one year				(73,301,501)	
Total noncurrent liabilities				\$ 4,300,768,392	

* Net OPEB liability is recorded at the beginning of fiscal year 2018 in accordance with GASB Statement No. 75.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

The annual debt service requirements for the outstanding debt as of June 30, 2018 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:					
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	1,335,000	—	—	1,648,925	2,983,925
2024 - 2028	8,410,000	—	—	7,217,575	15,627,575
2029 - 2033	11,260,000	—	—	4,828,125	16,088,125
2034 - 2038	13,795,000	—	—	2,365,163	16,160,163
2039 - 2043	10,209,650	—	—	144,088	10,353,738
Total	<u>\$ 49,099,650</u>	<u>—</u>	<u>—</u>	<u>23,240,151</u>	<u>72,339,801</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:					
2019	\$ 1,005,000	31,540	—	514,983	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	620,000	—	—	458,550	1,078,550
2024 - 2028	2,805,000	—	—	1,909,525	4,714,525
2029 - 2033	3,260,000	—	—	1,289,350	4,549,350
2034 - 2038	3,955,000	—	—	587,300	4,542,300
2039 - 2043	895,000	—	—	17,900	912,900
Total	<u>\$ 14,330,000</u>	<u>31,540</u>	<u>—</u>	<u>6,226,058</u>	<u>20,587,598</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:					
2019	\$ 4,238,243	263,243	103,885	4,572,765	9,178,136
2020	4,190,750	110,750	107,025	4,546,944	8,955,469
2021	4,330,858	115,858	112,097	3,897,823	8,456,636
2022	4,506,201	121,201	—	3,723,676	8,351,078
2023	5,706,791	126,791	—	3,503,636	9,337,218
2024 - 2028	31,406,235	201,235	—	13,635,595	45,243,065
2029 - 2033	32,435,000	—	—	6,977,666	39,412,666
2034 - 2038	15,117,252	—	—	1,300,670	16,417,922
2039 - 2043	2,300,000	—	—	509,000	2,809,000
2044 - 2048	1,060,000	—	—	64,000	1,124,000
Total	<u>\$ 105,291,330</u>	<u>939,078</u>	<u>323,007</u>	<u>42,731,775</u>	<u>149,285,190</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

<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:					
2019	\$ 13,209,268	—	—	15,618,074	28,827,342
2020	13,959,801	—	—	15,238,034	29,197,835
2021	14,178,566	—	—	13,264,133	27,442,699
2022	14,348,456	—	—	12,756,423	27,104,879
2023	14,545,103	—	—	12,228,438	26,773,541
2024 - 2028	67,005,035	—	—	52,414,319	119,419,354
2029 - 2033	64,314,094	—	—	38,984,612	103,298,706
2034 - 2038	68,720,129	—	—	23,969,804	92,689,933
2039 - 2043	64,914,220	—	—	10,502,053	75,416,273
2044 - 2048	18,734,644	—	—	730,502	19,465,146
Total	\$ <u>353,929,316</u>	<u>—</u>	<u>—</u>	<u>195,706,392</u>	<u>549,635,708</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 University for Women:					
2019	\$ —	77,053	—	1,063	78,116
Total	\$ <u>—</u>	<u>77,053</u>	<u>—</u>	<u>1,063</u>	<u>78,116</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:					
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	575,000	—	—	514,506	1,089,506
2024 - 2028	3,655,000	—	—	2,306,105	5,961,105
2029 - 2033	5,285,000	—	—	1,634,675	6,919,675
2034 - 2038	5,775,000	—	—	553,151	6,328,151
Total	\$ <u>17,900,000</u>	<u>249,348</u>	<u>—</u>	<u>7,269,191</u>	<u>25,418,539</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:					
2019	\$ 13,732,456	—	2,779,135	9,630,876	26,142,467
2020	13,184,908	—	2,821,784	9,344,795	25,351,487
2021	14,080,910	—	2,866,618	8,857,913	25,805,441
2022	12,115,482	—	2,912,154	8,343,983	23,371,619
2023	12,264,913	—	2,958,925	7,858,350	23,082,188
2024 - 2028	69,430,206	—	13,195,508	30,153,474	112,779,188
2029 - 2033	61,764,671	—	5,927,767	15,051,373	82,743,811
2034 - 2038	31,646,355	—	—	4,973,952	36,620,307
2039 - 2043	10,194,260	—	—	2,241,444	12,435,704
2044 - 2048	5,316,499	—	—	395,125	5,711,624
Total	\$ <u>243,730,660</u>	<u>—</u>	<u>33,461,891</u>	<u>96,851,285</u>	<u>374,043,836</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

<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:					
2019	\$ 6,289,502	—	—	6,656,234	12,945,736
2020	6,676,062	—	—	6,543,059	13,219,121
2021	7,016,009	—	—	6,411,901	13,427,910
2022	7,025,030	—	—	6,221,251	13,246,281
2023	6,097,947	—	—	27,577,669	33,675,616
2024 - 2028	36,500,674	—	—	19,924,431	56,425,105
2029 - 2033	46,446,866	—	—	9,566,413	56,013,279
2034 - 2038	37,647,271	—	—	3,082,650	40,729,921
2039 - 2043	21,414,212	—	—	165,225	21,579,437
Total	\$ <u>175,113,573</u>	<u>—</u>	<u>—</u>	<u>86,148,833</u>	<u>261,262,406</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:					
2019	\$ 6,832,314	—	—	14,972,229	21,804,543
2020	7,077,910	—	—	14,830,246	21,908,156
2021	7,323,827	—	—	14,582,522	21,906,349
2022	7,613,827	—	—	14,280,218	21,894,045
2023	7,918,826	—	—	13,959,503	21,878,329
2024 - 2028	41,694,132	—	—	64,512,860	106,206,992
2029 - 2033	52,369,132	—	—	53,113,488	105,482,620
2034 - 2038	68,974,132	—	—	38,609,874	107,584,006
2039 - 2043	77,620,727	—	—	21,043,923	98,664,650
2044 - 2048	61,518,496	—	—	5,025,104	66,543,600
Total	\$ <u>338,943,323</u>	<u>—</u>	<u>—</u>	<u>254,929,967</u>	<u>593,873,290</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>
State of Mississippi - Institutions of Higher Learning (Combined):					
2019	\$ 46,706,783	453,100	2,883,020	54,378,311	104,421,214
2020	47,214,431	193,852	2,928,809	53,353,871	103,690,963
2021	49,330,170	200,840	2,978,715	49,794,585	102,304,310
2022	48,173,996	121,201	2,912,154	48,027,857	99,235,208
2023	49,063,580	126,791	2,958,925	67,749,577	119,898,873
2024 - 2028	260,906,282	201,235	13,195,508	192,073,884	466,376,909
2029 - 2033	277,134,763	—	5,927,767	131,445,702	414,508,232
2034 - 2038	245,630,139	—	—	75,442,564	321,072,703
2039 - 2043	187,548,069	—	—	34,623,633	222,171,702
2044 - 2048	86,629,639	—	—	6,214,731	92,844,370
Total	\$ <u>1,298,337,852</u>	<u>1,297,019</u>	<u>33,784,898</u>	<u>713,104,715</u>	<u>2,046,524,484</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Jackson State University

In November 2017, the University issued \$29,745,000 in Education Building Corporation revenue refunding bonds (Series 2017A) to advance refund and defease all or a portion of Series 2010A-1 issued in the original principal amount of \$31,325,000, and to pay related costs of issuance, sale and delivery of the Series 2017A bonds. The bonds bear interest at rates ranging from 1.6% to 3.7% with interest payable semi-annually commencing in March 2018 with final maturity in March 2028. The economic gain resulting from the transaction approximated \$1.3 million.

Mississippi State University

In December 2017, the University issued \$92,075,000 in Educational Building Corporation revenue refunding bonds (Series 2017A) to refund Series 2011 and Series 2013. Outstanding coupons bear interest at rates ranging from 2.00% to 5.00% with final maturity in August 2043. The University defeased \$86,005,000 of the outstanding EBC Revenue Bonds (Series 2011 and Series 2013). Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. As a result of the refunding, the University reduced its debt service by \$5,716,209 over the next 26 years and obtained an economic gain of \$4,304,723. The balance in the escrow account at June 30, 2018 was \$95,011,278.

University of Mississippi

In July 2017, the University issued \$38,995,000 in Educational Building Corporation revenue refunding bonds (Series 2017) to refund and advance refund for interest rate savings all or a portion of the Series 2009A Bonds, issued in the original principal amount of \$19,870,000; Series 2009C Bonds, issued in the original principal amount of \$14,770,000; Series 2011 Bonds, issued in the original principal amount of \$27,995,000; and to pay related costs of issuance, sale and delivery of the Series 2017 bonds. The bonds included a premium of \$7,120,294. The Series 2017 Bonds require varying principal payments through October 1, 2034, and outstanding coupons bear interest rates ranging from 2.0% to 5.0%, with interest and principal payable semiannually on October 1 and April 1 of each year. The refunding and advance refunding of the Series 2009A, Series 2009C and Series 2011 bonds will result in an economic gain of approximately \$3.2 million.

University of Southern Mississippi

In December 2017, the University issued \$44,005,000 in S.M. Educational Building Corporation revenue refunding bonds (Series 2017) for a partial refunding of Series 2013 for the Century Park South facilities. Outstanding coupons bear interest at rates ranging from 2.0% to 5.0% with final maturity in September 2043. Net proceeds of the refunding were deposited into irrevocable trusts for each of the refunded issues to provide all future debt service of the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements.

University of Mississippi Medical Center

In December 2017, the Medical Center Educational Building Corporation issued \$137,635,000 and \$12,345,000 of Series 2017A revenue (tax-exempt) and Series 2017B refunding (taxable) bonds, respectively. The purpose of these bonds is to finance capital expenditures related to the expansion of Batson Children's Hospital and to refund all or a portion of Series 2009 revenue bonds, issued in the original principal amount of \$105,605,000. The series 2017A revenue bonds bear interest rates ranging from 3.0% to 5.0% with interest due June 1 and December 1 of each year beginning June 2018 and included a premium of \$13,558,908. Principal matures beginning June 1, 2018, with termination payments of \$73,030,000 due June 2047. Repayment of the revenue bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center. The Series 2017B refunding bonds bear interest rates ranging from 2.45% to 3.10% with interest due June 1 and December 1 of each year beginning June 2018. Principal matures beginning June 1, 2020 through June 1, 2024. Repayment of the bonds is secured by a pledge of rental payments pursuant to a lease agreement between the Corporation and the Medical Center. The refunding of Series 2009 bonds will result in an economic gain of approximately \$5.7 million.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 11

Operating Expenses by Natural and Functional Classifications

The IHL System's operating expenses by functional classification were as follows for the year ended June 30, 2018:

Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships and fellowships	Commodities	Depreciation expense	Other	Total
Instruction	\$ 450,511,320	189,012,470	11,200,797	44,284,333	407,202	593,380	15,292,458	—	1,695,583	712,997,543
Research	185,738,806	80,907,693	9,255,787	55,029,910	3,031,315	1,168	21,940,859	—	1,253,817	357,159,355
Public service	79,852,157	34,560,618	4,777,274	28,429,875	894,709	169,387	7,741,100	—	58,116	156,483,236
Academic support	82,152,608	32,259,933	2,448,849	26,809,145	530,653	32,627	13,050,576	—	139,605	157,423,996
Student services	46,891,959	19,699,610	4,585,525	13,201,355	149,324	37,820	6,369,251	—	86,024	91,020,868
Institutional support	134,880,666	53,546,148	2,434,153	100,354,924	234,978	9,557	26,031,064	—	1,172,219	318,663,709
Operation of plant	51,462,327	24,513,882	167,846	42,568,850	44,748,080	—	9,394,526	—	39,335	172,894,846
Student aid	3,966,892	5,587,174	94,548	322,269	—	174,010,067	214,763	—	47,014	184,242,727
Auxiliary enterprises	81,890,407	29,895,352	15,273,681	85,985,536	16,319,697	26,574,855	22,332,600	4,112	73,538	278,349,778
Depreciation	—	—	—	—	—	—	—	158,702,986	—	158,702,986
Hospital	488,923,484	192,279,422	1,315,550	112,202,774	1,375,693	—	238,007,830	—	—	1,034,104,753
Loan fund expense	—	—	—	—	—	—	—	—	1,551,900	1,551,900
	<u>1,606,270,626</u>	<u>662,262,302</u>	<u>51,554,010</u>	<u>509,188,971</u>	<u>67,691,651</u>	<u>201,428,861</u>	<u>360,375,027</u>	<u>158,707,098</u>	<u>6,117,151</u>	<u>3,623,595,697</u>
Elimination entries	—	—	—	(48,914,078)	—	(27,835,016)	—	—	—	(76,749,094)
Total operating expenses	\$ <u>1,606,270,626</u>	<u>662,262,302</u>	<u>51,554,010</u>	<u>460,274,893</u>	<u>67,691,651</u>	<u>173,593,845</u>	<u>360,375,027</u>	<u>158,707,098</u>	<u>6,117,151</u>	<u>3,546,846,603</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 12

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:

Year ending June 30,	Amount
2019	\$ 26,679,644
2020	23,139,780
2021	21,324,877
2022	18,354,963
2023	16,466,453
2024 - 2028	51,514,004
2029 - 2033	37,903,127
2034 - 2038	1,576,560
Total minimum payments required	<u>\$ 196,959,407</u>

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the year ending June 30, 2018 approximated \$28.9 million.

Note 13

Construction Commitments and Financing

The IHL System has contracted for various construction projects as of June 30, 2018. 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 Sources
Alcorn State University	\$ 25,061,826	—	25,061,826	—	—
Delta State University	5,709,380	—	5,709,380	—	—
Jackson State University	9,757,738	—	9,757,738	—	—
Mississippi State University	77,648,759	7,288,000	29,234,368	22,236,317	18,890,074
Mississippi University for Women	6,334,573	—	6,334,573	—	—
Mississippi Valley State University	19,899,684	—	19,700,777	198,907	—
University of Mississippi	161,116,993	650,000	27,236,408	106,088,365	27,142,220
University of Southern Mississippi	14,455,550	—	12,238,458	2,217,092	—
University of Mississippi Medical Center	<u>135,901,746</u>	<u>8,376,336</u>	<u>11,410,110</u>	<u>23,973,399</u>	<u>92,141,901</u>
Totals	<u>\$ 455,886,249</u>	<u>16,314,336</u>	<u>146,683,638</u>	<u>154,714,080</u>	<u>138,174,195</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 14

Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure approximated \$69.7 million as of June 30, 2018. 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”. The endowment investments totaled \$333 million at June 30, 2018.

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.

Note 15

Employee Benefits – Pension Plans

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

<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, 2017 for fiscal year 2018.

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

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

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

Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal year 2018 include all disclosures for GASB Statement No. 68 using the latest valuation report available (June 30, 2017). For fiscal year 2018, the measurement date for the PERS defined benefit plan is June 30, 2017. The IHL System is presenting net pension liability as of June 30, 2017 for the fiscal year 2018 financials.

(a) PERS Defined Benefit Plan

Plan Description

The PERS of Mississippi was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in PERS, elected members of the State Legislature and the President of the Senate. PERS

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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. Except for the State Treasurer and the gubernatorial appointee, all members are elected to staggered six-year terms by the constituents they represent.

Membership and Benefits Provided

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

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

Contributions

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

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the year ended June 30, 2018 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Employer Contributions

The IHL System’s contribution to PERS for the year ended June 30, 2018 was \$160.5 million. The IHL System’s proportionate share was calculated based on historical contributions. Although GASB Statement No. 68 encourages the use of the employer’s projected long-term contribution effort to the retirement plan, allocation based on 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 employer’s proportionate share. Examples of employer contributions not representative of future contribution efforts are contributions towards the purchase of employee service and employer contributions paid by employees in connection with early retirement.

The following table provides the IHL System’s contributions used in the determination of its proportionate share of collective pension amount reported:

Proportionate share of contributions	Allocation percentage of proportionate share of collective pension amount	Change in proportionate share of collective pension amount
\$ 161,259,432	15.96%	0.15%

Net Pension Liability

The IHL System’s proportion of the net pension liability at June 30, 2018 is as follows:

Proportionate share of net pension liability	Proportion of net pension liability
\$ 2,653,162,201	15.96%

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

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

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

	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	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investment	Changes of assumptions	Differences between expected and actual experience	Total deferred inflows of resources
Alcorn State University									
Delta State University	637,008	985,480	(350,953)	2,379,412	3,650,947	569,278	75,553	323,528	968,359
Jackson State University	2,184,819	3,380,013	6,789,507	8,294,334	20,648,673	1,952,519	259,132	1,109,640	3,321,291
Mississippi State University	7,551,937	11,683,186	(1,316,767)	31,045,339	48,963,695	6,748,979	895,703	3,835,527	11,480,209
Mississippi University for Women	564,244	872,910	735,429	2,311,505	4,484,088	504,251	66,922	286,572	857,745
Mississippi Valley State University	603,396	933,480	294,469	2,536,037	4,367,382	539,240	71,566	306,456	917,262
University of Mississippi	4,584,841	7,092,954	6,314,886	19,505,230	37,497,911	4,097,359	543,788	2,328,579	6,969,726
University of Southern Mississippi	3,190,295	4,935,529	1,289,228	13,456,220	22,871,272	2,851,088	378,387	1,620,308	4,849,783
University of Mississippi Medical Center	17,426,512	26,959,597	26,757,059	73,927,567	145,070,735	15,573,643	2,066,883	8,850,691	26,491,217
Executive Office	259,773	401,880	(1,052,685)	1,068,031	676,999	232,153	30,811	131,935	394,899
MCVS	23,700	36,664	137,048	99,080	296,492	21,180	2,811	12,037	36,028
Total	\$ 38,117,456	58,969,413	39,056,856	159,067,970	295,211,695	34,064,629	4,520,947	19,359,342	57,944,918

Contributions subsequent to the measurement date of \$159.1 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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

Deferred outflows of resources year ended June 30					
		2019	2020	2021	Total
Alcom State University	\$	2,131,189	151,857	(44,760)	2,238,286
Delta State University		1,113,981	111,323	46,231	1,271,535
Jackson State University		8,460,183	3,102,835	791,321	12,354,339
Mississippi State University		18,280,199	586,807	(948,651)	17,918,355
Mississippi University for Women		1,737,306	370,780	64,497	2,172,583
Mississippi Valley State University		1,399,487	386,432	45,427	1,831,346
University of Mississippi		13,341,144	3,718,079	933,458	17,992,681
University of Southern Mississippi		7,171,348	1,750,634	493,070	9,415,052
University of Mississippi Medical Center		57,662,182	11,913,545	1,567,441	71,143,168
Executive Office		(63,180)	(275,089)	(52,762)	(391,031)
MCVS		109,735	69,837	17,839	197,411
Total	\$	<u>111,343,574</u>	<u>21,887,040</u>	<u>2,913,111</u>	<u>136,143,725</u>

Deferred inflows of resources year ended June 30						
		2019	2020	2021	2022	Total
Alcom State University	\$	1,152,530	(902,264)	(58,640)	1,466,773	1,658,399
Delta State University		672,976	(526,843)	(34,240)	856,466	968,359
Jackson State University		2,308,183	(1,806,973)	(117,438)	2,937,519	3,321,291
Mississippi State University		7,978,352	(6,245,895)	(405,932)	10,153,684	11,480,209
Mississippi University for Women		596,103	(466,663)	(30,329)	758,634	857,745
Mississippi Valley State University		637,466	(499,044)	(32,434)	811,274	917,262
University of Mississippi		4,843,721	(3,791,932)	(246,444)	6,164,381	6,969,726
University of Southern Mississippi		3,370,433	(2,638,561)	(171,485)	4,289,396	4,849,783
University of Mississippi Medical Center		18,410,489	(14,412,747)	(936,710)	23,430,185	26,491,217
Executive Office		274,441	(214,847)	(13,963)	349,268	394,899
MCVS		25,038	(19,601)	(1,274)	31,865	36,028
Total	\$	<u>40,269,732</u>	<u>(31,525,370)</u>	<u>(2,048,889)</u>	<u>51,249,445</u>	<u>57,944,918</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016.

The following table provides a summary of the actuarial methods and assumptions used to determine the contribution rate reported for PERS for the year ended June 30, 2018:

	<u>2018</u>
Valuation date	June 30, 2017
Asset valuation method	Market value
Actuarial assumptions:	
Inflation rate	3.00 %
Salary increases	3.25
Investment rate of return	7.75

Mortality

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with males' rates set forward one year.

Discount Rate

For the year ended June 30, 2018, 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 year ended June 30, 2018. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Asset class	Target allocation	Long-term expected real rate of return
U.S. Broad	27.00 %	4.60 %
International equity	18.00	4.50
Emerging markets equity	4.00	4.75
Global	12.00	4.75
Fixed income	18.00	0.75
Real assets	10.00	3.50
Private equity	8.00	5.10
Emerging debt	2.00	2.25
Cash	1.00	0.00
	100.00	

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following table presents the IHL System’s proportionate share of the net pension liability of the cost-sharing plan for 2018, 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:

Discount Rate Sensitivity		
1% Decrease (6.75%)	Current discount rate (7.75%)	1% Increase (8.75%)
\$ 3,479,799,350	\$ 2,653,162,201	\$ 1,966,873,734

(b) Optional Retirement Plan, a defined contribution plan

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

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. The IHL System’s contributions to the ORP for the year ended June 30, 2018 was \$61.7 million, which equaled its required contribution for the period.

Note 16

Postemployment Health Care and Life Insurance Benefits

Plan Description

In addition to providing pension benefits, the IHL System provides other postemployment benefits (OPEB) such as health care and life insurance benefits to all eligible retirees and dependents. The State and School Employees’ Life and Health Insurance Plan (the Plan) is self-insured and financed through premiums collected from employers,

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

employees, retirees and COBRA participants. The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan.

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

Membership and Benefits Provided

The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan for units of state government, political subdivisions, community colleges and school districts. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age-adjusted.

Contributions

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

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

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

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

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

At June 30, 2017, the Plan provided health coverage to 334 employer units.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Disclosures under GASB Statement No. 75

The disclosures that follow for fiscal year 2018 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2017). For fiscal year 2018, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2017. The IHL System is presenting net OPEB liability as of June 30, 2017 for the fiscal year 2018 financials.

Proportionate Share Allocation Methodology

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

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

At June 30, 2018, the IHL System reported a liability of \$143.7 million for its proportionate share of the net OPEB liability (NOL). The NOL was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. At June 30, 2018, the IHL System's proportion was 18.31%.

For the year ended June 30, 2018, the IHL System recognized OPEB expense of \$7.1 million. At June 30, 2018, the IHL System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows			Deferred inflows	
	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Total deferred inflows of resources
Alcorn State University	\$ 39,715	194,131	233,846	231,872	231,872
Delta State University	46,944	136,973	183,917	163,602	163,602
Jackson State University	—	337,802	337,802	493,184	493,184
Mississippi State University	—	1,289,418	1,289,418	1,785,849	1,785,849
Mississippi University for Women	19,133	99,860	118,993	119,275	119,275
Mississippi Valley State University	21,844	135,372	157,216	161,690	161,690
University of Mississippi	546,073	844,368	1,390,441	1,008,525	1,008,525
University of Southern Mississippi	281,618	598,448	880,066	714,795	714,795
University of Mississippi Medical Center	206,672	2,458,288	2,664,960	2,936,212	2,936,212
Executive Office	2,622	30,389	33,011	55,573	55,573
Total	\$ 1,164,621	6,125,049	7,289,670	7,670,577	7,670,577

\$6.1 million reported as deferred outflows of resources related to OPEB resulting from the IHL System contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ended June 30, 2019.

Deferred outflows of resources and deferred inflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. Changes in employer proportion, an employer specific deferral, is

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The average remaining service life determined as of the beginning of the June 30, 2017 measurement period is 6.7 years. Employers are required to recognize pension expense based on their proportionate share of collective OPEB expense plus amortization of employer specific deferrals.

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

Deferred outflows (inflows) of resources year ended June 30							
	2019	2020	2021	2022	2023	Thereafter	Total
Alcorn State University	\$ (33,712)	(33,712)	(33,712)	(33,712)	(33,712)	(23,597)	(192,157)
Delta State University	(20,466)	(20,466)	(20,466)	(20,466)	(20,466)	(14,328)	(116,658)
Jackson State University	(86,524)	(86,524)	(86,524)	(86,524)	(86,524)	(60,564)	(493,184)
Mississippi State University	(313,307)	(313,307)	(313,307)	(313,307)	(313,307)	(219,314)	(1,785,849)
Mississippi University for Women	(17,569)	(17,569)	(17,569)	(17,569)	(17,569)	(12,297)	(100,142)
Mississippi Valley State University	(24,534)	(24,534)	(24,534)	(24,534)	(24,534)	(17,176)	(139,846)
University of Mississippi	(81,132)	(81,132)	(81,132)	(81,132)	(81,132)	(56,792)	(462,452)
University of Southern Mississippi	(75,996)	(75,996)	(75,996)	(75,996)	(75,996)	(53,197)	(433,177)
University of Mississippi Medical Center	(478,740)	(478,740)	(478,740)	(478,740)	(478,740)	(335,840)	(2,729,540)
Executive Office	(9,289)	(9,289)	(9,289)	(9,289)	(9,289)	(6,506)	(52,951)
Total	<u>\$ (1,141,269)</u>	<u>(1,141,269)</u>	<u>(1,141,269)</u>	<u>(1,141,269)</u>	<u>(1,141,269)</u>	<u>(799,611)</u>	<u>(6,505,956)</u>

Actuarial Methods and Assumptions

The net OPEB liability in the June 30, 2017 actuarial valuation was determined using the following assumptions:

Valuation date	June 30, 2017
Measurement date	June 30, 2017
Experience study	April 18, 2017

Actuarial assumptions:

Cost method	Entry age normal
Inflation rate	3.00 %
Long-term expected rate of return	N/A
Discount rate	3.56 %
Projected cash flows	N/A
Projected salary increases	3.25% - 18.50%
Healthcare cost trend rates	7.75% decreasing to 5.00% by 2023

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Mortality

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

Discount Rate

The discount rate used to measure the total OPEB liability at June 30, 2017 (measurement date) was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

Long-term Expected Rate of Return

Since there were no assets in a trust as of the measurement date, there is no projection of cash flows for the plan and no long-term expected rate of return on plan assets.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following table presents the NOL of the IHL System, calculated using the discount rate of 3.56%, as well as what the IHL System's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

Discount Rate Sensitivity		
1% Decrease (2.56%)	Current discount rate (3.56%)	1% Increase (4.56%)
\$ 147,468,676	\$ 143,674,333	\$ 140,848,673

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

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

Health Care Cost Trend Rates Sensitivity		
1% Decrease	Current discount rate	1% Increase
\$ 132,692,876	\$ 143,674,333	\$ 156,210,809

Non-cash Impact on Fringe Benefits Expense

For the year ended June 30, 2018, the non-cash impact of GASB Statement Nos. 68 and 75 on fringe benefits expense was \$200.3 million and \$1.15 million, respectively.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

	Year ended June 30, 2018			
Total fringe benefits expense	Non-cash change in net pension liability and related deferred inflows and outflows due to GASB 68	Non-cash change in net OPEB liability and related deferred inflows and outflows due to GASB 75	Fringe benefits expense excluding non-cash impact of GASB 68 and 75	
Alcorn State University	\$ 15,086,009	(4,623,697)	(38,859)	10,423,453
Delta State University	11,068,252	(2,655,828)	(30,738)	8,381,686
Jackson State University	33,213,472	(12,514,753)	(39,757)	20,658,962
Mississippi State University	147,368,187	(36,166,034)	(168,719)	111,033,434
Mississippi University for Women	9,426,100	(3,108,972)	(19,763)	6,297,365
Mississippi Valley State University	10,095,249	(2,488,424)	(26,071)	7,580,754
University of Mississippi	84,324,090	(23,234,902)	(234,519)	60,854,669
University of Southern Mississippi	61,910,302	(13,261,004)	(147,723)	48,501,575
University of Mississippi Medical Center	286,746,892	(101,657,576)	(440,114)	184,649,202
Executive Office	2,685,437	(401,521)	(2,070)	2,281,846
Mississippi Commission for Volunteer Service	338,312	(164,036)	-	174,276
	\$ 662,262,302	(200,276,747)	(1,148,333)	460,837,222

Note 17

Self-Insured Workers' 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 of the WC Fund approximated \$23.1 million and \$21.1 million at June 30, 2018, respectively, and are included in the statement of net position.

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

In order to minimize the amount of risk and in accordance with self-insurance general practices, the WC Fund purchases excess loss insurance to cover risks exceeding \$1,000,000 per occurrence. Excess loss insurance premiums for the year ended June 30, 2018 was approximately \$366,000. Excess loss insurance does not discharge the WC Fund from its primary liability to cover the IHL System's claims. Consequently, failure of the insurer to honor its obligation could result in losses to the WC Fund.

The following represents changes in the unpaid claims liabilities for the IHL System's portion of the WC Fund for the year ended June 30, 2018 (in thousands):

Accrued claims at beginning of year	\$ 21,419
Incurred claims:	
Provision for insured events of the current year	8,952
Decrease in provision for insured events of prior years	(4,339)
Total incurred claims and claims adjustment expenses	4,613
Claim payments:	
Claims attributable to insured events of the current year	1,664
Claims attributable to insured events of prior years	3,376
Total payments	5,040
Total accrued claims at end of year	\$ 20,992

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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 as of June 30, 2018.

Note 18

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 \$6.9 million and \$4.1 million, respectively, at June 30, 2018.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Unemployment Fund as of June 30, 2018. The actuaries concluded that the fund's actual assets at June 30, 2018 exceeded the recommended minimum fund balance. The recommended fund balance at June 30, 2018 is \$4.1 million. Actual fund assets equaled \$6.9 million at June 30, 2018. The fiscal year 2019 assessment level was set at \$1.9 million. Future assessments are recommended to be set at \$1.9 million for fiscal year 2020, \$1.9 million for fiscal year 2021, and \$1.9 million for fiscal year 2022. These facts will be considered by the IHL System when determining future funding rates.

Note 19

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.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the IHL Tort Fund as of June 30, 2018. Total assets and liabilities related to this activity approximated \$16.8 million and \$9.8 million, respectively, at June 30, 2018, and are included in the statement 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, 2018 and 2017 (in thousands):

Accrued claims at beginning of year	\$	10,319
Incurred claims:		
Provision for insured events of the current year		3,741
Decrease in provision for insured events of prior years		(2,530)
Total incurred claims and claims adjustment expenses		1,211
Claim payments:		
Claims attributable to insured events of the current year		426
Claims attributable to insured events of prior years		1,410
Total payments		1,836
Total accrued claims at end of year	\$	9,694

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$873,000 as of June 30, 2018.

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.

Note 20

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.

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 \$42.6 million and \$35.8 million, respectively, at June 30, 2018, and are included in the statement 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, 2018 and 2017 (in thousands):

Accrued claims at beginning of year	\$ 35,255
Incurred claims:	
Provision for insured events of the current year	8,245
Decrease in provision for insured events of prior years	<u>(3,527)</u>
Total incurred claims and claims adjustment expenses	<u>4,718</u>
Claim payments:	
Claims attributable to insured events of the current year	27
Claims attributable to insured events of prior years	<u>4,058</u>
Total payments	<u>4,085</u>
Total accrued claims at end of year	<u>\$ 35,888</u>

At June 30, 2018, unpaid claims, included in other long-term liabilities, of \$39.7 million is presented at its net present value of \$35.9 million.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 21

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

(a) Nature of 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, Inc. and The Bulldog Club, Inc.

(b) Significant Accounting Policies

Basis of Accounting

The MSUF financial statements include the foundation and the Mississippi State Investment Pool in which the foundation has a controlling financial interest. The consolidated financial statements are presented on the accrual basis of accounting, 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 assets – 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 assets – 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 assets – 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 college or unit for which the use or purpose is unrestricted.

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

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

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

- as increases (decreases) in permanently restricted net assets if the terms of the gift or MSUF's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund;
- as increases (decreases) in temporarily restricted net assets in all other cases and released from restriction when expended in accordance with donor agreements, except as described in note 7(d) of MSUF's financial statements for endowment funds whereby the fair value of the fund is less than the historical cost value.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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.

Investments

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 the inflation-adjusted impact of each permanently restricted fund. MSUF diversifies its investments among various asset classes incorporating multiple strategies and managers. Beginning July 1, 2017, investment decisions have been delegated to Perella Weinberg Partners Capital Management LP, the foundation's newly-appointed outsourced chief investment officer, which executes investment decisions in accordance with the foundation's approved investment policy.

Mississippi State Investment Pool

MSUF, MSU, the MSU Alumni Association Inc., and The Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby certain assets are pooled for investment purposes. The MSUF is the investment pool's managing member and maintains separate accounts for each participant. Investment income (loss), 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 controlling financial interest in the MSIP of approximately 90% as of June 30, 2018, the foundation has consolidated the MSIP, reflecting the noncontrolling interests of the other participants in its consolidated financial statements.

Investments

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. Fixed income securities are based on quoted market prices or other observable inputs such as quoted prices for similar assets or inputs corroborated by observable market data. MSUF's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers, which is used a practical expedient to estimate the fair value of 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, 2018, 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.

(c) 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Pledges receivable, net consisted of the following at June 30, 2018:

Unconditional promises expected to be collected in:

Less than one year	\$ 23,889,272
One year to five years	16,662,471
Over five years	<u>5,318,000</u>
	45,869,743
Less unamortized discount (rates ranging from 1% to 5%)	<u>(4,993,241)</u>
	40,876,502
Less allowance for uncollectible pledges	<u>(951,748)</u>
	<u><u>\$ 39,924,754</u></u>

(d) Investments

Investments are summarized as follows at June 30, 2018:

Short-term investments	\$ 2,664,509
Agility Comprehensive Solutions Feeder Fund LP	329,806,753
Global fixed income	3,695,315
Global equities	2,591,037
Real assets	37,582,149
Absolute return strategies	57,813,117
Private capital	11,543,325
Contributed properties held for investment	33,335,253
Cash-surrender value of life insurance	<u>1,965,236</u>
	<u><u>\$ 480,996,694</u></u>

The MSIP has invested in a limited partnership interest in the Agility Comprehensive Solutions Feeder Fund LP, a Delaware limited partnership (the Fund). The Fund invests all, or substantially all, of its investable assets on an investment-by-investment basis, either (i) directly through a “master fund/feeder fund” structure, or (ii) indirectly through Agility Comprehensive Solutions Offshore Fund Ltd., a Cayman Islands exempted company, in Agility Comprehensive Solutions Fund LP., a Delaware limited partnership (the “Master Fund”). Perella Weinberg Partners Agility Comprehensive Solutions Fund GP LP serves as general partner of the Fund. The Fund, through the Master Fund, invests in five broad asset classes with approximate allocation percentages at June 30, 2018: global equities (65%); global fixed income (18%); absolute return strategies (7%); real assets (8%); and private capital (2%).

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, 2018 with an approximate fair value of \$6.3 million.

The following schedule summarizes net investment income in the consolidated statement of activities for the year ended June 30, 2018:

Dividends and interest (net of expenses of \$938,121)	\$ 2,603,104
Net realized and unrealized gains	<u>25,045,967</u>
	<u><u>\$ 27,649,071</u></u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

(e) Fair Value Measurements

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. These assumptions are based on audited financial statements provided by the general partner of the investment combined with additional third-party due diligence.

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 Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

The following table summarizes MSUF's financial instruments by major category in the fair value hierarchy as of June 30, 2018:

	2018				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Recurring:					
Short-term investments	\$ 2,664,509	—	—	—	2,664,509
Agility-Comprehensive Solutions Feeder Fund LP	—	—	—	329,806,753	329,806,753
Global fixed income:					
Interest-rate sensitive	3,695,315	—	—	—	3,695,315
Global equities:					
Domestic	2,591,037	—	—	—	2,591,037
Real assets:					
Real estate funds	—	—	—	17,318,444	17,318,444
Natural resources	—	—	—	20,263,705	20,263,705
Total real assets	—	—	—	37,582,149	37,582,149
Absolute return strategies	—	—	—	57,813,117	57,813,117
Private capital	—	—	—	11,543,325	11,543,325
Contributed properties held for investment (1)	—	—	33,335,253	—	33,335,253
Cash surrender value of life insurance (2)	—	1,965,236	—	—	1,965,236
Total investments	\$ 8,950,861	1,965,236	33,335,253	436,745,344	480,996,694
Present value of amounts due from externally managed trusts	\$ —	—	50,702,847	—	50,702,847

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

- (1) Bulldog Forest properties totaling approximately \$27,806,000 at June 30, 2018, 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 canceled.

The following table presents MSUF's activities for the year ended June 30, 2018 for contributed properties held for investments classified in Level 3:

Balance, beginning of year	\$ 27,098,091
Acquisitions	5,442,782
Dispositions	(250,000)
Net realized and unrealized gains	<u>1,044,380</u>
Balance, end of year	<u><u>\$ 33,335,253</u></u>

(f) Net Assets

Temporarily restricted and permanently restricted net assets at June 30, 2018 were available for the following purposes:

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Specified college programs	\$ 37,010,356	121,934,823
Student financial aid	53,551,853	163,133,239
Research	2,010,046	16,409,831
Faculty and staff support	7,095,668	50,787,429
Facilities	12,766,039	7,020,463
Other	<u>6,477,969</u>	<u>9,482,720</u>
Total	<u><u>\$ 118,911,931</u></u>	<u><u>368,768,505</u></u>

(g) Net Asset Classification of Endowment Funds

The MSUF has adopted ASC Topic 958-205, *Enhanced Disclosures for All Endowment Funds, and Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*. This standard provides guidance on the net asset classification of donor-restricted endowment funds and related disclosures. ASC Topic 958-205 also provides guidance relative to net asset classification of funds subject to UPMIFA. When adopted by the state of domicile, UPMIFA requires several management assessments, including:

- Determination as to whether a donor intended an endowment to maintain its purchasing power or as a fixed sum,
- The classification of endowment earnings, and
- The ability to spend corpus on an endowment.

The State of Mississippi adopted UPMIFA effective July 1, 2012. The MSUF Board of Directors has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the gift. As a result, the UMF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts and other income. 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 appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Endowment net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (709,680)	48,438,113	307,077,627	354,806,060
Board-designated endowment funds	<u>19,670,908</u>	<u>—</u>	<u>—</u>	<u>19,670,908</u>
Total	<u>\$ 18,961,228</u>	<u>48,438,113</u>	<u>307,077,627</u>	<u>374,476,968</u>

Changes in endowment net assets for fiscal year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 18,553,312	42,860,804	292,785,696	354,199,812
Investment return:				
Investment income	1,176,028	427,708	—	1,603,736
Net appreciation (realized and unrealized)	<u>72,266</u>	<u>20,431,569</u>	<u>34,275</u>	<u>20,538,110</u>
Total investment return	1,248,294	20,859,277	34,275	22,141,846
Contributions	—	—	12,276,543	12,276,543
Appropriation of endowment assets for expenditure	(844,278)	(15,281,968)	—	(16,126,246)
Other	<u>3,900</u>	<u>—</u>	<u>1,981,113</u>	<u>1,985,013</u>
Endowment net assets, end of year	<u>\$ 18,961,228</u>	<u>48,438,113</u>	<u>307,077,627</u>	<u>374,476,968</u>

(h) 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 \$0.7 million at June 30, 2018.

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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Note 22

Significant Disclosures for the Discretely Presented Component Unit of the IHL System – University of Mississippi Foundation

(a) Nature of 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.

(b) Significant Accounting Policies

Use of Estimates

The 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 financial 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 the financial statements.

Donor-Imposed Restrictions

Contributions are considered available for unrestricted use unless specifically restricted by the donor. UMF considers donor contributions to the various University schools and departments to be temporarily restricted as those University units have authority over expenditures. Amounts received that are restricted by the donor for future periods or for specific purposes are reported as temporarily restricted or permanently restricted.

When a donor restriction expires, or the stated purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

The permanently restricted net assets include the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from investment thereof be expended. The purpose of such expenditure may also be specified by the donor.

Revenue Recognition

UMF generally recognizes gifts as revenue when notified of an unconditional promise to give. Unconditional promises to give that are expected to be collected in future years are reported at the present value of their future cash flows. The discounts on these amounts are computed using risk-free interest rates at the time of the pledge, which are applicable to the years in which the pledges are scheduled to be received.

Investments

Investments are recorded at fair value. The fair values of all investments other than real estate and partnership and membership interests (which includes pooled investment 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 asset value (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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

NAV. As of June 30, 2018, UMF had no plans or intentions to sell investments at amounts different from NAV. UMF's real estate investments are initially recognized at fair value based on appraised values at the date of receipt and are subsequently carried at fair value. Both realized and unrealized gains and losses are classified in the accompanying statements of activities based on restrictions put in place by the donor.

(c) Pledges Receivable, Net

UMF obtains pledges through fund-raising projects in support of various activities. At June 30, 2018, pledges were scheduled to mature at various dates through 2042 (approximately \$12.3 million is due in fiscal year 2019, \$41.9 million is due in total during the period including fiscal year 2020 through fiscal year 2024, and \$31.4 million is due thereafter). A summary of pledges receivable as of June 30, 2018 is as follows:

Temporarily restricted	\$	76,274,342
Permanently restricted		9,250,815
		85,525,157
Allowances for doubtful pledges		(2,881,202)
Present value discounts (ranging from 1.6% to 6.1%)		(13,111,238)
	\$	69,532,717

(d) Investments

The UMF's investments, aggregated by investment strategy, consist of the following at June 30, 2018:

Investment strategy:

Fixed income:

U.S. government securities	\$	3,179,079
Corporate bonds		22,685,726
Certificates of deposit		512,021
Other fixed income securities		49,680,983
Total fixed income		76,057,809

Equities

Common stocks		27,678,093
Common stock funds		38,415,198
Mutual funds		3,568,017
Index funds		—
Total equities		69,661,308

Hedge funds		181,978,208
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Venture capital		139,037,954
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Real estate:

Real estate owned		3,919,468
Timber fund		11,129,821
Partnership interest		—
Total real estate		15,049,289

Other short-term investments		8,147,048
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Total investments	\$	489,931,616
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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

Fair Value Measurements

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. These assumptions are based on audited financial statements provided by the general partner of the investment combined with additional third-party due diligence.

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 Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

The following table presents UMF's financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2018:

	2018			
	Level 1	Level 2	Level 3	Total
Investment strategy:				
Fixed income:	\$			
U.S. Government securities	—	3,179,079	—	3,179,079
Corporate bonds	—	22,685,726	—	22,685,726
Certificates of deposit	—	512,021	—	512,021
Other fixed income securities	46,444,779	3,236,204	—	49,680,983
Total fixed income	46,444,779	29,613,030	—	76,057,809
Equities:				
Common stock	27,678,093	—	—	27,678,093
Common stock funds:				
International	830,980	—	—	830,980
Global	37,584,218	—	—	37,584,218
Mutual funds	3,568,017	—	—	3,568,017
Total equities	69,661,308	—	—	69,661,308
Real estate owned	—	—	3,919,468	3,919,468
Other short-term investments	8,147,048	—	—	8,147,048
	\$ 124,253,135	29,613,030	3,919,468	157,785,633
Pooled investment funds, at NAV				332,145,983
Total investments				\$ 489,931,616
Beneficial interest in trusts	\$ 3,308,622	6,558,639	—	9,867,261

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

The following table includes a rollforward of the amounts for the year ended June 30, 2018 for investments classified within Level 3:

	<u>Real estate</u>
Balance, beginning of year	\$ 4,359,468
Acquisitions	—
Dispositions	(392,119)
Net realized and unrealized losses	(47,881)
Balance, end of year	<u>\$ 3,919,468</u>

Real estate investments consist of funds invested directly or indirectly in real property. The table below represents a summary of the fair value, unfunded commitments, eligible redemption frequency and expected life of the respective investments as of June 30, 2018:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>	<u>Expected life span of investment</u>
Pooled investment funds, at NAV:					
Diversifying strategies	\$ 12,769,458	—	Semiannually	60 days	Indefinite
Energy MLP	18,439,862	—	Quarterly	60 days	Indefinite
Event driven	13,411,692	—	Quarterly	60 days	Indefinite
Global equity	31,211,088	—	No redemption feature	None	Indefinite
Global equity-long only	47,660,692	—	No redemption feature	None	Indefinite
High income	16,615,018	—	Quarterly	120 days	Indefinite
Long/short equity fund	19,687,193	—	Quarterly	60 days	Indefinite
Natural resource private fund	9,359,706	—	No redemption feature	None	10 years
Private credit	13,325,257	—	No redemption feature	None	Indefinite
Relative value	17,876,172	—	Quarterly	65 days	Indefinite
Timber fund	11,129,821	—	No redemption feature	None	12 years
Other	61,932	—	No redemption feature	None	Indefinite
Venture capital and private equity	120,598,092	62,696,199	No redemption feature	None	7 years to indefinite
	<u>\$ 332,145,983</u>				
Real estate:					
Real estate owned	<u>3,919,468</u>				
	<u>\$ 336,065,451</u>				

(e) Net Asset Classification of Endowment Funds

The UMF has adopted ASC Topic 958-205, *Enhanced Disclosures for All Endowment Funds, and Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*. This standard provides guidance on the net asset classification of donor-restricted endowment funds and related disclosures. ASC Topic 958-205 also provides guidance relative to net asset classification of funds subject to UPMIFA. When adopted by the state of domicile, UPMIFA requires several management assessments, including:

- Determination as to whether a donor intended an endowment to maintain its purchasing power or as a fixed sum,
- The classification of endowment earnings, and
- The ability to spend corpus on an endowment.

The State of Mississippi adopted UPMIFA effective July 1, 2012. The UMF Board of Directors has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the gift. As a result,

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

the UMF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts and other income. 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 appropriated for expenditure in accordance with the donor memorandums of agreement.

UMF has established policies to achieve the overall, long-term investment goal of achieving an annualized total return, through appreciation and income, greater than or equal to the rate of inflation plus any distribution needs, thus protecting the assets against inflation. The foundation'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, most 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 the foundation is to achieve a total return, net of investment management fees and expenses, equal to or in excess of inflation and the spending rate.

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

Changes in donor-restricted endowment net assets for fiscal year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment net				
assets (deficit), beginning of year	\$ (674)	105,000,321	233,448,475	338,448,122
Contributions and transfers				
to endowment	—	—	11,898,387	11,898,387
Appropriation for expenditures	—	(14,787,203)	—	(14,787,203)
Investment return:				
Investment income	—	22,869,614	—	22,869,614
Net appreciation	674	10,324,428	78,974	10,404,076
Donor-restricted endowment net				
assets, beginning of year	\$ <u>—</u>	<u>123,407,160</u>	<u>245,425,836</u>	<u>368,832,996</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. Subsequently 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 no endowment funds with deficiencies as of June 30, 2018.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

The following table provides a reconciliation of the donor-restricted net assets shown in the previous table to the permanently restricted net assets presented in the statement of financial position as of June 30, 2018:

Donor-restricted endowment net assets	\$	245,425,836
Permanently restricted pledges receivable, net		7,554,064
Liabilities under remainder trusts		(4,600,059)
Cash value of life insurance		286,053
		286,053
Permanently restricted net assets	\$	248,665,894

Permanently restricted net assets at June 30, 2018 were restricted for the following purposes:

Academic and program support	\$	50,170,337
Scholarship support		112,427,761
Faculty support		72,162,202
Library support		13,905,594
		13,905,594
Total	\$	248,665,894

Note 23

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

(a) Nature of Organization

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

(b) Significant Accounting Policies

Basis of Accounting

The consolidated financial statements, which are presented on the accrual basis of accounting, 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 required to be maintained permanently by USMF due to donor-imposed stipulations. Generally, only a portion of the income earned on related investments may be expended for general or specific purposes in support of USM.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met by actions of MSUF 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

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 as of the date of the gift. 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 follows:

- 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 appropriated for expenditure in accordance with donor agreements.

Use of Estimates

The USMF 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, and depreciation of property and equipment. 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 the financial statements.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Hedge funds, real estate investment funds and private equity funds are reported at the net asset value (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. As of June 30, 2018, USMF had no plans or intentions to sell investments at amounts different from NAV. Other investments, which consist primarily of a life estate, donated assets and real estate and the cash surrender value of life insurance policies for which the foundation is the owner and beneficiary are recorded at fair value. Transactions are accounted for on a trade date basis.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

(c) Pledges Receivable, Net

A summary of pledges receivable as of June 30, 2018 is as follows:

Unconditional promises expected to be collected in:

Less than one year	\$	3,534,626
One year to five years		8,106,193
Over five years		13,755
		11,654,574
Less unamortized discount (rates ranging from 0.72% to 5.15%)		(691,426)
		10,963,148
Less allowance for uncollectible pledges		(292,000)
	\$	10,671,148

(d) Investments

The USMF's investments, aggregated by investment strategy, consist of the following at June 30, 2018:

Investment strategy:

Fixed income:

U.S. government securities	\$	1,920,630
Corporate bonds		5,853,993
Mutual funds		37,534,557
Other fixed income securities		3,774,271
Total fixed income		49,083,451

Equities:

Mutual and common stock funds		49,583,039
		49,583,039

Alternative investments:

Hedge funds		8,922,430
Real estate investment funds		3,194,622
Private equity funds		337,460
Total alternative investments		12,454,512

Cash surrender value of insurance policies		2,584,413
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Other		117,292
		117,292

Total investments	\$	113,822,707
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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

The following schedule summarizes net investment gain (loss) and related net asset classification in the statement of activities:

		<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Dividends and interest (net of expenses of \$513,752)	\$	1,902,567	259,417	27,647	2,189,631
Realized gains, net		113,220	5,501,459	73,696	5,688,375
Unrealized gains (losses), net		<u>(321,409)</u>	<u>(926,110)</u>	<u>47,311</u>	<u>(1,200,208)</u>
Total	\$	<u>1,694,378</u>	<u>4,834,766</u>	<u>148,654</u>	<u>6,677,798</u>

(e) Fair Value Measurements

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. These assumptions are based on audited financial statements provided by the general partner of the investment combined with additional third-party due diligence.

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 Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statement of financial position.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

The following table presents USMF's financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2018:

		2018				
		Level 1	Level 2	Level 3	Investments at NAV	Total
<i>Recurring:</i>						
Fixed income:	\$					
U.S. Government securities		1,920,630	—	—	—	1,920,630
Corporate bonds		—	5,853,993	—	—	5,853,993
Mutual funds		37,534,557	—	—	—	37,534,557
Other fixed income securities		2,068,456	1,705,815	—	—	3,774,271
Total fixed income		41,523,643	7,559,808	—	—	49,083,451
<i>Equities:</i>						
Mutual and common stock		49,583,039	—	—	—	49,583,039
Total equities		49,583,039	—	—	—	49,583,039
<i>Alternative investments:</i>						
Hedge funds		—	—	—	8,922,430	8,922,430
Real estate investment funds		—	—	—	3,194,622	3,194,622
Private equity funds		—	—	—	337,460	337,460
Cash surrender value of insurance policies		—	—	2,584,413	—	2,584,413
Other short-term investments		—	—	117,292	—	117,292
Total investments	\$	91,106,682	7,559,808	2,701,705	12,454,512	113,822,707
<i>Nonrecurring:</i>						
Amounts due from externally managed trusts	\$	—	—	5,644,811	—	5,644,811
Gift annuities payable		—	—	244,184	—	244,184
Life estate payable	\$	—	—	31,107	—	31,107

The following table includes a rollforward of the amounts for the year ended June 30, 2018 for investments classified within Level 3:

		2018				
		Life insurance policies	Other real estate	Other life estate	Other donated assets	Total
Balance, beginning of year	\$	2,529,687	—	41,305	46,032	2,617,024
Acquisitions		—	22,000	—	—	22,000
Dispositions		(13,367)	—	—	—	(13,367)
Net realized and unrealized gains		—	—	6,455	1,500	7,955
Change in cash surrender value		68,093	—	—	—	68,093
Balance, end of year	\$	2,584,413	22,000	47,760	47,532	2,701,705

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2018

As of June 30, 2018, the estimated value of the USMF alternative investments to which NAV is applied as a practical expedient relative to the determination of fair value totaled \$12,454,512. The limitations and restrictions on the foundation's ability to redeem or sell these investments vary by investment type. Based upon the terms and conditions in effect at June 30, 2018, these investments can be redeemed or sold as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption frequency (if eligible)</u>	<u>Redemption notice period</u>
Hedge funds	\$ 8,922,430	—	Various	Various
Real estate investment funds	3,194,622	—	Quarterly	95 days
Private equity	337,460	3,668,623	None	None
Total	<u>\$ 12,454,512</u>			

(f) Net Asset Classification of Endowment Funds

The USMF has adopted ASC Topic 958-205, *Enhanced Disclosures for All Endowment Funds, and Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA)*. This standard provides guidance on the net asset classification of donor-restricted endowment funds and related disclosures. ASC Topic 958-205 also provides guidance relative to net asset classification of funds subject to UPMIFA. When adopted by the state of domicile, UPMIFA requires several management assessments, including:

- Determination as to whether a donor intended an endowment to maintain its purchasing power or as a fixed sum,
- The classification of endowment earnings, and
- The ability to spend corpus on an endowment.

The State of Mississippi adopted UPMIFA effective July 1, 2012. The UMF Board of Directors has determined its donor agreements provide for the preservation of the fair value of the original gift as of the date of the gift. As a result, the USMF classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts and other income. 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 appropriated for expenditure in accordance with the donor memorandums of agreement.

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. The board of directors sets and approves the investment policies and charges the Investment Committee with implementation and subsequent ongoing monitoring of the policies. In considering the investment management and expenditures of endowment funds, the board utilizes the reasonable care, skill and caution of a prudent investor. 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 university. 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, 2018

Endowment net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (539)	25,590,780	71,889,440	97,479,681
Board-designated endowment funds	3,283,076	—	—	3,283,076
Total	<u>\$ 3,282,537</u>	<u>25,590,780</u>	<u>71,889,440</u>	<u>100,762,757</u>

Changes in donor-restricted endowment net assets for fiscal year ended June 30, 2018 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,326,743	23,775,016	68,649,203	94,750,962
Contributions	222,716	82,046	2,437,414	2,742,176
Net investment gain	179,012	4,865,888	88,038	5,132,938
Other income	430,138	343	30	430,511
Change in restriction by donors	—	(5,726)	687,151	681,425
Expenses	(105,825)	(3,149,524)	—	(3,255,349)
Transfers	229,753	22,737	27,604	280,094
Endowment net assets, end of year	<u>\$ 3,282,537</u>	<u>25,590,780</u>	<u>71,889,440</u>	<u>100,762,757</u>

Temporarily restricted and permanently restricted net assets at June 30, 2018 were available for the following purposes:

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
Student financial aid	\$ 24,956,161	52,108,113
Academic divisions	3,864,569	5,025,080
Research	387,290	446,050
Operation and maintenance of plant	1,932,877	5,615,073
Library	1,098,353	3,019,769
Athletics	406,381	2,395
Faculty and staff support	2,817,485	10,833,818
Other restricted purposes	9,339,307	5,031,566
Total	<u>\$ 44,802,423</u>	<u>82,081,864</u>

COMBINING SUPPLEMENTAL INFORMATION

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2018

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	\$ 33,130,494	3,334,920	16,278,002	153,971,472	8,013,692	16,591,766	32,395,780	34,062,336	294,722,624	8,454,738	400,891	—	601,356,715
Short-term investments	4,885,537	137,461	—	10,048,672	—	3,075,813	85,509,310	4,273,057	85,146,458	6,630,900	—	—	199,707,208
Accounts receivable, net	12,584,178	5,653,913	19,253,881	53,707,472	4,273,016	3,738,114	44,846,176	27,940,262	182,734,617	1,760,413	283,992	—	356,776,034
Student notes receivable, net	752,803	299,737	64,838	3,563,712	71,480	—	8,509,385	3,218,596	604,391	870,915	—	—	17,955,857
Inventories	167,494	428,078	684,607	2,727,099	—	505,714	979,909	286,477	29,101,875	710,745	—	—	35,591,998
Prepaid expenses	—	222,473	9,014	4,907,019	255,471	30,527	1,577,488	5,590,773	6,658,255	29,326	—	—	19,280,346
Other current assets	—	—	—	—	—	—	—	—	515,000	—	—	—	515,000
Total current assets	51,520,506	10,076,582	36,290,342	228,925,446	12,613,659	23,941,934	173,818,048	75,371,501	599,483,220	18,457,037	684,883	—	1,231,183,158
Noncurrent assets:													
Restricted cash and cash equivalents	2,351,439	(629,555)	1,200,529	4,257,279	(695,130)	—	12,857,482	3,853,995	53,782,922	—	—	—	76,978,961
Restricted short-term investments	1,055,340	—	—	—	—	309,633	—	—	87,141,518	—	—	—	88,506,491
Endowments investments	18,728,677	—	44,031,251	38,164,501	3,976,112	2,133,718	107,785,110	9,601,385	89,944,446	18,340,605	—	—	332,705,805
Other long-term investments	—	2,714,898	—	83,241,342	9,357,683	1,247,033	223,208,257	47,531,118	44,018,888	46,946,220	654,486	—	458,919,925
Student notes receivable, net	—	1,161,137	1,692,038	16,163,802	822,023	—	21,696,585	25,022,156	7,867,436	21,923,881	—	—	96,349,058
Beneficial interest in irrevocable trust	—	—	—	—	—	—	—	—	33,592,648	—	—	—	33,592,648
Capital assets, net	144,309,043	118,994,868	266,915,012	1,046,865,652	105,646,036	103,679,019	1,182,551,816	587,013,585	687,314,330	4,253,830	16,384	—	4,247,559,575
Other noncurrent assets	—	—	26,725	—	—	171,117	169,900	—	3,866,376	—	—	—	4,234,118
Total noncurrent assets	166,444,499	122,241,348	313,865,555	1,188,692,576	119,106,724	107,540,520	1,548,269,150	673,022,239	1,007,528,564	91,464,536	670,870	—	5,338,846,581
Total assets	217,965,005	132,317,930	350,155,897	1,417,618,022	131,720,383	131,482,454	1,722,087,198	748,393,740	1,607,011,784	109,921,573	1,355,753	—	6,570,029,739
Deferred outflows of resources	12,249,724	3,834,864	31,453,147	65,432,928	4,603,081	4,524,598	38,888,352	36,894,626	152,252,894	710,010	296,492	—	351,140,716
Total assets and deferred outflows of resources	\$ 230,214,729	136,152,794	381,609,044	1,483,050,950	136,323,464	136,007,052	1,760,975,550	785,288,366	1,759,264,678	110,631,583	1,652,245	—	6,921,170,455

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Net Position

June 30, 2018

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	\$ 3,946,025	2,669,118	16,688,845	26,680,765	2,587,140	1,726,049	24,553,932	20,312,256	129,181,983	956,757	213,057	—	229,515,927
Unearned revenues	1,909,905	719,997	3,207,512	14,595,223	1,481,367	222,429	53,648,345	12,260,913	12,553,767	—	—	—	100,599,458
Accrued leave liabilities – current portion	842,107	246,467	386,381	3,014,672	48,061	156,329	1,845,000	1,312,800	5,305,097	41,934	6,239	—	13,205,087
Long-term liabilities – current portion	815,000	1,035,921	3,927,128	10,375,000	77,053	666,264	16,511,591	6,289,502	12,143,314	8,255,641	—	—	60,096,414
Other current liabilities	—	—	—	53,629	229,435	66,159	319,232	25,922	57,839,010	262,001	—	—	58,795,388
Total current liabilities	7,513,037	4,671,503	24,209,866	54,719,289	4,423,056	2,837,230	96,878,100	40,201,393	217,023,171	9,516,333	219,296	—	462,212,274
Noncurrent liabilities:													
Accrued leave liabilities	2,831,022	1,217,147	4,295,092	19,879,506	992,772	1,451,895	13,424,749	8,047,763	51,796,197	669,040	59,567	—	104,664,750
Deposits refundable	666,362	110,063	(667,801)	54,702	—	31,151	101,515	9,626	—	—	—	—	305,618
Long-term liabilities	48,284,650	13,325,619	102,626,287	343,554,316	—	17,483,085	260,680,960	168,824,071	332,111,009	26,422,965	—	—	1,313,312,962
Net pension liability	75,934,194	44,338,880	152,074,130	525,651,937	39,274,129	41,999,298	319,127,442	222,060,208	1,212,970,916	18,081,464	1,649,603	—	2,653,162,201
Net OPEB liability	4,553,690	3,212,943	7,923,756	30,245,677	2,342,410	3,175,395	19,806,214	14,037,705	57,663,711	712,832	—	—	143,674,333
Other long-term liabilities	—	152,957	1,912,787	13,320,312	885,616	—	8,465,200	26,227,863	34,683,793	—	—	—	85,648,528
Total noncurrent liabilities	132,269,918	62,357,609	268,164,251	932,706,450	43,494,927	64,140,824	621,606,080	439,207,236	1,689,225,626	45,886,301	1,709,170	—	4,300,768,392
Total liabilities	139,782,955	67,029,112	292,374,117	987,425,739	47,917,983	66,978,054	718,484,180	479,408,629	1,906,248,797	55,402,634	1,928,466	—	4,762,980,666
Deferred inflows of resources	1,890,271	1,131,961	3,814,475	13,266,058	977,020	1,078,952	13,386,224	5,564,578	63,020,077	450,472	36,028	—	104,616,116
Total liabilities and deferred inflows of resources	\$ 141,673,226	68,161,073	296,188,592	1,000,691,797	48,895,003	68,057,006	731,870,404	484,973,207	1,969,268,874	55,853,106	1,964,494	—	4,867,596,782
Net Position													
Net investment in capital assets	\$ 99,993,070	106,094,871	179,458,766	709,630,070	105,568,985	85,547,423	917,712,150	403,713,486	429,555,595	4,253,830	16,384	—	3,041,544,630
Restricted for:													
Nonexpendable:													
Scholarship and fellowships	—	—	7,730,795	2,255,988	824,371	971,830	7,980,660	5,569,090	—	994,109	—	—	26,326,843
Research	—	—	—	4,427,865	—	—	112,143	—	—	—	—	—	4,540,008
Other purposes	16,008,703	—	27,313,494	7,765,291	286,659	—	43,962,795	—	26,737,713	18,961,328	—	—	141,035,983
Expendable:													
Scholarships and fellowships	—	—	7,958,655	3,313,995	442,566	1,556,868	7,369,929	1,621,707	3,254,235	25,191,583	—	—	50,709,538
Research	—	—	—	22,042,624	—	—	6,585,511	—	40,638,477	—	—	—	69,266,612
Capital projects	—	223,440	96,045	887,076	1,757,469	724,065	5,614,174	—	—	—	—	—	9,302,269
Debt service	—	(186,060)	4,925	1,225,094	—	—	632,236	—	23,277,358	891,608	—	—	25,845,161
Loans	549,003	—	337,551	9,394,537	182,853	—	23,911,601	5,865,395	6,537,777	—	—	—	46,778,717
Other purposes	—	—	940,626	1,324,903	—	—	614,754	23,551,919	72,962,647	15,539,660	1,104,352	—	125,419,051
Unrestricted	(28,009,273)	(38,140,530)	(138,420,405)	(279,908,290)	(21,634,442)	(22,097,130)	(7,695,736)	(149,112,067)	(790,582,248)	(10,162,033)	(1,432,985)	—	(1,487,195,139)
Total net position	\$ 88,541,503	67,991,721	85,420,452	482,359,153	87,428,461	67,950,046	1,029,105,146	300,315,159	(210,004,196)	54,778,477	(312,249)	—	2,053,573,673

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, 2018

	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	\$ 25,203,657	22,473,013	64,499,646	278,616,992	23,292,861	14,470,255	357,020,897	131,507,020	36,644,448	—	—	—	953,728,789
Scholarship allowances	(15,747,472)	(4,537,932)	(20,735,371)	(93,804,508)	(8,755,753)	(9,178,977)	(109,055,944)	(40,819,735)	(6,031,567)	—	—	—	(308,667,259)
Bad debt expense	(138,535)	—	(3,164,724)	(3,095,513)	(194,647)	(579,830)	(131,507)	(450,000)	36,822	—	—	—	(7,717,934)
Net tuition and fees	9,317,650	17,935,081	40,599,551	181,716,971	14,342,461	4,711,448	247,833,446	90,237,285	30,649,703	—	—	—	637,343,596
Federal appropriations	—	—	—	11,424,012	—	—	—	—	—	—	—	—	11,424,012
Federal grants and contracts	12,971,168	2,785,396	33,815,751	107,142,439	25,095	6,375,804	41,382,028	45,045,986	48,262,568	1,762,259	3,177,878	(32,609,986)	270,136,386
State grants and contracts	468,111	3,922,865	1,749,757	19,930,330	5,813,411	42,200	16,069,156	8,651,489	6,863,052	2,406,209	—	(27,835,016)	38,081,564
Nongovernmental grants and contracts	904,509	3,369,202	1,752,801	18,581,229	2,642,282	—	29,822,098	14,213,151	9,171,232	2,293,434	—	—	82,749,938
Sales and services of educational departments	1,203,386	1,143,007	1,944,668	44,741,823	1,392,881	2,175,195	6,812,675	3,055,711	1,076,268	2,862,448	—	(2,047,050)	64,361,012
Auxiliary enterprises:													
Student housing	11,807,266	3,616,462	12,996,824	31,481,905	2,435,446	4,283,962	26,376,797	17,984,839	—	—	—	—	110,983,501
Food services	6,017,745	2,216,268	10,208,999	3,025,207	1,937,161	3,361,932	3,957,859	3,071,295	—	—	—	—	33,796,466
Bookstore	451,766	304,020	—	752,778	101,762	940,960	492,704	721,105	2,392,486	—	—	—	6,157,581
Athletics	—	—	—	62,692,994	—	—	66,700,117	12,199,076	—	—	—	—	141,592,187
Other auxiliary revenues	816,424	1,653,364	3,208,692	12,820,875	216,253	1,493,991	11,933,659	6,318,528	1,568,718	1,990,790	—	—	42,021,294
Less auxiliary enterprise scholarship allowances	(4,186,037)	—	(8,187,339)	(9,951,124)	(1,663,768)	—	(7,706,309)	(3,079,755)	—	—	—	—	(34,774,332)
Interest earned on loans to students	—	23,966	—	214,323	—	—	540,176	—	440,589	—	—	—	1,219,054
Patient care revenues	—	—	—	—	—	—	—	—	1,097,355,744	—	—	—	1,097,355,744
Other operating revenues	2,069,366	952,734	5,966,939	4,671,848	79,394	1,612,858	8,549,408	4,967,760	54,729,980	16,467,072	13,597	(14,257,042)	85,823,914
Total operating revenues	41,841,354	37,922,365	104,056,643	489,245,610	27,322,378	24,998,350	452,763,814	203,386,470	1,252,510,340	27,782,212	3,191,475	(76,749,094)	2,588,271,917
Operating expenses:													
Salaries and wages	35,953,859	27,697,657	70,697,768	325,876,184	21,231,364	21,180,676	229,092,278	144,933,204	721,015,617	7,956,341	635,678	—	1,606,270,626
Fringe benefits	15,086,009	11,068,252	33,213,472	147,368,187	9,426,100	10,095,249	84,324,090	61,910,302	286,746,892	2,685,437	338,312	—	662,262,302
Travel	2,287,070	1,359,428	2,460,458	15,461,109	537,051	1,316,164	15,169,906	7,242,555	5,497,153	150,700	72,416	—	51,554,010
Contractual services	16,057,473	15,828,055	43,280,649	89,127,853	8,018,779	7,718,807	79,376,217	50,686,237	178,884,391	17,239,116	2,971,394	(48,914,078)	460,274,893
Utilities	4,161,290	1,813,431	4,876,594	14,798,862	2,643,272	2,083,755	13,630,414	9,620,627	13,419,630	643,776	—	—	67,691,651
Scholarships and fellowships	8,109,607	7,181,756	15,138,170	41,516,054	6,003,723	2,798,140	53,194,853	21,277,200	4,191,839	42,017,519	—	(27,835,016)	173,593,845
Commodities	3,718,076	4,625,871	4,569,597	40,468,504	1,586,730	3,340,504	26,814,808	15,582,198	259,247,479	327,468	93,792	—	360,375,027
Depreciation	4,460,117	3,550,786	8,431,796	34,609,108	2,598,088	2,357,865	37,038,705	18,426,675	47,121,483	108,170	4,305	—	158,707,098
Other operating expenses	2,325	33,169	4,511,539	—	—	—	592,231	—	926,500	—	51,387	—	6,117,151
Total operating expenses	89,835,826	73,158,405	187,180,043	709,225,861	52,045,107	50,891,160	539,233,502	329,678,998	1,517,050,984	71,128,527	4,167,284	(76,749,094)	3,546,846,603
Operating loss	(47,994,472)	(35,236,040)	(83,123,400)	(219,980,251)	(24,722,729)	(25,892,810)	(86,469,688)	(126,292,528)	(264,540,644)	(43,346,315)	(975,809)	—	(958,574,686)

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
Combining Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2018

	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	\$ 27,841,107	19,890,101	45,259,170	168,714,693	14,861,213	15,915,705	86,111,013	82,066,545	160,893,448	45,819,986	662,657	—	668,035,638
Gifts and grants	13,909,548	6,126,012	20,146,055	67,303,804	6,455,782	10,095,396	35,812,515	34,156,505	7,857,065	—	—	—	201,862,682
Investment income, net of investment expense	623,309	127,064	1,691,859	4,079,114	61,912	25,665	10,392,955	1,031,961	10,087,973	467,625	(12,041)	—	28,577,396
Interest expense on capital assets-related debt	(2,061,069)	(256,025)	(4,975,388)	(6,803,125)	(5,259)	(614,815)	(11,370,655)	(5,892,699)	(12,121,759)	—	—	—	(44,100,794)
Other nonoperating revenues	—	—	573,109	245,815	231,904	—	979,900	—	—	—	—	—	2,030,728
Other nonoperating expenses	—	(1,497,432)	—	(1,795,696)	(695,719)	—	(552,755)	—	(1,348,515)	(1,790,480)	—	—	(7,680,597)
Total net nonoperating revenue	40,312,895	24,389,720	62,694,805	231,744,605	20,909,833	25,421,951	121,372,973	111,362,312	165,368,212	44,497,131	650,616	—	848,725,053
Income (loss) before other revenues, expenses, gain:	(7,681,577)	(10,846,320)	(20,428,595)	11,764,354	(3,812,896)	(470,859)	34,903,285	(14,930,216)	(99,172,432)	1,150,816	(325,193)	—	(109,849,633)
Capital grants and gifts	—	—	177,822	3,905,050	—	—	8,915,547	14,341,952	5,329,906	—	—	—	32,670,277
State appropriations restricted for capital purposes	384,278	9,808,671	3,151,428	14,659,876	6,929,126	3,290,722	12,949,323	10,537,767	7,353,106	1,680,871	—	—	70,745,168
Additions to permanent endowments	1,415,000	—	2,170,000	—	14,937	157,916	9,052	—	80,279	—	—	—	3,847,184
Other additions	5,112,338	41,018	—	—	15,042	—	259,434	1,571,155	—	1,265,434	6,261	—	8,270,682
Other deletions	(4,120,942)	(2,193,133)	—	(731,534)	(90,330)	—	(1,845,774)	(664,165)	(1,202,740)	—	—	—	(10,848,618)
Change in net position	(4,890,903)	(3,189,764)	(14,929,345)	29,597,746	3,055,879	2,977,779	55,190,867	10,856,493	(87,611,881)	4,097,121	(318,932)	—	(5,164,940)
Net position, beginning 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
Effect of adoption of GASB 75	(4,512,857)	(3,161,889)	(8,039,382)	(30,573,390)	(2,322,929)	(3,153,798)	(19,189,779)	(13,724,710)	(57,494,849)	(733,323)	—	—	(142,906,906)
Net position, beginning of the year, as restated	93,432,406	71,181,485	100,349,797	452,761,407	84,372,582	64,972,267	973,914,279	289,458,666	(122,392,315)	50,681,356	6,683	—	2,058,738,613
Net position, end of the year	88,541,503	67,991,721	85,420,452	482,359,153	87,428,461	67,950,046	1,029,105,146	300,315,159	(210,004,196)	54,778,477	(312,249)	—	2,053,573,673

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2018

	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	M CVS	Elimination entries	Total
Operating activities:													
Tuition and fees	\$ 8,473,638	17,935,082	46,246,843	182,327,502	14,488,068	4,194,186	247,815,582	91,710,833	31,004,350	—	—	—	644,196,084
Grants and contracts	14,343,788	17,038,262	40,161,309	154,270,092	9,713,645	6,638,898	91,531,232	61,514,755	63,014,101	6,604,882	3,377,224	(60,445,002)	407,763,186
Sales and services of educational departments	1,203,968	1,143,007	2,346,900	45,249,211	1,388,376	2,175,195	6,612,970	3,055,711	1,149,912	3,118,090	—	(2,047,050)	65,396,290
Payments to suppliers	(23,303,819)	(28,309,004)	(52,679,432)	(145,746,396)	(10,211,773)	(12,737,332)	(104,967,245)	(72,371,525)	(441,101,299)	(19,467,571)	(3,006,993)	48,914,078	(864,988,311)
Payments to employees for salaries and benefits	(51,548,160)	(38,906,592)	(104,243,828)	(438,913,802)	(27,942,366)	(28,704,184)	(291,698,970)	(193,662,636)	(903,231,966)	(10,348,588)	(819,146)	—	(2,090,020,238)
Payments for utilities	(4,161,290)	(1,813,431)	(4,876,594)	(14,897,225)	(2,643,272)	(2,083,755)	(13,509,354)	(9,990,107)	(13,419,630)	(643,776)	—	—	(68,038,434)
Payment for scholarships and fellowships	(8,109,607)	(7,181,756)	(15,138,170)	(41,519,919)	(6,003,723)	(2,798,140)	(53,143,641)	(21,798,872)	(4,148,530)	(39,587,794)	—	27,835,016	(171,595,136)
Loans issued to students and employees	—	—	—	(3,108,180)	—	(10,924)	(4,953,954)	(2,360,563)	(1,397,761)	(841,203)	—	—	(12,672,585)
Collections of loans from students and employees	—	293,722	—	3,179,361	—	—	2,299,886	3,235,686	2,580,671	5,837,977	—	—	17,427,303
Auxiliary enterprise charges:													
Student housing	9,833,523	3,616,462	8,411,363	30,810,606	1,508,764	4,283,962	18,314,064	16,384,313	—	—	—	—	93,163,057
Food services	6,017,745	2,216,268	7,548,125	2,907,080	1,200,075	3,361,932	3,819,221	2,551,625	—	—	—	—	29,622,071
Bookstore	451,766	304,020	—	752,778	101,762	940,960	539,917	563,708	2,368,198	—	—	—	6,023,109
Athletics	—	—	—	62,917,854	—	—	60,544,628	9,759,788	—	—	—	—	133,222,270
Other auxiliary enterprises	816,424	1,577,949	3,208,693	3,630,029	173,784	1,371,778	11,749,012	6,396,284	1,568,443	1,976,923	—	—	32,469,319
Patient care services	—	—	—	—	—	—	—	—	1,117,364,045	—	—	—	1,117,364,045
Interest earned on loans to students	—	—	6,213	—	—	—	540,176	—	440,589	269,409	—	—	1,256,387
Other receipts	2,069,368	1,142,999	3,558,021	14,974,238	79,397	1,655,485	8,659,506	5,099,881	49,359,492	16,471,551	13,597	(14,257,042)	88,826,493
Other payments	—	(5,632)	—	—	—	—	(15,547,228)	—	(928,734)	—	(51,387)	—	(16,532,981)
Net cash used in operating activities	(43,912,656)	(30,948,644)	(65,450,557)	(143,166,771)	(18,147,263)	(21,711,939)	(31,394,198)	(99,911,119)	(95,378,119)	(36,610,100)	(486,705)	—	(587,118,071)
Noncapital financing activities:													
State appropriations	27,841,107	19,889,545	44,384,936	170,048,474	14,861,213	16,402,599	86,592,794	83,020,999	158,246,213	45,759,309	662,657	—	667,709,846
Gifts and grants for other than capital purposes	—	18,687	20,146,055	67,300,656	6,687,686	10,095,395	30,317,180	33,763,218	7,857,065	—	—	—	176,185,942
Private gifts for endowment purposes	1,415,000	—	2,170,000	—	14,937	157,916	9,052	—	80,279	—	—	—	3,847,184
Federal loan program receipts	32,546,981	17,066,720	74,537,524	130,166,080	14,158,896	19,068,480	105,143,694	84,242,658	37,788,170	—	—	—	514,719,203
Federal loan program disbursements	(32,546,981)	(16,113,094)	(74,537,524)	(129,828,073)	(14,158,896)	(19,068,480)	(105,143,694)	(84,124,455)	(37,788,170)	—	—	—	(513,309,367)
Other sources	—	1,041,212	12,659,440	—	130,216	—	219,589	—	27,942	1,927,211	—	—	16,005,610
Other uses	—	—	—	(857,928)	(702,189)	—	(3,838,062)	(2,103)	—	(4,401,858)	—	—	(9,802,140)
Net cash provided by noncapital financing activities	29,256,107	21,903,070	79,360,431	236,829,209	20,991,863	26,655,910	113,300,553	116,900,317	166,211,499	43,284,662	662,657	—	855,356,278

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2018

	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	\$ —	—	29,745,000	92,075,000	—	—	71,898,594	45,664,517	163,538,908	—	—	—	402,922,019
Cash Paid for Capital Assets	—	(438,258)	—	(68,761,580)	(8,480,160)	(187,448)	(106,942,151)	(11,515,143)	(48,987,186)	—	—	—	(245,311,926)
Capital Appropriations Received	2,378,054	9,290,452	—	—	6,929,126	—	—	—	—	—	—	—	18,597,632
Capital Grants and Contracts Received	13,909,548	—	—	2,605,050	—	—	4,599,303	13,509,025	5,063,371	—	—	—	39,686,297
Proceeds from Sales of Capital Assets	—	—	—	225,630	—	—	—	41,621	69,747	—	—	—	336,998
Principal Paid on Capital Debt and Leases	(720,000)	(2,467,077)	(32,981,751)	(96,110,000)	(150,972)	(334,465)	(55,981,304)	(50,499,322)	(72,750,000)	—	—	—	(311,994,891)
Interest Paid on Capital Debt and Leases	(2,215,888)	(552,665)	(4,975,388)	(12,277,404)	—	(605,236)	(11,472,991)	(5,980,613)	(13,329,501)	—	—	—	(51,409,686)
Other Source	—	117,425	93,319	3,034,864	—	—	126,345	1,085,883	—	—	—	—	4,457,836
Other Uses	—	—	(362,230)	(6,287,585)	—	—	(1,656,931)	(1,384,496)	(3,739,585)	—	—	—	(13,430,827)
Net cash provided by (used in) capital and related financing activities	13,351,714	5,949,877	(8,481,050)	(85,496,025)	(1,702,006)	(1,127,149)	(99,429,135)	(9,078,528)	29,865,754	—	—	—	(156,146,548)
Investing activities:													
Proceeds from Sales and Maturities of Investments	1,415,000	12,000,000	—	25,491,622	3,958,902	(91,208)	185,564,846	10,077,236	120,691,181	47,058,139	283,269	—	406,448,987
Interest Received on Investments	622,233	127,064	1,691,859	8,439,492	61,912	122,532	5,056,986	1,554,294	7,670,859	1,403,143	(31,569)	—	26,718,805
Purchases of Investments	(1,415,000)	(10,000,000)	(1,167,834)	(30,438,435)	(4,127,909)	(280,141)	(229,216,811)	(5,540,387)	(205,057,788)	(55,670,780)	(350,000)	—	(543,265,085)
Net cash provided by (used in) investing activities	622,233	2,127,064	524,025	3,492,679	(107,095)	(248,817)	(38,594,979)	6,091,143	(76,695,748)	(7,209,498)	(98,300)	—	(110,097,293)
Net increase (decrease) in cash and cash equivalents	(682,602)	(968,633)	5,952,849	11,659,092	1,035,499	3,568,005	(56,117,759)	14,001,813	24,003,386	(534,936)	77,652	—	1,994,366
Cash and cash equivalents - beginning 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
Cash and cash equivalents - end of year	35,481,933	2,705,365	17,478,531	158,228,751	7,318,562	16,591,766	45,253,262	37,916,331	348,505,546	8,454,738	400,891	—	678,335,676

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Combining Statement of Cash Flows

Year ended June 30, 2018

	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	M CVS	Elimination entries	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities:													
Operating loss	\$ (47,994,472)	(35,236,040)	(83,123,400)	(219,980,251)	(24,722,729)	(25,892,810)	(86,469,688)	(126,292,528)	(264,540,644)	(43,346,315)	(975,809)	—	(958,574,686)
Adjustment to reconcile operating loss to net cash used in operating activities:													
Depreciation expenses	4,460,117	3,550,786	8,431,796	34,609,108	2,598,088	2,357,865	37,038,705	18,426,675	47,121,483	108,170	4,305	—	158,707,098
Self-insurance claims expense	—	—	—	—	—	—	—	—	6,622,696	5,824,634	—	—	12,447,330
Provision for uncollectible accounts receivable	—	26,497	(4,187,389)	3,095,513	246,837	579,830	305,969	450,000	152,136,158	106,190	—	—	152,759,605
Other	—	—	—	—	4,697,062	4,416,616	—	—	—	(3,193,879)	—	—	5,919,799
Changes in assets and liabilities:													
(Increase) decrease in assets:													
Receivables, net	(1,496,619)	567,128	10,693,548	3,910,555	1,343,612	(483,563)	(6,064,647)	(5,354,922)	(160,336,569)	5,299,658	199,346	—	(151,722,473)
Inventories	(25,968)	(33,028)	—	(352,751)	—	44,370	12,613	(12,569)	(2,783,838)	(103,752)	—	—	(3,254,923)
Prepaid expenses	—	(169,947)	—	76,303,662	(158,553)	38,674	173,241	(1,027,382)	1,030,094	(29,326)	—	—	76,160,463
Loans to students and employees	—	(2,334,956)	—	—	—	—	(2,686,269)	695,597	(2,466,594)	—	—	—	(6,792,222)
Deferred outflows of resources	9,648,457	4,645,650	13,417,655	66,497,221	4,645,524	4,378,082	30,979,404	19,688,812	153,990,345	1,992,046	69,008	—	309,952,204
Other assets	—	(35,153)	—	—	—	9,579	(100,303)	1,057,799	531,579	—	—	—	1,463,501
Increase (decrease) in liabilities:													
Accounts payable and accrued liabilities	780,312	205,732	(117,946)	(74,000,568)	(190,021)	(98,885)	796,918	2,068,679	8,559,896	(42,566)	130,609	—	(61,907,840)
Unearned revenue	(154,321)	(19,426)	(628,761)	9,280,624	97,094	(483,710)	3,620,901	(1,319,025)	(4,038,633)	—	—	—	6,354,743
Deposits refundable	170	(464)	(341,043)	—	—	564	—	(60)	—	—	—	—	(340,833)
Accrued leave liability	(784,661)	(156,340)	247,297	(2,630,312)	(334,624)	(295,555)	(1,491,059)	(954,313)	(2,026,933)	(110,402)	(9,193)	—	(8,546,095)
Net pension liability	(6,262,465)	(2,890,195)	(3,210,457)	(50,118,104)	(2,310,640)	(2,720,379)	(14,439,118)	(11,704,568)	(75,860,146)	(1,937,202)	63,215	—	(171,390,059)
Net OPEB liability	(138,342)	(75,367)	(427,404)	(1,517,798)	(72,686)	(103,346)	(162,885)	(239,351)	(2,100,043)	(48,539)	—	—	(4,885,761)
Deferred inflows of resources	1,671,889	1,006,479	3,401,910	11,736,330	866,537	960,138	10,489,842	4,943,503	26,003,214	397,287	31,814	—	61,508,943
Other liabilities	(3,616,753)	—	(9,606,363)	—	(4,852,764)	(4,419,409)	(3,397,822)	(337,466)	22,779,816	(1,526,104)	—	—	(4,976,865)
Total adjustments	4,081,816	4,287,396	17,672,843	76,813,480	6,575,466	4,180,871	55,075,490	26,381,409	169,162,525	6,736,215	489,104	—	371,456,615
Net cash used in operating activities	\$ (43,912,656)	(30,948,644)	(65,450,557)	(143,166,771)	(18,147,263)	(21,711,939)	(31,394,198)	(99,911,119)	(95,378,119)	(36,610,100)	(486,705)	—	(587,118,071)
Noncash capital related financing and investing activities:													
Capital assets acquired through donations and capital lease obligations	\$ —	—	—	1,300,000	—	—	6,634,288	41,621	266,535	—	—	—	8,242,444
Capital appropriations from the State of Mississippi	384,278	9,808,671	3,151,428	14,659,876	6,929,126	3,290,722	12,949,323	10,537,767	7,353,106	1,680,871	—	—	70,745,168

See accompanying independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

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State of Mississippi Institutions of Higher Learning
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of the Net Pension Liability
GASB 67 Paragraph 32(b)
Year ended June 30, 2018

	<u>Proportionate share of the net pension liability</u>	<u>Proportionate share of the net pension liability</u>	<u>Estimated Covered-employee payroll provided by PERS</u>	<u>Proportionate share of the net pension liability as a percentage of its covered- employee payroll</u>	<u>PERS fiduciary net position as a percentage of the total pension liability</u>
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%
2018	0.46%	75,934,194	29,303,410	259.13%	61.49%
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%
2018	0.27%	44,338,880	17,110,610	259.13%	61.49%
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%
2018	0.91%	152,074,130	58,686,216	259.13%	61.49%
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%
2018	3.16%	525,651,937	202,851,879	259.13%	61.49%
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%
2018	0.24%	39,274,129	15,156,095	259.13%	61.49%
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%
2018	0.25%	41,999,298	16,207,752	259.13%	61.49%
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%
2018	1.92%	319,127,442	123,152,978	259.13%	61.49%
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%
2018	1.34%	222,060,208	85,694,216	259.13%	61.49%
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%
2018	7.30%	1,212,970,916	468,091,930	259.13%	61.49%
Executive 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%	20,018,666	7,169,448	279.22%	57.47%
2018	0.11%	18,081,464	6,977,733	259.13%	61.49%
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%
2018	0.01%	1,649,603	636,590	259.13%	61.49%
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>\$ 2,824,552,261</u>	<u>1,011,579,899</u>	<u>279.22%</u>	<u>57.47%</u>
2018 Total	<u>15.96%</u>	<u>\$ 2,653,162,201</u>	<u>1,023,869,410</u>	<u>259.13%</u>	<u>61.49%</u>

See accompanying independent auditors' report.

State of Mississippi Institutions of Higher Learning
Required Supplementary Information (Unaudited)
Schedule of Proportionate Share of Contributions
GASB 67 Paragraph 32(c)
Year ended June 30, 2018

	Proportionate share of contributions	Required contributions	Contribution deficiency (excess)	Actual Covered- employee payroll	Contribution as a percentage of covered-employee payroll
Alcorn State University:					
2015	\$ 4,487,694	4,487,694	-	28,493,295	15.75%
2016	4,578,969	4,578,969	-	29,072,819	15.75%
2017	4,612,758	4,612,758	-	29,287,352	15.75%
2018	4,445,215	4,445,215	-	28,223,587	15.75%
Delta State University:					
2015	2,664,943	2,664,943	-	16,920,273	15.75%
2016	2,629,908	2,629,908	-	16,697,829	15.75%
2017	2,650,434	2,650,434	-	16,828,152	15.75%
2018	2,379,412	2,379,412	-	15,107,378	15.75%
Jackson State University:					
2015	8,271,356	8,271,356	-	52,516,546	15.75%
2016	8,653,220	8,653,220	-	54,941,079	15.75%
2017	8,714,352	8,714,352	-	55,329,219	15.75%
2018	8,294,334	8,294,334	-	52,662,438	15.75%
Mississippi State University:					
2015	30,812,946	30,812,946	-	195,637,752	15.75%
2016	32,082,720	32,082,720	-	203,699,810	15.75%
2017	32,311,407	32,311,407	-	205,151,790	15.75%
2018	31,045,339	31,045,339	-	197,113,263	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%
2018	2,311,505	2,311,505	-	14,676,222	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	-	15,821,860	15.75%
2017	2,509,604	2,509,604	-	15,933,994	15.75%
2018	2,536,037	2,536,037	-	16,101,822	15.75%
University of Mississippi:					
2015	18,189,943	18,189,943	-	115,491,702	15.75%
2016	18,587,600	18,587,600	-	118,016,508	15.75%
2017	18,719,288	18,719,288	-	118,852,622	15.75%
2018	19,505,230	19,505,230	-	123,842,730	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	-	82,602,902	15.75%
2017	13,118,547	13,118,547	-	83,292,362	15.75%
2018	13,456,220	13,456,220	-	85,436,317	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%
2018	73,927,567	73,927,567	-	469,381,378	15.75%
Executive Office:					
2015	1,048,459	1,048,459	-	6,656,883	15.75%
2016	959,854	959,854	-	6,094,311	15.75%
2017	1,123,420	1,123,420	-	7,132,825	15.75%
2018	1,068,031	1,068,031	-	6,781,148	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%
2018	99,080	99,080	-	629,079	15.75%
2015 Total	\$ 151,852,867	151,852,867	-	964,145,187	15.75%
2016 Total	\$ 157,218,362	157,218,362	-	998,211,822	15.75%
2017 Total	\$ 158,509,906	158,509,906	-	1,006,412,102	15.75%
2018 Total	\$ 159,067,970	159,067,970	-	1,009,955,363	15.75%

See accompanying independent auditors' report.

Mississippi State and School Employees' Life and Health Insurance Plan
 Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of the Net OPEB Liability
GASB 74 Paragraph 36(a)
 June 30, 2018

	<u>Proportionate share of the net OPEB liability</u>	<u>Proportionate share of the net OPEB liability</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the net OPEB liability as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total OPEB liability</u>
Alcorn State University:					
2018	0.58%	\$ 4,553,690	\$ 26,074,744	17.46%	0.00%
Delta State University:					
2018	0.41%	3,212,943	18,397,530	17.46%	0.00%
Jackson State University:					
2018	1.01%	7,923,756	45,371,973	17.46%	0.00%
Mississippi State University:					
2018	3.85%	30,245,677	173,188,825	17.46%	0.00%
Mississippi University for Women:					
2018	0.30%	2,342,410	13,412,798	17.46%	0.00%
Mississippi Valley State University:					
2018	0.40%	3,175,395	18,182,528	17.46%	0.00%
University of Mississippi:					
2018	2.52%	19,806,214	113,411,739	17.46%	0.00%
University of Southern Mississippi:					
2018	1.79%	14,037,705	80,380,864	17.46%	0.00%
University of Mississippi Medical Center:					
2018	7.35%	57,663,711	330,186,370	17.46%	0.00%
Executive Office:					
2018	0.09%	712,832	4,081,724	17.46%	0.00%
2018 Total	<u>18.31%</u>	<u>\$ 143,674,333</u>	<u>\$ 822,689,094</u>	<u>17.46%</u>	<u>0.00%</u>

See accompanying independent auditors' report.

Mississippi State and School Employees' Life and Health Insurance Plan
 Required Supplementary Information (Unaudited)
 Schedule of Proportionate Share of Employer Contributions
GASB 74 Paragraph 36(c)
 June 30, 2018

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
Alcorn State University:					
2018	\$ 253,468	179,174	74,294	26,074,744	0.69%
Delta State University:					
2018	178,839	126,420	52,420	18,397,530	0.69%
Jackson State University:					
2018	441,053	311,776	129,277	45,371,973	0.69%
Mississippi State University:					
2018	1,683,539	1,190,076	493,462	173,188,825	0.69%
Mississippi University for Women:					
2018	130,383	92,167	38,217	13,412,798	0.69%
Mississippi Valley State University:					
2018	176,749	124,942	51,807	18,182,528	0.69%
University of Mississippi:					
2018	1,102,456	779,315	323,141	113,411,739	0.69%
University of Southern Mississippi:					
2018	781,368	552,341	229,027	80,380,864	0.69%
University of Mississippi Medical Center:					
2018	3,209,684	2,268,893	940,791	330,186,370	0.69%
Executive Office:					
2018	39,678	28,048	11,630	4,081,724	0.69%
2018 Total	<u>\$ 7,997,218</u>	<u>5,653,152</u>	<u>2,344,066</u>	<u>822,689,094</u>	<u>0.69%</u>

See accompanying independent auditors' report.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Required Supplementary Information (Unaudited)

June 30, 2018

1. Net pension liability

(a) Schedule of Proportionate Share of the 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.

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

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

(c) Changes in Assumptions and Benefit Terms (pension plan)

Changes of assumptions:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022;
- The wage inflation assumption was reduced from 3.75% to 3.25%;
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience; and
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.
- In fiscal year 2018, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Changes of benefit terms: Amounts reported for fiscal year 2018 reflect no changes in benefit terms.

2. Net OPEB liability

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

This schedule presents historical trend information about the IHL System's proportionate share of the net OPEB liability for its employees who participate in the State and School Employees' Life and Health Insurance Plan. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the plan. Information related to previous years is not available, therefore, trend information will be accumulated to display a ten-year presentation.

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

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

(c) Changes in Assumptions and Benefit Terms (OPEB plan)

Changes of assumptions: The SEIR was changed from 3.01% for the prior measurement date to 3.56% to the current measurement date.

Changes of benefit terms: Amounts reported for fiscal year 2018 reflect no changes in benefit terms.

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Trustees
State of Mississippi Institutions of Higher Learning
Jackson, Mississippi

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 financial statements of the business-type activities and the aggregate discretely presented component units of the State of Mississippi Institutions of Higher Learning, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State of Mississippi Institutions of Higher Learning's basic financial statements, and have issued our report thereon dated February 26, 2019. Our report includes a reference to other auditors who audited 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, as described in our report on State of Mississippi Institutions of Higher Learning'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.

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 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 State of Mississippi Institutions of Higher Learning'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 State of Mississippi Institutions of Higher Learning's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Mississippi Institutions of Higher Learning'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

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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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Mississippi Institutions of Higher Learning's 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*.

State of Mississippi Institutions of Higher Learning's Response to Finding

The State of Mississippi Institutions of Higher Learning's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of Mississippi Institutions of Higher Learning's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
February 26, 2019

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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2018 – 001: Financial Reporting

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition/Context: The year-end financial statements prepared by management of Delta State University (the University) contained a number of errors, inconsistencies and omissions. In addition, the University encountered significant difficulties in preparing and producing a complete trial balance in order to test the balances supporting the financial statements. The University did not maintain adequate documentation to provide a cross walk from their financial information to the system-wide financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Criteria or specific requirement: Management of the University is responsible for establishing and maintaining internal controls over financial reporting and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with U.S. generally accepted accounting principles (GAAP).

Effect: The system-wide financial statements for the State of Mississippi Institutions of Higher Learning was delayed to ensure appropriate inclusion of the University's financial information.

Cause: The controller in place during fiscal year ended June 30, 2018 has not been provided the tools and training necessary for financial statement preparation.

Repeat Finding: No

Recommendation: We recommend that management review and strengthen its policies and procedures to ensure accurate GAAP financial reporting.

Views of responsible officials: Management agrees with the finding.

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MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
OFFICE OF FINANCE AND ADMINISTRATION

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2018

Financial Statement Findings

2018 – 001: Financial Reporting

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition/Context: The year-end financial statements prepared by management of Delta State University (the University) contained a number of errors, inconsistencies and omissions. In addition, the University encountered significant difficulties in preparing and producing a complete trial balance in order to test the balances supporting the financial statements. The University did not maintain adequate documentation to provide a cross walk from their financial information to the system-wide financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Recommendation: We recommend that management review and strengthen its policies and procedures to ensure accurate GAAP financial reporting.

Management Response and Corrective Action Plan:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: Delta State University has worked with its OIT department and produced a trial balance that can be used to bridge to the financial statements. The university is also seeking to engage a CPA firm to prepare its 2019-20 GASB financial statements. We feel that this action will answer all findings and comply with the audit recommendations.

Name(s) of the contact person(s) responsible for corrective action: James E. Rutledge, Vice President for Finance and Administration

Planned completion date for corrective action plan: May 1, 2019

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

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STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2018

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	601,356,715	-	3,096,890	3,866,290	2,996,270	-	611,316,165
Short term investments	199,707,208	-	2,664,509	8,147,048	-	-	210,518,765
Accounts receivable, net	356,776,034	(11,174,472)	-	-	-	-	345,601,562
Affiliate lease and accounts receivable	-	-	-	-	-	-	-
Notes and pledges receivable, net	17,955,857	-	13,973,660	10,429,908	3,254,855	-	45,614,280
Due from other governments	-	11,174,472	-	-	-	-	11,174,472
Inventories	35,591,998	-	-	-	-	-	35,591,998
Prepaid expenses	19,280,346	-	-	-	-	-	19,280,346
Other current assets	515,000	-	207,070	-	1,537,532	-	2,259,602
Total current assets	1,231,183,158	-	19,942,129	22,443,246	7,788,657	-	1,281,357,190
Non-Current Assets:							
Investments	458,919,925	-	154,558,064	112,951,572	13,059,950	-	739,489,511
Notes and pledges receivable, net	96,349,058	-	25,951,094	59,102,809	7,416,293	-	188,819,254
Restricted assets:							
Cash and cash equivalents	76,978,961	-	6,283,364	-	-	-	83,262,325
Short term investments	88,506,491	-	-	-	-	-	88,506,491
Investments	332,705,805	-	374,476,968	368,832,996	100,762,757	(40,561,012)	1,136,217,514
Beneficial interest in irrevocable trust	33,592,648	-	-	-	-	-	33,592,648
Capital assets, net	4,247,559,575	-	8,097,478	2,324,924	301,248	-	4,258,283,225
Other noncurrent assets	4,234,118	-	-	11,711,331	5,644,811	-	21,590,260
Total noncurrent assets	5,338,846,581	-	569,366,968	554,923,632	127,185,059	(40,561,012)	6,549,761,228
Total assets	6,570,029,739	-	589,309,097	577,366,878	134,973,716	(40,561,012)	7,831,118,418
Deferred outflows of resources:							
Deferred loss on refunding of debt	48,639,351	-	-	-	-	-	48,639,351
Pension related deferred outflows	295,211,695	-	-	-	-	-	295,211,695
OPEB related deferred outflows	7,289,670	-	-	-	-	-	7,289,670
Total deferred outflows of resources	351,140,716	-	-	-	-	-	351,140,716
Total assets and deferred outflows of resource	\$ 6,921,170,455	-	589,309,097	577,366,878	134,973,716	(40,561,012)	8,182,259,134

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2018

	IHL System only	DFA reclass entry	MSU Foundation	UM Foundation	USM Foundation	Foundation eliminations	Total
Liabilities and Net Position							
Liabilities:							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 229,515,927	(2,748,772)	8,228,869	-	457,939	-	235,453,963
Due to primary government	-	2,748,772	-	-	-	-	2,748,772
Unearned revenues	100,599,458	-	-	-	-	-	100,599,458
Bonds and notes payable	46,077,292	-	-	-	-	-	46,077,292
Lease obligations payable	452,481	-	-	-	-	-	452,481
Current portion of noncurrent liabilities	26,771,728	-	753,574	324,080	48,334	-	27,897,716
Other current liabilities	58,795,388	-	-	2,500,182	-	-	61,295,570
Total current liabilities	462,212,274	-	8,982,443	2,824,262	506,273	-	474,525,252
Noncurrent liabilities:							
Bonds and notes payable	1,286,045,458	-	-	-	-	-	1,286,045,458
Lease obligations payable	844,538	-	-	-	-	-	844,538
Net pension liability	2,653,162,201	-	-	-	-	-	2,653,162,201
Net OPEB liability	143,674,333	-	-	-	-	-	143,674,333
Other noncurrent liabilities	217,041,862	-	4,270,255	28,663,372	226,957	-	250,202,446
Total noncurrent liabilities	4,300,768,392	-	4,270,255	28,663,372	226,957	-	4,333,928,976
Total liabilities	4,762,980,666	-	13,252,698	31,487,634	733,230	-	4,808,454,228
Deferred inflows of resources:							
Deferred inflows related to pension	57,944,918	-	-	-	-	-	57,944,918
Deferred inflows related to refundings	5,407,973	-	-	-	-	-	5,407,973
Deferred inflows related to OPEB	7,670,577	-	-	-	-	-	7,670,577
Beneficial interest in irrevocable trusts	33,592,648	-	-	-	-	-	33,592,648
Total deferred inflows of resources	104,616,116	-	-	-	-	-	104,616,116
Total liabilities and deferred inflows of resour	\$ 4,867,596,782	-	13,252,698	31,487,634	733,230	-	4,913,070,344
Net Position:							
Net investment in capital assets	\$ 3,041,544,630	-	8,097,478	2,324,924	301,248	-	3,052,268,280
Restricted for:							
Other purposes	327,321,348	-	118,911,931	280,148,014	44,802,423	-	771,183,716
Permanent endowments:							
Nonexpendable	171,902,834	-	368,768,505	248,665,894	82,081,864	-	871,419,097
Unrestricted	(1,487,195,139)	-	80,278,485	14,740,412	7,054,951	(40,561,012)	(1,425,682,303)
Total net position	\$ 2,053,573,673	-	576,056,399	545,879,244	134,240,486	(40,561,012)	3,269,188,790

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, 2018

Functions/programs	Expenses	Program revenues			Net revenue (expense) and changes in net position					
		Charges for services	Operating grants and contributions	Capital grants and contributions	IHL System	MSU Foundation	UM Foundation	USM Foundation	Foundation eliminations	Total
IHL System	\$ 3,617,194,546	2,193,597,951	402,391,900	32,670,277	(988,534,418)	-	-	-	-	(988,534,418)
MSU Foundation	38,621,101	-	28,846,290		-	(9,774,811)	-	-	-	(9,774,811)
UM Foundation	42,233,468	-	37,479,436		-	-	(4,754,032)	-	-	(4,754,032)
USM Foundation	10,683,720	-	13,546,056		-	-	-	2,862,336	-	2,862,336
Total universities	\$ 3,708,732,835	2,193,597,951	482,263,682	32,670,277	(988,534,418)	(9,774,811)	(4,754,032)	2,862,336	-	(1,000,200,925)
General revenues:										
Interest and investment income					28,577,396	28,961,025	35,931,862	6,568,237	2,840,094	102,878,614
Other					212,164,092	-	-	-	-	212,164,092
Payment from State of Mississippi					738,780,806	-	-	-	-	738,780,806
Contributions to permanent endowments					3,847,184	13,849,584	11,009,858	4,401,150	-	33,107,776
Total general revenues and contributions					983,369,478	42,810,609	46,941,720	10,969,387	2,840,094	1,086,931,288
Change in net position					\$ (5,164,940)	33,035,798	42,187,688	13,831,723	2,840,094	86,730,363
Net position - beginning of the year										3,325,365,333
Effect of adoption of GASB 75										(142,906,906)
Net position - beginning of the year, as restated										3,182,458,427
Net position - end of the year										<u>3,269,188,790</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, 2018

	IHL System only	DFA reclass entry	Total
Student tuition	\$ 105,389,440	-	105,389,440
Auxiliary enterprises and other operating activities	37,922,485	-	37,922,485
Contributions and gifts	5,686,649	-	5,686,649
Federal, state, and private grants and contracts	91,586,806	(1,636,744)	89,950,062
State appropriations	9,537,728	(9,537,728)	-
Accrued interest	3,959,382		3,959,382
Patient income	640,749,269	-	640,749,269
Other	27,798,758	-	27,798,758
Total accounts receivable	922,630,517	(11,174,472)	911,456,045
Less bad debt provision	(565,854,483)	-	(565,854,483)
Net accounts receivable	\$ 356,776,034	(11,174,472)	345,601,562

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, 2018

	<u>Interest rates</u>	<u>Total</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
From students:				
Perkins student loans	3% to 9%	\$ 66,650,785	9,184,259	57,466,526
Nursing student loans	3% to 9%	3,629,435	112,568	3,516,867
Other federal loans	3% to 9%	2,195,220	2,152,427	42,793
Institutional student loans	0% to 9%	62,400,359	9,074,273	53,326,086
Medical student loans	3% to 9%	156,780	9,894	146,886
Dental student loans	3% to 9%	296,247	35,352	260,895
Notes and pledges:				
Foundations		<u>124,253,569</u>	<u>28,457,808</u>	<u>95,795,761</u>
Total notes and pledges receivable		259,582,395	49,026,581	210,555,814
Less allowance for doubtful accounts		<u>25,148,861</u>	<u>3,412,301</u>	<u>21,736,560</u>
Net notes and pledges receivable		\$ <u>234,433,534</u>	<u>45,614,280</u>	<u>188,819,254</u>
Foundation notes and pledges, before allowance for doubtful accounts:				
MSU Foundation		\$ 40,876,502	14,306,776	26,569,726
UM Foundation		72,413,919	10,862,088	61,551,831
USM Foundation		<u>10,963,148</u>	<u>3,288,944</u>	<u>7,674,204</u>
		\$ <u>124,253,569</u>	<u>28,457,808</u>	<u>95,795,761</u>
Summary of allowance for doubtful accounts:				
IHL Universities		\$ 21,023,911	2,612,916	18,410,995
MSU Foundation		951,748	279,605	672,143
UM Foundation		2,881,202	432,180	2,449,022
USM Foundation		<u>292,000</u>	<u>87,600</u>	<u>204,400</u>
		\$ <u>25,148,861</u>	<u>3,412,301</u>	<u>21,736,560</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, 2018

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Delta State University	\$ 151,388	119,848	31,540
Jackson State University	1,590,638	651,560	939,078
Mississippi University for Women	725,000	647,948	77,052
Mississippi Valley State University	407,504	158,155	249,349
	<u>\$ 2,874,530</u>	<u>1,577,511</u>	<u>1,297,019</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, 2018

	Balance June 30, 2017	Additions	Deletions/ transfers	Balance June 30, 2018
Nondepreciable Capital Assets:				
Land	\$ 108,336,617	5,477,406		113,814,023
Construction in progress	736,286,383	220,452,269	(407,079,290)	549,659,362
Livestock	1,711,663	104,087	(223,050)	1,592,700
Total nondepreciable capital assets	<u>846,334,663</u>	<u>226,033,762</u>	<u>(407,302,340)</u>	<u>665,066,085</u>
Depreciable capital assets:				
Improvements other than buildings	360,661,791	52,981,857	(147,859)	413,495,789
Buildings	3,727,582,779	388,571,170	(7,403,408)	4,108,750,541
Equipment	863,596,857	74,010,435	(44,245,234)	893,362,058
Library books	417,528,089	14,851,816	(871,333)	431,508,572
Total depreciable capital assets	<u>5,369,369,516</u>	<u>530,415,278</u>	<u>(52,667,834)</u>	<u>5,847,116,960</u>
Total capital assets	<u>6,215,704,179</u>	<u>756,449,040</u>	<u>(459,970,174)</u>	<u>6,512,183,045</u>
Less accumulated depreciation for:				
Improvements other than buildings	153,077,984	14,517,182	(6,226)	167,588,940
Buildings	992,719,346	74,340,572	(180,166)	1,066,879,752
Equipment	627,478,985	58,492,130	(35,439,413)	650,531,702
Library books	355,963,121	13,784,153	(847,848)	368,899,426
Total accumulated depreciation	<u>2,129,239,436</u>	<u>161,134,037</u>	<u>(36,473,653)</u>	<u>2,253,899,820</u>
Net capital assets	<u>\$ 4,086,464,743</u>	<u>595,315,003</u>	<u>(423,496,521)</u>	<u>4,258,283,225</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, 2018

	Cost to complete	Funded by			
		Federal sources	State sources	Institutional funds	Other
Alcorn State University	\$ 25,061,826	—	25,061,826	—	—
Delta State University	5,709,380	—	5,709,380	—	—
Jackson State University	9,757,738	—	9,757,738	—	—
Mississippi State University	77,648,759	7,288,000	29,234,368	22,236,317	18,890,074
Mississippi University for Women	6,334,573	—	6,334,573	—	—
Mississippi Valley State University	19,899,684	—	19,700,777	198,907	—
University of Mississippi	161,116,993	650,000	27,236,408	106,088,365	27,142,220
University of Southern Mississippi	14,455,550	—	12,238,458	2,217,092	—
University of Mississippi Medical Center	135,901,746	8,376,336	11,410,110	23,973,399	92,141,901
Totals	\$ 455,886,249	16,314,336	146,683,638	154,714,080	138,174,195

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, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018	Due within one year
Bonded debt	\$ 1,223,442,503	379,734,943	304,839,594	1,298,337,852	43,194,272
Notes payable	9,253,546	25,783,300	1,251,948	33,784,898	2,883,020
	<u>1,232,696,049</u>	<u>405,518,243</u>	<u>306,091,542</u>	<u>1,332,122,750</u>	<u>46,077,292</u>
Capital lease obligations	2,427,790	-	1,130,771	1,297,019	452,481
Other long-term liabilities:					
Net pension liability	2,824,552,260	516,643,869	688,033,928	2,653,162,201	-
Net OPEB liability	148,560,094	-	4,885,761	143,674,333	-
Accrued leave liability	127,100,867	4,207,711	13,438,741	117,869,837	13,205,087
Deposits refundable	1,038,850	31,242	764,473	305,619	-
Funds held in trust for others	23,591,139	796,254	1,773,598	22,613,795	324,080
Other noncurrent liabilities	139,331,249	6,316,224	8,336,562	137,310,911	14,368,549
Total other long-term liabilities	<u>3,264,174,459</u>	<u>527,995,300</u>	<u>717,233,063</u>	<u>3,074,936,696</u>	<u>27,897,716</u>
Total	<u>\$ 4,499,298,298</u>	<u>\$ 933,513,543</u>	<u>\$ 1,024,455,376</u>	<u>\$ 4,408,356,465</u>	<u>\$ 74,427,489</u>
Due within one year				<u>(74,427,489)</u>	
Total long-term liabilities				<u>\$ 4,333,928,976</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, 2018

	<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:								
2019	\$ 104,421,214	46,706,783	53,264,626	2,883,020	1,069,958	453,100	43,727	54,378,311
2020	103,690,963	47,214,431	52,169,351	2,928,809	1,151,813	193,852	32,707	53,353,871
2021	102,304,310	49,330,170	48,696,471	2,978,715	1,072,215	200,840	25,899	49,794,585
2022	99,235,208	48,173,996	47,044,771	2,912,154	963,967	121,201	19,119	48,027,857
2023	120,100,108	49,063,580	66,869,833	2,958,925	856,970	328,026	22,774	67,749,577
2024 - 2028	466,175,674	260,906,282	189,384,704	13,195,508	2,689,180	—	—	192,073,884
2029 - 2033	414,508,232	277,134,763	130,680,329	5,927,767	765,373	—	—	131,445,702
2034 - 2038	321,072,703	245,630,139	75,442,564	—	—	—	—	75,442,564
2039 - 2043	222,171,702	187,548,069	34,623,633	—	—	—	—	34,623,633
2044 - 2048	92,844,370	86,629,639	6,214,731	—	—	—	—	6,214,731
	<u>\$ 2,046,524,484</u>	<u>1,298,337,852</u>	<u>704,391,013</u>	<u>33,784,898</u>	<u>8,569,476</u>	<u>1,297,019</u>	<u>144,226</u>	<u>713,104,715</u>
Alcorn State University:								
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	2,983,925	1,335,000	1,648,925	—	—	—	—	1,648,925
2024 - 2028	15,627,575	8,410,000	7,217,575	—	—	—	—	7,217,575
2029 - 2033	16,088,125	11,260,000	4,828,125	—	—	—	—	4,828,125
2034 - 2038	16,160,163	13,795,000	2,365,163	—	—	—	—	2,365,163
2039 - 2043	10,353,738	10,209,650	144,088	—	—	—	—	144,088
	<u>\$ 72,339,801</u>	<u>49,099,650</u>	<u>23,240,151</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>23,240,151</u>
Delta State University:								
2019	\$ 1,551,523	1,005,000	514,363	—	—	31,540	620	514,983
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	1,078,550	620,000	458,550	—	—	—	—	458,550
2024 - 2028	4,714,525	2,805,000	1,909,525	—	—	—	—	1,909,525
2029 - 2033	4,549,350	3,260,000	1,289,350	—	—	—	—	1,289,350
2034 - 2038	4,542,300	3,955,000	587,300	—	—	—	—	587,300
2039 - 2043	912,900	895,000	17,900	—	—	—	—	17,900
	<u>\$ 20,587,598</u>	<u>14,330,000</u>	<u>6,225,438</u>	<u>—</u>	<u>—</u>	<u>31,540</u>	<u>620</u>	<u>6,226,058</u>
Jackson State University:								
2019	\$ 9,178,136	4,238,243	4,527,015	103,885	8,862	263,243	36,888	4,572,765
2020	8,955,469	4,190,750	4,511,652	107,025	5,722	110,750	29,570	4,546,944
2021	8,456,636	4,330,858	3,870,874	112,097	2,487	115,858	24,462	3,877,823
2022	8,351,078	4,506,201	3,704,557	—	—	121,201	19,119	3,723,676
2023	9,538,453	5,706,791	3,480,862	—	—	328,026	22,774	3,503,636
2024 - 2028	45,041,830	31,406,235	13,635,595	—	—	—	—	13,635,595
2029 - 2033	39,412,666	32,435,000	6,977,666	—	—	—	—	6,977,666
2034 - 2038	16,417,922	15,117,252	1,300,670	—	—	—	—	1,300,670
2039 - 2043	2,809,000	2,300,000	509,000	—	—	—	—	509,000
2044 - 2048	1,124,000	1,060,000	64,000	—	—	—	—	64,000
	<u>\$ 149,285,190</u>	<u>105,291,330</u>	<u>42,581,891</u>	<u>323,007</u>	<u>17,071</u>	<u>939,078</u>	<u>132,813</u>	<u>42,731,775</u>
Mississippi State University:								
2019	\$ 28,827,342	13,209,268	15,618,074	—	—	—	—	15,618,074
2020	29,197,835	13,959,801	15,238,034	—	—	—	—	15,238,034
2021	27,442,699	14,178,566	13,264,133	—	—	—	—	13,264,133
2022	27,104,879	14,348,456	12,756,423	—	—	—	—	12,756,423
2023	26,773,541	14,545,103	12,228,438	—	—	—	—	12,228,438
2024 - 2028	119,419,354	67,005,035	52,414,319	—	—	—	—	52,414,319
2029 - 2033	103,298,706	64,314,094	38,984,612	—	—	—	—	38,984,612
2034 - 2038	92,689,933	68,720,129	23,969,804	—	—	—	—	23,969,804
2039 - 2043	75,416,273	64,914,220	10,502,053	—	—	—	—	10,502,053
2044 - 2048	19,465,146	18,734,644	730,502	—	—	—	—	730,502
	<u>\$ 549,635,708</u>	<u>353,929,316</u>	<u>195,706,392</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>195,706,392</u>
Mississippi University for Women:								
2019	\$ 78,116	—	—	—	—	77,053	1,063	1,063
	<u>\$ 78,116</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>77,053</u>	<u>1,063</u>	<u>1,063</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, 2018

	<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 Valley State University:								
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	1,089,506	575,000	514,506	—	—	—	—	514,506
2024 - 2028	5,961,105	3,655,000	2,306,105	—	—	—	—	2,306,105
2029 - 2033	6,919,675	5,285,000	1,634,675	—	—	—	—	1,634,675
2034 - 2038	6,328,151	5,775,000	553,151	—	—	—	—	553,151
	<u>\$ 25,418,539</u>	<u>17,900,000</u>	<u>7,259,461</u>	<u>—</u>	<u>—</u>	<u>249,348</u>	<u>9,730</u>	<u>7,269,191</u>
University of Mississippi:								
2019	\$ 26,142,467	13,732,456	8,569,780	2,779,135	1,061,096	—	—	9,630,876
2020	25,351,487	13,184,908	8,198,704	2,821,784	1,146,091	—	—	9,344,795
2021	25,805,441	14,080,910	7,788,185	2,866,618	1,069,728	—	—	8,857,913
2022	23,371,619	12,115,482	7,380,016	2,912,154	963,967	—	—	8,343,983
2023	23,082,188	12,264,913	7,001,380	2,958,925	856,970	—	—	7,858,350
2024 - 2028	112,779,188	69,430,206	27,464,294	13,195,508	2,689,180	—	—	30,153,474
2029 - 2033	82,743,811	61,764,671	14,286,000	5,927,767	765,373	—	—	15,051,373
2034 - 2038	36,620,307	31,646,355	4,973,952	—	—	—	—	4,973,952
2039 - 2043	12,435,704	10,194,260	2,241,444	—	—	—	—	2,241,444
2044 - 2048	5,711,624	5,316,499	395,125	—	—	—	—	395,125
	<u>\$ 374,043,836</u>	<u>243,730,660</u>	<u>88,298,880</u>	<u>33,461,891</u>	<u>8,552,405</u>	<u>—</u>	<u>—</u>	<u>96,851,285</u>
University of Southern Mississippi:								
2019	\$ 12,945,736	6,289,502	6,656,234	—	—	—	—	6,656,234
2020	13,219,121	6,676,062	6,543,059	—	—	—	—	6,543,059
2021	13,427,910	7,016,009	6,411,901	—	—	—	—	6,411,901
2022	13,246,281	7,025,030	6,221,251	—	—	—	—	6,221,251
2023	33,675,616	6,097,947	27,577,669	—	—	—	—	27,577,669
2024 - 2028	56,425,105	36,500,674	19,924,431	—	—	—	—	19,924,431
2029 - 2033	56,013,279	46,446,866	9,566,413	—	—	—	—	9,566,413
2034 - 2038	40,729,921	37,647,271	3,082,650	—	—	—	—	3,082,650
2039 - 2043	21,579,437	21,414,212	165,225	—	—	—	—	165,225
	<u>\$ 261,262,406</u>	<u>175,113,573</u>	<u>86,148,833</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>86,148,833</u>
University of Mississippi Medical Center:								
2019	\$ 21,804,543	6,832,314	14,972,229	—	—	—	—	14,972,229
2020	21,908,156	7,077,910	14,830,246	—	—	—	—	14,830,246
2021	21,906,349	7,323,827	14,582,522	—	—	—	—	14,582,522
2022	21,894,045	7,613,827	14,280,218	—	—	—	—	14,280,218
2023	21,878,329	7,918,826	13,959,503	—	—	—	—	13,959,503
2024 - 2028	106,206,992	41,694,132	64,512,860	—	—	—	—	64,512,860
2029 - 2033	105,482,620	52,369,132	53,113,488	—	—	—	—	53,113,488
2034 - 2038	107,584,006	68,974,132	38,609,874	—	—	—	—	38,609,874
2039 - 2043	98,664,650	77,620,727	21,043,923	—	—	—	—	21,043,923
2044 - 2048	66,543,600	61,518,496	5,025,104	—	—	—	—	5,025,104
	<u>\$ 593,873,290</u>	<u>338,943,323</u>	<u>254,929,967</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>254,929,967</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 (Combined)
June 30, 2018

	<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:								
2019	\$ 104,421,214	46,706,783	53,264,626	2,883,020	1,069,958	453,100	43,727	54,378,311
2020	103,690,963	47,214,431	52,169,351	2,928,809	1,151,813	193,852	32,707	53,353,871
2021	102,304,310	49,330,170	48,696,471	2,978,715	1,072,215	200,840	25,899	49,794,585
2022	99,235,208	48,173,996	47,044,771	2,912,154	963,967	121,201	19,119	48,027,857
2023	120,100,108	49,063,580	66,869,833	2,958,925	856,970	328,026	22,774	67,749,577
2024 - 2028	466,175,674	260,906,282	189,384,704	13,195,508	2,689,180	—	—	192,073,884
2029 - 2033	414,508,232	277,134,763	130,680,329	5,927,767	765,373	—	—	131,445,702
2034 - 2038	321,072,703	245,630,139	75,442,564	—	—	—	—	75,442,564
2039 - 2043	222,171,702	187,548,069	34,623,633	—	—	—	—	34,623,633
2044 - 2048	92,844,370	86,629,639	6,214,731	—	—	—	—	6,214,731
	<u>\$ 2,046,524,484</u>	<u>1,298,337,852</u>	<u>704,391,013</u>	<u>33,784,898</u>	<u>8,569,476</u>	<u>1,297,019</u>	<u>144,226</u>	<u>713,104,715</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, 2018

	Original issue	Balance Outstanding June 30, 2018	Interest rate	Maturity date
Alcorn State University:				
Bonds:				
2009 Series	\$ 47,000,000	1,730,000	5.13% – 5.25%	09/2039
2016 Series	43,630,000	47,369,650	2.00% – 5.00%	09/2039
	<u>90,630,000</u>	<u>49,099,650</u>		
Delta State University:				
Bonds:				
Student housing, 2009	3,135,000	430,000	2.50% – 3.75%	12/2018
Foundation Hall, 2016	15,105,000	13,900,000	2.00% – 5.00%	12/2038
	<u>18,240,000</u>	<u>14,330,000</u>		
Jackson State University:				
Bonds:				
Series 1982 - Dormitory	4,000,000	510,000	1.00% – 3.00%	12/2020
Series 2010A-1	31,325,000	—	3.00% – 5.00%	03/2034
Series 2015A	57,595,000	57,440,440	2.00% – 5.00%	03/2045
Series 2015B	13,065,000	5,315,000	2.60 %	03/2021
Series 2017	6,000,000	6,000,000	3.38 %	08/2027
Series 2017A	29,745,000	36,025,890	1.60% – 3.70%	03/2034
	<u>141,730,000</u>	<u>105,291,330</u>		
Notes:				
Housing project	2,222,000	323,007	3.00 %	12/2021
Mississippi State University:				
Bonds:				
Dormitory bonds	2,250,000	280,000	3.00 %	12/2021
Student apartments	2,038,000	340,000	3.00 %	12/2022
EBC-Revenue	31,865,000	—	3.75% – 5.25%	12/2018
EBC-Revenue	6,110,000	—	4.13% – 5.00%	08/2028
EBC-Revenue	29,615,000	1,480,000	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	5,010,000	2.00% – 5.00%	12/2042
EBC-Revenue	60,470,000	10,670,000	2.00% – 5.00%	08/2043
EBC-Revenue	89,810,000	87,710,420	2.00% – 5.00%	08/2043
EBC-Revenue	23,435,000	20,160,000	0.29% – 4.81%	08/2043
EBC-Revenue	56,010,000	59,313,070	2.00% – 5.00%	08/2045
EBC-Revenue	63,270,000	70,223,891	2.00% – 5.00%	08/2045
EBC-Revenue	92,075,000	95,091,935	2.00% – 5.00%	08/2043
	<u>528,423,000</u>	<u>353,929,316</u>		
Mississippi Valley State University:				
Bonds:				
EBC - 2007	19,015,000	715,000	4.00 %	03/2022
EBC - 2015	17,270,000	17,185,000	2.00 %	03/2037
	<u>36,285,000</u>	<u>17,900,000</u>		
University of Mississippi:				
Bonds:				
EBC - Series 2008A	29,785,000	970,000	4.00% – 4.25%	10/2033
EBC - Series 2009A	19,870,000	1,835,000	3.50% – 4.50%	10/2029
EBC - Series 2009B	24,165,000	7,395,000	3.623% – 5.00%	10/2020
EBC - Series 2009C	14,770,000	960,000	3.25% – 4.75%	11/2034
EBC - Series 2011	27,995,000	6,380,000	3.00% – 5.00%	10/2031
EBC - Series 2013C	62,900,000	62,900,000	3.22%	11/2033
EBC - Series 2013D	12,100,000	6,299,380	3.10%	11/2020
EBC - Series 2015	12,600,000	10,350,000	Variable	12/2025
EBC - Series 2015A	15,660,000	15,190,000	2.00% – 4.00%	11/2039

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING
State of Mississippi Component Unit Additional Information
Schedule of Bonds and Notes Payable Disclosure
June 30, 2018

	Original issue	Balance Outstanding June 30, 2018	Interest rate	Maturity date
EBC - Series 2015B	10,125,000	8,395,000	1.375% – 3.75%	11/2029
EBC - Series 2015C	31,630,000	32,352,588	2.00% – 5.00%	11/2046
EBC - Series 2015D	17,660,000	18,217,586	0.993% – 4.452%	11/2036
EBC - Series 2016A	33,245,000	31,497,901	2.00% – 5.00%	11/2034
EBC - Series 2017	38,995,000	40,988,205	2.00% – 5.00%	10/2034
	<u>351,500,000</u>	<u>243,730,660</u>		
Notes:				
Hancock Bank	9,500,000	7,794,139	2.59 %	06/2026
Renasant Bank	8,000,000	7,884,452	2.745 %	06/2028
Trustmark Bank	17,783,300	17,783,300	LIBOR + 1.39	06/2033
	<u>35,283,300</u>	<u>33,461,891</u>		
University of Southern Mississippi:				
Bonds:				
SMEBC Series 2009	49,900,000	1,320,000	2.75% – 5.38%	09/2036
SMEBC Series 2013	51,875,000	10,826,463	2.00% – 5.00%	09/2043
SMEBC Series 2015A	38,600,000	36,680,000	2.00% – 5.00%	03/2034
SMEBC Series 2015B	16,690,000	11,960,000	0.50% – 3.25%	03/2034
SMEBC Series 2016	58,870,000	69,344,293	2.00% – 5.00%	09/2039
SMEBC Series 2017	44,005,000	44,982,817	2.00% – 5.00%	09/2043
	<u>259,940,000</u>	<u>175,113,573</u>		
University Medical Center:				
Bonds:				
Series 1998B	41,075,000	20,805,000	3.88% – 5.90%	12/2023
Series 2009	105,605,000	2,709,404	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	6.843%	06/2035
Series 2010C	5,130,000	1,228,167	2.50% – 5.00%	06/2020
Series 2012A	51,860,000	51,594,785	4.00% – 5.00%	06/2041
Series 2012B	53,390,000	54,671,871	4.064% – 4.822%	06/2038
Series 2017A	137,635,000	150,719,096	3.00% – 5.00%	06/2047
Series 2017B	12,345,000	12,345,000	2.45% – 3.10%	06/2024
	<u>451,910,000</u>	<u>338,943,323</u>		
Total	<u>\$ 1,916,163,300</u>	<u>1,308,828,434</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, 2018

Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships and fellowships	Commodities	Depreciation expense	Other	Total
Instruction	\$ 450,511,320	189,012,470	11,200,797	44,284,333	407,202	593,380	15,292,458	—	1,695,583	712,997,543
Research	185,738,806	80,907,694	9,255,787	55,029,910	3,031,315	1,168	21,940,859	—	1,253,817	357,159,356
Public Service	79,852,157	34,560,618	4,777,274	28,429,875	894,709	169,387	7,741,100	—	58,116	156,483,236
Academic Support	82,152,608	32,259,933	2,448,849	26,809,145	530,653	32,627	13,050,576	—	139,605	157,423,996
Student Services	46,891,959	19,699,610	4,585,525	13,201,355	149,324	37,820	6,369,251	—	86,024	91,020,868
Institutional Support	134,880,666	53,546,148	2,434,153	114,912,740	234,978	9,557	26,031,064	—	1,172,219	333,221,525
Operation of Plant	51,462,327	24,513,882	167,846	42,568,850	44,748,080	—	9,394,526	—	39,335	172,894,846
Student Aid	3,966,892	5,587,174	94,548	322,269	—	174,010,067	214,763	—	47,014	184,242,727
Auxiliary Enterprises	81,890,407	29,895,352	15,273,681	85,985,536	16,319,697	26,574,855	22,332,600	4,112	73,538	278,349,778
Depreciation	—	—	—	—	—	—	—	159,348,372	—	159,348,372
Hospital	488,923,484	192,279,422	1,315,550	112,202,774	1,375,693	—	238,007,830	—	—	1,034,104,753
Loan Fund expenses	—	—	—	—	—	—	—	—	1,551,900	1,551,900
Interest	—	—	—	—	—	—	—	—	43,844,769	43,844,769
Inter-campus eliminations	—	—	—	(48,914,078)	—	(27,835,016)	—	—	—	(76,749,094)
Total operating expenses	\$ 1,606,270,626	662,262,302	51,554,010	474,832,709	67,691,651	173,593,845	360,375,027	159,352,484	49,961,920	3,605,894,574

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