

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Financial Statements

June 30, 2019 and 2018

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# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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# **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 years ended June 30, 2019 and 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 audits. For the year ended June 30, 2019, we did not audit the financial statements of the Mississippi State University Foundation, Inc., the University of 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 10.5%, 1.2% and 1.2% of the assets, net position and revenues of the IHL System's business-type activities and 89.8%, 89.4% and 90.1% of assets, net assets and revenues of the aggregate discretely presented component units as of and for the year ended June 30, 2019, 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. For the year ended June 30, 2018, 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, 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center Educational Building Corporation, the University of Mississippi 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 audits 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, 2019 and 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.

### ***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 4-15 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 127-130 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the



information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*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 supplementary information on pages 120-126 and the accompanying component unit additional information for inclusion in the State of Mississippi Comprehensive Annual Financial Report section on pages 137-152 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining supplementary 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, based on our audits and the reports of other auditors, the combining supplementary 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 December 16, 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  
December 16, 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, 2019 and 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 78,000 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 19,100 degrees in academic year 2019.

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, 2019. 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.

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

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

The discussion and analysis below provides an overview of the financial position and activities of the IHL System for the years ended June 30, 2019 and 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

The IHL System recorded an increase in net position of \$103 million in fiscal year 2019. The increase was primarily the result of increased revenue sources in federal grants and contracts, up 17.1% or \$46.1 million, as well as patient care revenues of the medical center, a 7.2% growth or \$78.7 million.

<b>Financial highlights (in millions)</b>	<b>Years ended June 30,</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
Total operating revenues	\$ 2,525	2,588	2,720
Total operating expenses	3,555	3,547	3,611
Operating loss	(1,029)	(959)	(891)
State appropriations	711	668	669
Gifts	194	202	218
Investment income	33	29	44
Interest expense on capital asset-related debt	(42)	(44)	(43)
Other nonoperating revenues, net and other revenue, expenses, gains and losses	162	99	106
Increase (decrease) in net position	29	(5)	103
Net position, beginning of the year, as restated	2,030	2,059	2,054
Net position, end of year	\$ 2,059	2,054	2,157

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

As discussed in note 1(d) of the Notes to the Financial Statements, the IHL System implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct*

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*Placements.* GASB Statement No. 88 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. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale.

### **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 years 2019 and 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 years ended June 30, 2019 and 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 17.7% and 18.5% of total IHL System net revenues for fiscal years 2019 and 2018, respectively, are classified as nonoperating revenue because these revenues are appropriated at the state level rather than at the institutional level. This accounting treatment for this revenue classification typically results in the IHL System showing an operating loss. Other typical nonoperating revenue sources include gifts, grants, and appropriations restricted for capital purposes.

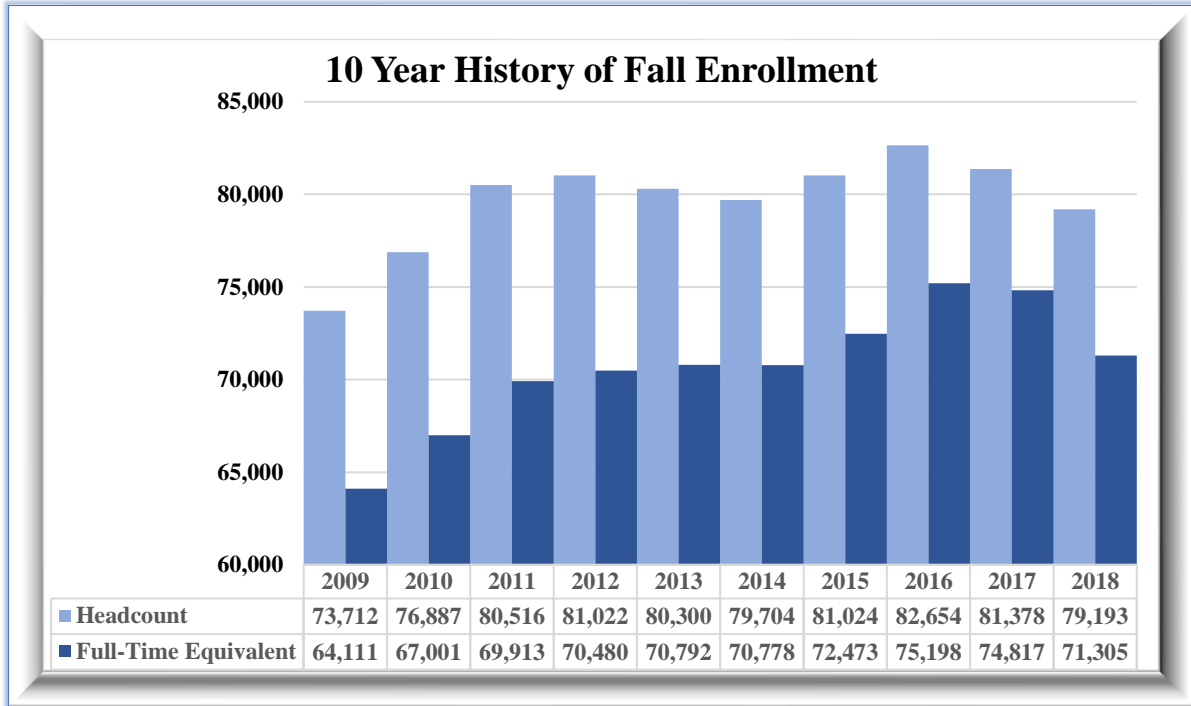
The Statement of Cash Flows provides information about the cash sources and uses of the IHL System. Additional information for these statements is provided later in this report.

The following chart depicts a ten-year history of fall enrollment.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Management’s Discussion and Analysis (Unaudited)

June 30, 2019 and 2018



**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.

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.

## STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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

June 30, 2019 and 2018

#### Summary of Net Position (Condensed)

	June 30, 2017	June 30, 2018	June 30, 2019	Changes between years	
				2017 to 2018	2018 to 2019
<b>Assets:</b>					
Current assets	\$ 1,249,633,427	1,231,183,158	1,391,902,347	(1.5)%	13.1 %
Capital assets, net	4,075,419,713	4,247,559,575	4,348,912,581	4.2	2.4
Other assets	935,369,515	1,091,287,006	1,002,280,445	16.7	(8.2)
Deferred outflows	660,687,321	351,140,716	242,313,161	(46.9)	(31.0)
Total assets and deferred outflows of resources	<u>\$ 6,921,109,976</u>	<u>6,921,170,455</u>	<u>6,985,408,534</u>	<u>0.00 %</u>	<u>0.93 %</u>
<b>Liabilities:</b>					
Current liabilities	\$ 431,544,814	462,212,274	462,554,570	7.1	0.1
Noncurrent liabilities	4,388,668,243	4,300,768,392	4,249,359,249	(2.0)	(1.2)
Deferred inflows	42,158,306	104,616,116	116,479,343	148.2	11.3
Total liabilities and deferred inflows of resources	<u>\$ 4,862,371,363</u>	<u>4,867,596,782</u>	<u>4,828,393,162</u>	<u>0.1 %</u>	<u>(0.8)%</u>
<b>Net position (deficit):</b>					
Investment in capital assets, net of debt	\$ 2,893,421,550	3,041,544,630	3,134,825,439	5.1 %	3.1 %
Restricted – nonexpendable	167,928,926	171,902,834	181,254,031	2.4	5.4
Restricted – expendable	290,583,123	327,321,348	320,633,707	12.6	(2.0)
Unrestricted	(1,293,194,986)	(1,487,195,139)	(1,479,697,805)	(15.0)	0.5
Total net position	<u>\$ 2,058,738,613</u>	<u>2,053,573,673</u>	<u>2,157,015,372</u>	<u>(0.3)%</u>	<u>5.0 %</u>

At June 30, 2019, 2018, and 2017 current assets totaled \$1.39 billion, \$1.23 billion, and \$1.25 billion, respectively, and consisted primarily of cash and cash equivalents, short-term investments and net receivables. Current assets increased 13.1% (or \$160.7 million) and decreased 1.5% (or \$18.5 million) from June 30, 2018 to 2019 and June 30, 2017 to 2018, respectively. Cash and cash equivalents, and short-term investments constituted approximately 64.8% and 65.1% of current assets as of June 30, 2019 and 2018, respectively, while net receivables constituted approximately 29% of current assets as of June 30, 2019 and 2018. Approximately 31.7% and 29.9% of these net receivables are amounts due from gifts, contracts and grants and the State of Mississippi for appropriations as of June 30, 2019 and 2018, respectively, while 46.1% and 42.9% 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, 2019, 2018 and 2017, noncurrent assets totaled \$5.4 billion, \$5.3 billion, and \$5.0 billion, respectively, which included capital assets of \$4.3 billion, \$4.2 billion, and \$4.1 billion, respectively. Noncurrent cash and investments that are restricted externally by endowment arrangements or specific grant and contract arrangements approximated \$177.3 million and \$176.1 million at June 30, 2019 and 2018, respectively. These amounts are reflected in net position expendable for scholarships and fellowships and other purposes in the statement of net position. Unspent bond proceeds amounted to \$44.5 million and \$90.3 million at June 30, 2019 and 2018, respectively. One other significant noncurrent asset of the IHL System was student notes receivable which equaled \$86.4 million and \$96.3 million at June 30, 2019 and 2018, respectively. In total, noncurrent assets remained stable at \$5.4 billion. Net capital assets increased \$101.4 million and \$172.1 million during 2019 and 2018, respectively. The IHL System's inventory of buildings has increased in pre-depreciation value by a total of \$587 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, 2019, 2018 and 2017, current liabilities equaled \$462.6 million, \$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.

Noncurrent liabilities are those liabilities due and payable more than twelve months from year-end. Noncurrent liabilities equaled \$4.2 billion, \$4.3 billion, and \$4.4 billion at June 30, 2019, 2018, and 2017, respectively. These liabilities have



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decreased 1.2% (or \$51 million) since June 30, 2018. The IHL System's proportionate share of the collective net pension liability reported by PERS decreased by \$3.8 million (0.1%) and \$171.4 million (6.1%) as of June 30, 2019 and 2018, respectively. The IHL System's proportionate share of the collective net OPEB liability reported by the State and School Employees' Life and Health Insurance Plan decreased by \$1.8 million (or 1.3%) as of June 30, 2019. The OPEB liability was implemented as a new standard during 2018.

Deferred outflows of resources decreased in 2019 while deferred inflows of resources increased, primarily due to the impact of net pension liabilities. The IHL System recorded \$187 million and \$295 million of pension-related deferred outflows at the end of fiscal years 2019 and 2018, respectively, primarily representing the deferral of pension contributions paid during the year for the IHL System's participation in the cost-sharing, defined benefit pension plan administered by PERS. In addition, \$65.3 million and \$57.9 million of pension-related deferred inflows at June 30, 2019 and 2018, 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 \$181.3 million and \$171.9 million at June 30, 2019 and 2018, 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 5.4% (or \$9.4 million) and 2.4% (or \$4.0 million) from June 30, 2018 to 2019 and June 30, 2017 to 2018, respectively.

Restricted expendable net position equaled \$320.6 million and \$327.3 million at June 30, 2019 and 2018, 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 decreased 2.0% (or \$6.7 million) and increased 12.6% (or \$36.7 million) from June 30, 2018 to 2019 and June 30, 2017 to 2018, respectively.

Unrestricted net position (deficit) equaled (\$1.48) billion and (\$1.49) billion at June 30, 2019 and 2018, respectively, and represents those assets that are available to the IHL System for any lawful purpose. The value of unrestricted net position has increased 0.5% (or \$7.5 million) and decreased 15.0% (or \$194 million) from June 30, 2018 to 2019 and from June 30, 2017 to 2018, respectively. This deficit is the result of the implementation of GASB Nos. 68 and 75, under which IHL recognizes a liability for its net pension and OPEB obligations.

#### **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.

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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 between years	
	2017	2018	2019	2017 to 2018	2018 to 2019
Operating revenues	\$ 2,525,496,552	2,588,271,917	2,720,082,179	2.5 %	5.1 %
Operating expenses	3,554,702,085	3,546,846,603	3,610,653,918	(0.2)	1.8
Operating loss	(1,029,205,533)	(958,574,686)	(890,571,739)	(6.9)	(7.1)
Nonoperating revenues	\$ 898,398,420	848,725,053	876,337,399	(5.5)	3.3
Loss before other revenues, expenses, gains or losses	(130,807,113)	(109,849,633)	(14,234,340)	(16.0)	(87.0)
Other revenues, expenses, gains or losses	159,579,131	104,684,693	117,676,039	(34.4)	12.4
Change in net position	28,772,018	(5,164,940)	103,441,699	(118.0)	(2,102.8)
Net position, beginning of the year	2,172,873,501	2,058,738,613	2,053,573,673	(5.3)	(0.3)
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	2,053,573,673	1.4	(0.3)
Net position, end of the year	\$ 2,058,738,613	2,053,573,673	2,157,015,372	(0.3)%	5.0 %

### Operating Revenues

Operating revenues for the IHL System equaled \$2.7 billion, \$2.6 billion and \$2.5 billion for fiscal years 2019, 2018 and 2017, respectively. Operating revenues increased 5.1% (or \$131.8 million) and 2.5% (or \$62.8 million) during 2019 and 2018, respectively. Major components of operating revenues are the UMMC patient care revenues (43.2% in 2019, 42.4% in 2018 and 42.5% in 2017), net tuition and fees (24.0% in 2019, 24.6% in 2018 and 24.3% in 2017), grants and contracts revenues (15.7% in 2019, 15.1% in 2018 and 15.2% in 2017), and sales and service revenues from auxiliary activities (11.1% in 2019, 11.6% in 2018 and 12.1% in 2017). The following table summarizes the IHL System's operating revenues for the past three fiscal years.

#### Operating Revenues

	Years ended June 30,			Changes between years	
	2017	2018	2019	2017 to 2018	2018 to 2019
Tuition and fees, net	\$ 613,457,701	637,343,596	652,821,111	3.9 %	2.4 %
Grants and contracts	384,564,504	390,967,888	426,501,389	1.7	9.1
Federal appropriations	13,749,480	11,424,012	14,410,558	(16.9)	26.1
Sales and services of educational departments	62,287,601	64,361,012	67,564,996	3.3	5.0
Auxiliary enterprises, net	306,185,083	299,776,697	301,979,850	(2.1)	0.7
Patient care revenues	1,074,214,704	1,097,355,744	1,176,072,282	2.2	7.2
Other	71,037,479	87,042,968	80,731,993	22.5	(7.3)
Total operating revenues	\$ 2,525,496,552	2,588,271,917	2,720,082,179	2.5 %	5.1 %

Net tuition and fee revenues increased 2.4% (\$15.5 million), 3.9% (\$23.9 million) and 6.3% (\$36.5 million) during fiscal years 2019, 2018 and 2017, respectively. All IHL institutions raised their in-state tuition rates during 2019 (average increase of 4.3%). At institutions where nonresident surcharges exist, non-Mississippi residents also paid a higher tuition rate during

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2019 (average increase of 4.0%). Despite modest enrollment decline, these rate increases have caused an increase in total tuition and fees, net.

Grants and contracts revenue increased 9.1% (\$35.5 million) and 1.7% (\$6.4 million) during fiscal years 2019 and 2018, respectively, due to timing differences in both federal and state funding of student aid, research, and other various grants and contracts.

Patient care revenues at UMMC increased 7.2%, or \$78.7 million, and 2.2%, or \$23.1 million, from June 30, 2018 to 2019 and June 30, 2017 to 2018.

**Operating Expenses**

Operating expenses for the IHL System totaled \$3.6 billion, \$3.5 billion, and \$3.6 billion for fiscal years 2019, 2018 and 2017, respectively. Operating expenses increased modestly by 1.8% (\$63.8 million) during 2019 and decreased slightly by 0.2% (\$7.9 million) during 2018. Personnel costs (including fringe benefits) were the largest expense component for the IHL System, representing 62.4% of the total in 2019, 64.0% of the total in 2018 and 64.6% in 2017. Other major components include contractual services (13.6% in 2019, 13.0% in 2018, and 12.4% in 2017), commodities (11.1% in 2019, 10.2% during both 2018 and 2017), and scholarships and fellowships (4.9% during 2019 and 2018, and 5.0% during 2017). The following table summarizes the IHL System's operating expenses (by major object category) for the past three fiscal years.

	<b>Operating Expenses</b>					
	<b>Years ended June 30,</b>			<b>Changes between years</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>	
By major object category:						
Salaries and wages	\$ 1,603,139,386	1,606,270,626	1,655,778,835	0.2 %	3.1 %	
Fringe benefits	695,316,787	662,262,302	596,194,684	(4.8)	(10.0)	
Travel	55,904,251	51,554,010	51,263,875	(7.8)	(0.6)	
Contractual services	441,605,911	460,274,893	490,922,090	4.2	6.7	
Utilities	64,571,389	67,691,651	69,936,844	4.8	3.3	
Scholarships and fellowships	176,595,522	173,593,845	177,199,230	(1.7)	2.1	
Commodities	361,903,237	360,375,027	400,969,012	(0.4)	11.3	
Depreciation	151,955,292	158,707,098	162,945,647	4.4	2.7	
Other	3,710,310	6,117,151	5,443,701	64.9	(11.0)	
Total operating expenses	\$ <u>3,554,702,085</u>	<u>3,546,846,603</u>	<u>3,610,653,918</u>	<u>(0.2)%</u>	<u>1.8 %</u>	

IHL System's personnel costs (salaries and wages, and fringe benefits) decreased 0.7% (\$16.6 million) in 2019 and 1.3% (\$29.9 million) during 2018. Institutions mainly provided pay increases for promotion-in-rank or additional position responsibilities during 2019 and 2018. The range of these pay raises varied from institution to institution. Net of the non-cash impact of GASB Statement Nos. 68 and 75, three institutions experienced large increases in personnel costs: MSU (\$21.2 million) UM (\$13.3 million) and UMMC (\$45.0 million); other institutions were able to decrease this outlay. Travel expenses remained stable at \$51 million after a 7.8% decline (\$4.4 million) during 2018. Contractual services increased 6.7% (\$30.6 million) in 2019 and 4.2% (\$18.7 million) during 2018. The cost for commodities increased substantially by 11.3% in 2019, or \$40.6 million, and decreased (0.4% or \$1.5 million) during 2018. Scholarship and fellowship expenses increased 2.1% (\$3.6 million) in 2019 and 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

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

	<b>Operating Expenses</b>				
	<b>Years ended June 30,</b>			<b>Changes between years</b>	
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>
By function:					
Instruction	\$ 733,853,271	712,997,543	686,583,567	(2.8)	(3.7)
Research	361,047,290	357,159,355	398,647,090	(1.1)	11.6
Public service	168,302,423	156,483,236	155,578,022	(7.0)	(0.6)
Academic support	163,269,714	157,423,996	161,058,006	(3.6)	2.3
Student services	94,430,501	91,020,868	95,869,389	(3.6)	5.3
Institutional support	305,313,301	318,663,709	314,094,435	4.4	(1.4)
Operations and maintenance of plant	174,785,671	172,894,846	182,269,595	(1.1)	5.4
Student aid	178,442,239	184,242,727	184,284,320	3.3	0.0
Auxiliary enterprises	275,342,224	278,349,778	283,007,079	1.1	1.7
Depreciation	151,947,801	158,702,986	162,945,647	4.4	2.7
Hospital	1,027,373,142	1,034,104,753	1,067,381,363	0.7	3.2
Other	(1,369,405)	1,551,900	1,004,804	(213.3)	(35.3)
Eliminations	(78,036,087)	(76,749,094)	(82,069,399)	(1.6)	6.9
Total operating expenses	\$ <u>3,554,702,085</u>	<u>3,546,846,603</u>	<u>3,610,653,918</u>	<u>(0.2)%</u>	<u>1.8 %</u>

Funding for the Instruction function continues to be one of the IHL System's highest priorities. While instruction costs decreased by 3.7% (\$26.4 million) in 2019 and 2.8% (\$20.9 million), it still maintained its 20% share of total operations in 2019 and 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, fiscal year 2019 experienced a substantial increase in research by 11.6%, or \$41.5 million; these costs represent approximately 15.3% and 14.5% of the IHL System's total focus during 2019 and 2018, 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 decreased 1.4% (\$4.6 million) in 2019 and increased 4.4% (\$13.4 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 1.7% (\$4.7 million) and 1.1% (\$3.0 million) in fiscal years 2019 and 2018, respectively. Student Aid expenses remained stable at \$184 million after increasing in 2018 by 3.3%, or \$5.8 million. Finally, hospital expenses experienced a 3.2% increase (\$33.3 million) and less than 1% growth (or \$6.7 million) in 2018. The increased expenditures in 2019 was paired with increased patient care revenue so as to increase the hospital operations contribution ratio (71.7% to 75.3%).

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, 2019, 2018, and 2017, the IHL System had approximately \$4.3 billion, \$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 (infrastructure), equipment and library books. They are stated net of accumulated depreciation. The following table summarizes the IHL System's capital assets for the past three fiscal years.

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<b>Capital Asset Summary</b>					
	<b>Years ended June 30,</b>			<b>Changes between years</b>	
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>
Capital assets not being depreciated	\$ 849,237,452	667,968,874	592,768,854	(21.3)%	(11.3)%
Depreciable capital assets:					
Improvements other than buildings	360,661,731	413,495,729	477,794,135	14.6	15.5
Buildings	3,713,069,481	4,093,940,504	4,300,061,832	10.3	5.0
Equipment	852,440,990	882,341,934	912,376,796	3.5	3.4
Library books	417,528,089	431,508,572	440,789,349	3.3	2.2
Total depreciable capital assets	5,343,700,291	5,821,286,739	6,131,022,112	8.9	5.3
Total cost of capital assets	6,192,937,743	6,489,255,613	6,723,790,966	4.8	3.6
Less accumulated depreciation	(2,117,518,030)	(2,241,696,038)	(2,374,878,385)	5.9	5.9
Capital assets, net	\$ 4,075,419,713	4,247,559,575	4,348,912,581	4.2 %	2.4 %

Non-depreciable capital assets equaled \$593 million, \$668 million, and \$849 million, at June 30, 2019, 2018, and 2017, respectively. These assets principally consisted of land and construction in progress. The \$181 million decrease in 2018 followed with a subsequent decrease of \$75 million in 2019 was due to the completion of capitalized facility projects transferred from CIP to a depreciable category.

At June 30, 2019, 2018, and 2017, the IHL System had \$1.3 billion, \$1.3 billion, and \$1.2 billion, respectively, in bonded debt, notes payable and capital lease obligations. This represents a 3.6% (\$48.6 million) decrease in 2019 after a 7.9% (or \$98 million) increase over 2018. The following table summarizes the IHL System's long-term debt for the past three fiscal years.

<b>Long-Term Debt Summary</b>					
	<b>Years ended June 30,</b>			<b>Changes between years</b>	
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2017 to 2018</b>	<b>2018 to 2019</b>
Bonds payable	\$ 1,223,442,503	1,298,337,852	1,252,788,253	6.1 %	(3.5)%
Notes payable	9,253,546	33,784,898	31,232,804	265.1	(7.6)
Capital lease obligations	2,712,098	1,297,019	843,919	(52.2)	(34.9)
Total long-term debt	\$ 1,235,408,147	1,333,419,769	1,284,864,976	7.9 %	(3.6)%

Bonded debt decreased 3.5% (\$45.5 million) in 2019 after the 6.1% increase (\$74.9 million) in 2018. During fiscal year 2018, JSU, MSU, UM, and USM issued approximately \$29.7 million, \$92.1 million, \$40 million, \$44 million, respectively, in new bond refundings. There were no new issues in 2019. In 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). There were \$25 million additional notes payable in 2018, and that balance remained above \$30 million in 2019. 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.

**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

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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 2015 through 2019.

<b>Designated Revenues<sup>1</sup> and Unrestricted Net Positions (excludes UMMC, Board Office, and MCVS)</b>					
<b>Years ended June 30,</b>					
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Tuition, net <sup>2</sup>	\$ 517,336,376	551,020,691	585,081,567	606,693,893	620,658,969
Sales and services	60,542,705	60,958,994	60,369,071	62,469,346	66,708,030
Auxiliary enterprises, net <sup>2</sup>	259,607,634	286,985,729	300,085,021	293,824,703	296,965,608
Other <sup>3</sup>	49,471,340	55,903,573	45,829,086	41,072,784	53,384,691
Sub-total	886,958,055	954,868,987	991,364,745	1,004,060,726	1,037,717,298
State appropriations	495,091,965	513,470,169	490,804,883	460,659,547	461,013,005
Unrestricted net positions <sup>4</sup>	—	—	—	—	—
<b>Total</b>	<b>\$ 1,382,050,020</b>	<b>1,468,339,156</b>	<b>1,482,169,628</b>	<b>1,464,720,273</b>	<b>1,498,730,303</b>

<sup>1</sup> Designated Revenues represent all unrestricted revenues of the IHL System (excluding the member Universities indicated above) which include without limitation, net tuition and auxiliary fees, sales and services, other operating revenue, state appropriations and unrestricted net position balances.

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

<sup>3</sup> Other designated revenues include federal appropriations, other operating revenues, and interest earned on loans to students.

<sup>4</sup> The unrestricted net positions of \$(471,538,432) for 2015, \$(423,613,421) for 2016, \$(612,732,608) for 2017, \$(685,017,873) for 2018, and \$(616,469,699) for 2019, did not contribute to total designated revenues since fiscal year 2015, and therefore have been excluded from the table. The decline in the unrestricted net assets fund balance since 2015 is the result of the implementation of GASB Statement Nos. 68 and 75 for pensions and OPEB liabilities.

**Economic Outlook**

The IHL System began the 2019 fiscal year with an anticipated systemwide operating budget increase of \$21 million following the \$30 million funding gap in 2018 which was bridged by a mixture of tuition revenues, auxiliary revenues, and ongoing maintenance of hospital revenues. Fiscal year 2019 closed strong with a \$103 million net increase, (see the SRECNP summary table on page 10 of management discussion and analysis). While tuition revenue gains aided in this increase, actual revenues fell short of budgeted expectations. For fiscal year 2020, general education funding from the State of Mississippi will increase by 6.91% (\$23.8 million). 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 \$21.7 million in new tuition revenue during 2020 due to general rate increases. Of this amount, approximately \$13.1 million is projected to increase net tuition revenue. In 2020, state appropriated revenues will comprise approximately 29.3% of the total E&G 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,

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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  
Department of Finance & Administration  
3825 Ridgewood Road  
Jackson, MS 39211

## **BASIC FINANCIAL STATEMENTS**



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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statements of Net Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets and Deferred Outflows</b>		
Current Assets:		
Cash and cash equivalents	\$ 615,192,016	601,356,715
Short term investments	287,180,631	199,707,208
Accounts receivable, net	403,989,612	356,776,034
Student notes receivable, net	18,766,973	17,955,857
Inventories	38,034,121	35,591,998
Prepaid expenses	27,189,763	19,280,346
Other current assets	1,549,231	515,000
Total current assets	<u>1,391,902,347</u>	<u>1,231,183,158</u>
Non-Current Assets:		
Restricted cash and cash equivalents	119,331,479	76,978,961
Restricted short-term investments	7,139,981	88,506,491
Endowment investments	339,036,287	332,705,805
Other long-term investments	398,857,953	458,919,925
Student notes receivable, net	86,411,274	96,349,058
Beneficial interest in irrevocable trust	34,944,417	33,592,648
Capital assets, net	4,348,912,581	4,247,559,575
Other noncurrent assets	16,559,054	4,234,118
Total noncurrent assets	<u>5,351,193,026</u>	<u>5,338,846,581</u>
Total assets	6,743,095,373	6,570,029,739
Deferred outflows of resources	<u>242,313,161</u>	<u>351,140,716</u>
Total assets and deferred outflows of resources	<u>\$ 6,985,408,534</u>	<u>6,921,170,455</u>
<b>Liabilities, Deferred Inflows and Net Position</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 227,544,228	229,515,927
Unearned revenues	95,900,976	100,599,458
Accrued leave liabilities - current portion	13,723,900	13,205,087
Long-term liabilities - current portion	64,487,240	60,096,414
Other current liabilities	60,898,226	58,795,388
Total current liabilities	<u>462,554,570</u>	<u>462,212,274</u>
Noncurrent liabilities:		
Accrued leave liabilities	108,175,809	104,664,750
Deposits refundable	1,161,728	305,618
Long-term liabilities	1,293,156,562	1,343,889,962
Net pension liability	2,649,318,090	2,653,162,201
Net OPEB liability	141,831,761	143,674,333
Other noncurrent liabilities	55,715,299	55,071,528
Total noncurrent liabilities	<u>4,249,359,249</u>	<u>4,300,768,392</u>
Total liabilities	4,711,913,819	4,762,980,666
Deferred inflows of resources	<u>116,479,343</u>	<u>104,616,116</u>
Total liabilities and deferred inflows of resources	<u>\$ 4,828,393,162</u>	<u>4,867,596,782</u>
Net Position:		
Net investment in capital assets	\$ 3,134,825,439	3,041,544,630
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	27,341,137	26,326,843
Research	4,435,614	4,540,008
Other purposes	149,477,280	141,035,983
Expendable:		
Scholarships and fellowships	44,860,669	50,709,538
Research	64,067,021	69,266,612
Capital projects	7,643,752	9,302,269
Debt service	19,774,939	25,845,161
Loans	51,798,097	46,778,717
Other purposes	132,489,229	125,419,051
Unrestricted	<u>(1,479,697,805)</u>	<u>(1,487,195,139)</u>
Total net position	<u>\$ 2,157,015,372</u>	<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.**

Statements of Financial Position

June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,523,259	3,096,890
Restricted cash	6,683,375	6,283,364
Accrued interest, other receivables and prepaid assets	79,676	74,495
Receivable from MSU Alumni Association	222,634	132,575
Pledges receivable, net	32,250,143	39,924,754
Investments	513,513,506	480,996,694
Present value of amounts due from externally managed trusts	50,787,293	50,702,847
Land, buildings, and equipment, net	10,316,928	8,097,478
Total assets	\$ 617,376,814	589,309,097
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,813,143	1,822,573
Agency payable	6,683,375	6,283,364
Liabilities under split interest agreements	8,610,130	5,023,829
Payable to Mississippi State University	346,438	122,932
Total liabilities	17,453,086	13,252,698
Net assets:		
Without donor restrictions:		
Net assets attributable to the Foundation	42,508,689	43,517,167
Net assets attributable to noncontrolling interest	46,454,039	45,568,476
Total net assets without donor restrictions	88,962,728	89,085,643
With donor restrictions	510,961,000	486,970,756
Total net assets	599,923,728	576,056,399
Total liabilities and net assets	\$ 617,376,814	589,309,097

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,472,205	3,866,290
Pledges receivable, net	66,606,002	69,532,717
Investments	524,068,630	489,931,616
Beneficial interest in remainder trust	10,273,201	9,867,261
Property and equipment, net	2,297,732	2,324,924
Other assets	1,575,992	1,844,070
	\$ 612,293,762	577,366,878
<b>Liabilities and Net Assets</b>		
Liabilities:		
Funds held for others	\$ 24,120,347	24,387,393
Liabilities under remainder trusts	4,413,780	4,600,059
Other liabilities	4,634,069	2,500,182
	Total liabilities 33,168,196	31,487,634
Net assets:		
Without donor restrictions	16,019,062	17,065,336
With donor restrictions	563,106,504	528,813,908
	Total net assets 579,125,566	545,879,244
	Total liabilities and net assets \$ 612,293,762	577,366,878

See accompanying notes to financial statements.

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

Statements of Financial Position

June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,675,234	2,996,270
Accrued earnings	109,697	153,608
Prepaid assets and other receivables	448,576	1,383,924
Pledges receivable, net	8,871,876	10,671,148
Investments	117,093,651	111,238,294
Cash surrender value of life insurance	2,651,456	2,584,413
Present value of amounts due from externally managed trusts	7,944,900	5,644,811
Property and equipment, net	286,111	301,248
Total assets	\$ 140,081,501	134,973,716
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 675,423	457,939
Gift annuities payable	236,281	244,184
Life estate payable	—	31,107
Total liabilities	911,704	733,230
Net assets:		
Without donor restrictions	11,751,897	7,356,199
With donor restrictions	127,417,900	126,884,287
Total net assets	139,169,797	134,240,486
Total liabilities and net assets	\$ 140,081,501	134,973,716

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Tuition and fees:	\$ 984,873,200	953,728,789
Less scholarship allowances	(325,513,104)	(308,667,259)
Less bad debt expense	(6,538,985)	(7,717,934)
Net tuition and fees	<u>652,821,111</u>	<u>637,343,596</u>
Federal appropriations	14,410,558	11,424,012
Federal grants and contracts	316,255,948	270,136,386
State grants and contracts	29,529,259	38,081,564
Nongovernmental grants and contracts	80,716,182	82,749,938
Sales and services of educational departments	67,564,996	64,361,012
Auxiliary enterprises:		
Student housing	115,498,526	110,983,501
Food services	33,525,214	33,796,466
Bookstore	6,012,109	6,157,581
Athletics	145,105,614	141,592,187
Other auxiliary revenues	37,072,986	42,021,294
Less auxiliary enterprise scholarship allowances	(35,234,599)	(34,774,332)
Interest earned on loans to students	1,435,465	1,219,054
Patient care revenues, net	1,176,072,282	1,097,355,744
Other operating revenues, net	<u>79,296,528</u>	<u>85,823,914</u>
Total operating revenues	<u>2,720,082,179</u>	<u>2,588,271,917</u>
Operating expenses:		
Salaries and wages	1,655,778,835	1,606,270,626
Fringe benefits	596,194,684	662,262,302
Travel	51,263,875	51,554,010
Contractual services	490,922,090	460,274,893
Utilities	69,936,844	67,691,651
Scholarships and fellowships	177,199,230	173,593,845
Commodities	400,969,012	360,375,027
Depreciation	162,945,647	158,707,098
Other operating expenses	<u>5,443,701</u>	<u>6,117,151</u>
Total operating expenses	<u>3,610,653,918</u>	<u>3,546,846,603</u>
Operating loss	<u>(890,571,739)</u>	<u>(958,574,686)</u>
Nonoperating revenues (expenses):		
State appropriations	668,567,353	668,035,638
Gifts and grants	218,242,048	201,862,682
Investment income, net of investment expense	43,640,359	28,577,396
Interest expense on capital asset-related debt	(42,522,391)	(44,100,794)
Other nonoperating revenues	266,754	2,030,728
Other nonoperating expenses	<u>(11,856,724)</u>	<u>(7,680,597)</u>
Total nonoperating revenues, net	<u>876,337,399</u>	<u>848,725,053</u>
Loss before other revenues, expenses, gains and losses	<u>(14,234,340)</u>	<u>(109,849,633)</u>
Other revenues, expenses, gains and losses:		
Capital grants and gifts	30,087,493	32,670,277
State appropriations restricted for capital purposes	72,229,785	70,745,168
Additions to permanent endowments	5,236,858	3,847,184
Other additions	21,372,208	8,270,682
Other deletions	<u>(11,250,305)</u>	<u>(10,848,618)</u>
Change in net position	<u>103,441,699</u>	<u>(5,164,940)</u>
Net position, beginning of the year	2,053,573,673	2,201,645,519
Effect of adoption of GASB 75	—	(142,906,906)
Net position, beginning of the year, as restated	<u>2,053,573,673</u>	<u>2,058,738,613</u>
Net position, end of the year	<u>\$ 2,157,015,372</u>	<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, 2019

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Revenues and support:</b>			
Contributions	\$ 10,520,756	31,338,630	41,859,386
Net investment income	3,047,030	17,804,044	20,851,074
Change in value of split interest agreements	—	316,138	316,138
Other	4,280,593	454,308	4,734,901
Net assets released from restrictions	25,922,876	(25,922,876)	—
Total revenues and support	<u>43,771,255</u>	<u>23,990,244</u>	<u>67,761,499</u>
<b>Expenditures:</b>			
<b>Program services:</b>			
Contributions and support for Mississippi State University	32,355,706	—	32,355,706
Contributions and support for Bulldog Club	1,398,519	—	1,398,519
Contributions and support for MSU Alumni Association	692,106	—	692,106
Total program services	<u>34,446,331</u>	<u>—</u>	<u>34,446,331</u>
<b>Supporting services:</b>			
General administrative	4,539,583	—	4,539,583
Fund raising	4,014,125	—	4,014,125
Total supporting services	<u>8,553,708</u>	<u>—</u>	<u>8,553,708</u>
Total expenditures	<u>43,000,039</u>	<u>—</u>	<u>43,000,039</u>
Change in net assets before noncontrolling interests	771,216	23,990,244	24,761,460
Payments to noncontrolling interests	(894,131)	—	(894,131)
Total change in net assets	<u>(122,915)</u>	<u>23,990,244</u>	<u>23,867,329</u>
Net assets, beginning of the year	<u>89,085,643</u>	<u>486,970,756</u>	<u>576,056,399</u>
Net assets, end of the year	<u>\$ 88,962,728</u>	<u>510,961,000</u>	<u>599,923,728</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

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Revenues and support:</b>			
Contributions	\$ 7,282,278	29,700,127	36,982,405
Net investment income	4,884,161	22,764,910	27,649,071
Change in value of split interest agreements	—	1,311,954	1,311,954
Other	5,529,253	184,216	5,713,469
Net assets released from restrictions	23,229,889	(23,229,889)	—
Total revenues and support	40,925,581	30,731,318	71,656,899
<b>Expenditures:</b>			
<b>Program services:</b>			
Contributions and support for Mississippi State University	27,130,545	—	27,130,545
Contributions and support for Bulldog Club	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
<b>Supporting services:</b>			
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	3,569,244	30,731,318	34,300,562
Payments to noncontrolling interests	(1,264,764)	—	(1,264,764)
Total change in net assets	2,304,480	30,731,318	33,035,798
Net assets, beginning of the year	86,781,163	456,239,438	543,020,601
Net assets, end of the year	\$ 89,085,643	486,970,756	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, 2019

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenues, gains, and other support:			
Contributions, gifts and bequests	\$ —	47,543,446	47,543,446
Investment return, net	1,896,871	20,455,684	22,352,555
Change in value of split interest agreements	—	372,151	372,151
Gift management fees	1,752,022	(1,752,022)	—
Development fees	1,382,583	(1,382,583)	—
Other income	943,455	2,534,412	3,477,867
Total revenues, gains, and other support	<u>5,974,931</u>	<u>67,771,088</u>	<u>73,746,019</u>
Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	8,014,774	(8,014,774)	—
Satisfaction of program restrictions	25,463,718	(25,463,718)	—
Expenses:			
Support for University activities:			
Academic	4,851,265	—	4,851,265
Scholarship	8,095,031	—	8,095,031
Programmatic	17,953,195	—	17,953,195
University of Mississippi Medical Center	3,930,985	—	3,930,985
General and administrative expenses	3,877,421	—	3,877,421
Fund-raising expenses	1,791,800	—	1,791,800
Total expenses	<u>40,499,697</u>	<u>—</u>	<u>40,499,697</u>
Change in net assets	(1,046,274)	34,292,596	33,246,322
Net assets, beginning of the year	<u>17,065,336</u>	<u>528,813,908</u>	<u>545,879,244</u>
Net assets, end of the year	<u>\$ 16,019,062</u>	<u>563,106,504</u>	<u>579,125,566</u>

See accompanying notes to financial statements.

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

Statement of Activities  
Year ended June 30, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions, gifts and bequests	\$ —	45,671,883	45,671,883
Investment return, net	1,384,748	33,039,012	34,423,760
Change in value of split interest agreements	—	(86,796)	(86,796)
Gift management fees	1,744,458	(1,744,458)	—
Other income	791,950	2,025,461	2,817,411
Total revenues, gains, and other support	<u>3,921,156</u>	<u>78,905,102</u>	<u>82,826,258</u>
Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	9,382,068	(9,382,068)	—
Satisfaction of program restrictions	26,300,991	(26,300,991)	—
Expenses:			
Support for University activities:			
Academic	4,528,918	—	4,528,918
Scholarship	7,887,853	—	7,887,853
Programmatic	15,121,348	—	15,121,348
University of Mississippi Medical Center	8,743,422	—	8,743,422
General and administrative expenses	2,957,096	—	2,957,096
Fund-raising expenses	1,399,933	—	1,399,933
Total expenses	<u>40,638,570</u>	<u>—</u>	<u>40,638,570</u>
Change in net assets	(1,034,355)	43,222,043	42,187,688
Net assets, beginning of the year	<u>18,099,691</u>	<u>485,591,865</u>	<u>503,691,556</u>
Net assets, end of the year	<u>\$ 17,065,336</u>	<u>528,813,908</u>	<u>545,879,244</u>

See accompanying notes to financial statements.

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

Statement of Activities  
Year ended June 30, 2019

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Contributions	\$ 2,244,528	5,334,784	7,579,312
Net investment gain	2,751,200	3,236,130	5,987,330
Change in value of split interest agreements	—	1,846,055	1,846,055
Change in value - other	1,876	65,167	67,043
Other income	72,323	30,713	103,036
Total revenues, gains, and other support	<u>5,069,927</u>	<u>10,512,849</u>	<u>15,582,776</u>
Net assets released from restrictions/ redesignated by donor:			
Appropriation from donor endowment	(5,000)	5,000	—
Satisfaction of program restrictions	7,323,151	(7,323,151)	—
Expenses:			
Program services:			
Contribution and support for The University of Southern Mississippi	7,855,923	—	7,855,923
Supporting services:			
General and administrative	1,786,389	—	1,786,389
Fund-raising	1,475,832	—	1,475,832
Total expenses	<u>11,118,144</u>	<u>—</u>	<u>11,118,144</u>
Change in net assets	1,269,934	3,194,698	4,464,632
Net assets - beginning of the year, as previously reported	7,356,199	126,884,287	134,240,486
Prior Period Adjustment	3,125,764	(2,661,085)	464,679
Net assets - beginning of the year, as restated	<u>10,481,963</u>	<u>124,223,202</u>	<u>134,705,165</u>
Net assets, end of the year	<u>\$ 11,751,897</u>	<u>127,417,900</u>	<u>139,169,797</u>

See accompanying notes to financial statements.

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

Statement of Activities  
Year ended June 30, 2018

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Revenues, gains, and other support:			
Contributions	\$ 2,213,304	15,200,818	17,414,122
Net investment gain	1,694,378	4,983,420	6,677,798
Change in value of split interest agreements	—	(109,561)	(109,561)
Change in value - other	—	—	—
Other income	487,525	45,559	533,084
Total revenues, gains, and other support	<u>4,395,207</u>	<u>20,120,236</u>	<u>24,515,443</u>
Net assets released from restrictions/ redesignated by donor:			
Satisfaction of program restrictions	7,296,135	(7,296,135)	—
Expenses:			
Program services:			
Contribution and support for The University of Southern Mississippi	7,731,325	—	7,731,325
Supporting services:			
General and administrative	1,634,969	—	1,634,969
Fund-raising	1,317,426	—	1,317,426
Total expenses	<u>10,683,720</u>	<u>—</u>	<u>10,683,720</u>
Change in net assets	1,007,622	12,824,101	13,831,723
Net assets, beginning of the year	<u>6,348,577</u>	<u>114,060,186</u>	<u>120,408,763</u>
Net assets, end of the year	<u><u>\$ 7,356,199</u></u>	<u><u>126,884,287</u></u>	<u><u>134,240,486</u></u>

See accompanying notes to financial statements.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statements of Cash Flows  
Years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities:		
Tuition and fees	\$ 661,440,283	644,196,084
Grants and contracts	407,661,934	407,763,186
Sales and services of educational departments	64,253,314	65,396,290
Payments to suppliers	(942,552,726)	(864,988,311)
Payments to employees for salaries and benefits	(2,136,430,418)	(2,090,020,238)
Payments for utilities	(70,262,861)	(68,038,434)
Payments for scholarships and fellowships	(177,304,093)	(171,595,136)
Loans issued to students and employees	(9,069,155)	(12,672,585)
Collection of loans from students and employees	16,928,290	17,427,303
Auxiliary enterprise charges:		
Student housing	93,837,233	93,163,057
Food services	33,143,674	29,622,071
Bookstore	5,863,564	6,023,109
Athletics	142,195,057	133,222,270
Other auxiliary enterprises	27,325,318	32,469,319
Patient care services	1,145,976,158	1,117,364,045
Interest earned on loans to students	1,232,245	1,256,387
Other receipts	92,998,150	88,826,493
Other payments	<u>(18,654,617)</u>	<u>(16,532,981)</u>
Net cash used in operating activities	<u>(661,418,650)</u>	<u>(587,118,071)</u>
Noncapital financing activities:		
State appropriations	667,877,698	667,709,846
Gifts and grants for other than capital purposes	198,575,673	176,185,942
Private gifts for endowment purposes	5,236,858	3,847,184
Federal loan program receipts	509,415,846	514,719,203
Federal loan program disbursements	(506,848,021)	(513,309,367)
Other sources	2,654,856	16,005,610
Other uses	<u>(3,960,188)</u>	<u>(9,802,140)</u>
Net cash provided by noncapital financing activities	<u>872,952,722</u>	<u>855,356,278</u>
Capital and related financing activities:		
Proceeds from capital debt	—	402,922,019
Cash paid for capital assets	(208,235,680)	(245,311,926)
Capital appropriations received	26,858,697	18,597,632
Capital grants and contracts received	28,190,830	39,686,297
Proceeds from sales of capital assets	309,256	336,998
Principal paid on capital debt and leases	(43,802,942)	(311,994,891)
Interest paid on capital debt and leases	(51,700,478)	(51,409,686)
Other sources	5,941,853	4,457,836
Other uses	<u>(5,474,247)</u>	<u>(13,430,827)</u>
Net cash used in capital and related financing activities	<u>(247,912,711)</u>	<u>(156,146,548)</u>
Investing activities:		
Proceeds from sales and maturities of investments	329,252,154	406,448,987
Interest received on investments	28,892,191	26,718,805
Purchases of investments	<u>(265,577,887)</u>	<u>(543,265,085)</u>
Net cash provided by (used in) investing activities	<u>92,566,458</u>	<u>(110,097,293)</u>
Net change in cash and cash equivalents	56,187,819	1,994,366
Cash and cash equivalents, beginning of the year	<u>678,335,676</u>	<u>676,341,310</u>
Cash and cash equivalents, end of the year	<u>\$ 734,523,495</u>	<u>678,335,676</u>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Statements of Cash Flows  
Years ended June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating loss	\$ (890,571,739)	(958,574,686)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	162,945,647	158,707,098
Self-insured claims expense	13,582,312	12,447,330
Provision for uncollectible receivables	178,477,282	152,759,605
Other	1,525,002	5,919,799
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(215,341,249)	(151,722,473)
Inventories	(2,442,124)	(3,254,923)
Prepaid Expenses	(6,223,975)	76,160,463
Loans to Students and Employees	60,578	(6,792,222)
Deferred outflows of resources	104,000,216	309,952,204
Other Assets	936,126	1,463,501
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	1,705,356	(61,907,840)
Unearned Revenue	(3,912,593)	6,354,743
Deposits Refundable	854,607	(340,833)
Accrued Leave Liability	4,978,642	(8,546,095)
Net pension liability	(4,101,093)	(171,390,059)
Net OPEB liability	(1,885,923)	(4,885,761)
Deferred inflows of resources	10,612,320	61,508,943
Other Liabilities	(16,618,042)	(4,976,865)
Total Adjustments	229,153,089	371,456,615
Net cash used in operating activities	\$ (661,418,650)	(587,118,071)
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	\$ 615,192,016	601,356,715
Noncurrent assets - restricted cash and cash equivalents	119,331,479	76,978,961
Cash and cash equivalents, end of the year	\$ 734,523,495	678,335,676
Noncash capital related financing and investing activities:		
Capital assets acquired through donations and capital leases	\$ 9,937,438	8,242,444
Capital assets appropriated by the State of Mississippi	60,229,785	70,745,168

See accompanying notes to financial statements.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 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 confirmed by the Mississippi Senate for nine-year terms, representing the three Supreme Court Districts.

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

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:

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

(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, 2019 and 2018, support distributions were as follows:

	<u>2019</u>	<u>2018</u>
Mississippi State University Foundation, Inc.	\$ 32,355,706	27,130,545
University of Mississippi Foundation	34,830,476	37,821,554
University of Southern Mississippi Foundation	7,855,923	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.

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.



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### **(d) New Accounting Standards**

During fiscal year 2019, the IHL System adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement 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. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale.

### **(e) Recently Issued Accounting Standards**

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 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.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement is effective for fiscal years beginning after December 15, 2020.

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

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programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs could change by a material amount in the near term.

Included in other noncurrent liabilities are unpaid claim liabilities relating to the IHL System's self-insured workers' compensation, unemployment compensation, and tort claims. The liabilities for these unpaid claims and loss adjustment expenses are determined using both evaluations of each claim and statistical analyses and represent the estimated ultimate net cost of all claims and expenses incurred through the end of the reporting period. The determinations of claims payable include estimates that are particularly susceptible to change in the near term. Management believes that liabilities established for these unpaid claims at June 30, 2019 and 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.

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### **(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.

### **(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. Changes in 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, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs into three categories – Level 1, Level 2 and Level 3 inputs – considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that the 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; and
- 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 acquisition 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

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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.

### **(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 years ended June 30, 2019 and 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.

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### **(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. Although the federal government has terminated the program disallowing new loans to be made, institutions may continue to collect and service existing loans. The IHL System does not have a timeline for discontinuing its participation in this program. The portion that would be refundable if the programs were terminated has been presented as other long-term liabilities and approximated \$55.9 million and \$55.1 million as of June 30, 2019 and 2018, respectively.

### **(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

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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.

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 29.7% and 30.7%, respectively, of UMMC's net patient service revenues for the year ended June 30, 2019 and approximately 28.5% and 30.9%, respectively, 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, 2019 and 2018, UHHS maintains a reserve of approximately \$45.4 million and \$47.0 million, respectively, 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.

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

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

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

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

## 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, 2019 and 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.

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A summary of cash and investments as of June 30, 2019 and 2018 is as follows:

	<b>2019</b>	<b>2018</b>
Cash	\$ 615,192,016	601,356,715
Restricted cash and cash equivalents	119,331,479	76,978,961
U.S. Treasury securities	377,508,762	324,124,930
U.S. government agency securities	260,074,416	258,885,057
Commercial mortgage backed securities	2,177,537	2,225,184
Collateralized mortgage obligations	26,774,965	25,659,663
Asset backed securities	5,006,851	14,329,096
Corporate bonds and notes	3,023,210	2,895,352
Municipal bonds	23,569,866	27,927,211
Fixed income mutual funds	27,128,609	35,460,005
Other fixed income securities	356,703	—
Certificates of deposit	27,833,523	36,493,441
Money market funds	4,108,016	2,005,874
Domestic equity securities	6,375,642	6,224,856
Global equity securities	2,360,328	—
Domestic equity mutual funds	29,230,075	36,883,559
International equity mutual funds	2,587,599	26,464,680
Equity long/short hedge funds	109,655,074	78,162,314
Private capital	51,183,584	41,156,570
University of Mississippi Foundation Investment Pool	3,689,579	3,902,992
Mississippi State Foundation Investment Pool	37,135,946	36,658,020
Miscellaneous	32,434,567	120,380,624
Total cash and investments	<b>\$ 1,766,738,347</b>	<b>\$ 1,758,175,105</b>



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The following tables present the financial assets carried at fair value by level within the valuation hierarchy, as well as the assets measured at the net asset value (NAV) per share as a practical expedient as of June 30, 2019 and 2018:

	<b>2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Investment strategy:				
Fixed income:				
U.S. Treasury securities	\$ 365,386,732	12,122,030	—	377,508,762
Fixed income mutual funds	27,128,609	—	—	27,128,609
U.S. government securities	—	260,074,416	—	260,074,416
Mortgage obligations and asset backed securities	—	33,959,353	—	33,959,353
Corporate bonds and notes	—	3,023,210	—	3,023,210
Certificates of deposit	—	27,833,523	—	27,833,523
Municipal bonds	—	23,569,866	—	23,569,866
Other fixed income securities	—	356,703	—	356,703
Money market funds	1,928,657	2,179,359	—	4,108,016
Total fixed income investments	<u>\$ 394,443,998</u>	<u>363,118,460</u>	<u>—</u>	<u>757,562,458</u>
Equity securities:				
Domestic equity securities	5,275,132	1,100,510	—	6,375,642
Domestic equity mutual funds	29,230,075	—	—	29,230,075
Global equity securities	2,360,328	—	—	2,360,328
International equity mutual funds	2,587,599	—	—	2,587,599
Total equity securities	<u>\$ 39,453,134</u>	<u>1,100,510</u>	<u>—</u>	<u>40,553,644</u>
Investments measured at NAV as a practical expedient:				
Equity long/short hedge funds				\$ 109,655,074
Private capital				51,183,584
Mississippi State Foundation Investment Pool				37,135,946
University of Mississippi Foundation Investment Pool				3,689,579
Other miscellaneous investments				32,434,567
Total investments measured at NAV				<u>234,098,750</u>
Total investments measured at fair value				<u>\$ 1,032,214,852</u>

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	<b>2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
Other fixed income securities	—	—	—	—
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
Domestic equity mutual funds	36,883,559	—	—	36,883,559
Global equity securities	—	—	—	—
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 tables:

	<b>2019</b>			
	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption frequency (if eligible)</b>	<b>Redemption notice period</b>
Equity long/short hedge funds (1)	\$ 109,655,074	—	Quarterly	75 Days
Private capital (2)	51,183,584	12,675,796	Various	Various
Mississippi State Foundation Investment Pool	37,135,946	—	Daily	1-3 Days
University of Mississippi Foundation Investment Pool	3,689,579	—	Daily	1-3 Days
Other miscellaneous investments (3)	32,434,567	270,799	Various	Various
Total investments measured at NAV	<u>\$ 234,098,750</u>			

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

2018				
	Fair Value	Unfunded Commitments	Redemption frequency (if eligible)	Redemption notice period
Equity long/short hedge funds (1)	\$ 78,162,314	—	Quarterly	75 Days
Private capital (2)	41,156,570	18,170,988	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)	<u>35,688,565</u>	1,037,284	Various	Various
Total investments measured at NAV	<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.

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

**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, 2019 and 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.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

As of June 30, 2019 and 2018, the IHL System had the following investments subject to interest rate risk:

		<b>2019</b>				
		<b>Years to maturity</b>				
		<b>Fair value</b>	<b>Less than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More than 10</b>
U.S. Treasury securities	\$	377,508,762	242,680,973	131,461,619	3,266,348	99,822
U.S. government agency obligations		260,074,416	37,351,775	180,621,002	30,994,436	11,107,203
Commercial mortgage backed securities		2,177,537	643,738	624,013	—	909,786
Collateralized mortgage obligations		26,774,965	246,249	468,457	1,568,952	24,491,307
Asset backed securities		5,006,851	—	—	1,207,069	3,799,782
Corporate bonds and notes		3,023,210	321,238	2,285,486	344,151	72,335
Certificates of deposit		27,833,523	8,194,926	18,619,539	1,019,058	—
Municipal obligations		23,569,866	1,829,710	15,663,191	5,865,161	211,804
Other fixed income securities		356,703	—	—	—	356,703
Fixed income mutual funds		27,128,609	537,028	20,130,249	5,655,207	806,125
Total	\$	<u>753,454,442</u>	<u>291,805,637</u>	<u>369,873,556</u>	<u>49,920,382</u>	<u>41,854,867</u>

		<b>2018</b>				
		<b>Years to maturity</b>				
		<b>Fair value</b>	<b>Less than 1</b>	<b>1 - 5</b>	<b>6 - 10</b>	<b>More than 10</b>
U.S. Treasury securities	\$	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	\$	<u>727,999,939</u>	<u>154,427,986</u>	<u>462,477,040</u>	<u>73,597,066</u>	<u>37,497,847</u>

**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.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

As of June 30, 2019 and 2018, the IHL System had the following investments recorded at fair value subject to credit risk:

	<u>2019</u>		
Credit rating:		Reconciliation to total cash and investments:	
AAA	\$ 45,319,161	Cash	\$ 615,192,016
Aaa	58,384,816	Restricted cash and cash equivalents	119,331,479
Aa2	20,028,859	U.S. Treasury securities	377,508,762
Aa3	587,196	Certificates of deposit	27,833,523
AA	13,863,223	Money market funds	4,108,016
A1	8,639	Equity securities	40,553,644
A2	815,184	Investments measured at NAV	<u>234,098,750</u>
A3	34,155	Total	<u>1,418,626,190</u>
A	738,811		
AA+	97,929,289	Total cash and investments	<u>\$ 1,766,738,347</u>
BA	5,677		
BAA	116,094		
BBB	5,066,841		
Not rated, or rating unavailable	<u>105,214,212</u>		
Total	<u>\$ 348,112,157</u>		
	<u>2018</u>		
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	<u>84,692,059</u>
A	713,782	Total	<u>1,390,793,537</u>
AA+	95,369,378		
AA-	751,335	Total cash and investments	<u>\$ 1,758,175,105</u>
BA	6,484		
BAA	204,741		
Ba1	100,258		
Not rated, or rating unavailable	<u>102,143,949</u>		
Total	<u>\$ 367,381,568</u>		

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

### Concentration of Credit Risk

Concentration of credit risk is defined by GASB Statement No. 40, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The IHL System does not presently have a formal policy that addresses concentration of credit risk.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

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June 30, 2019 and 2018

As of June 30, 2019 and 2018, the IHL System had the following issuer holding investments recorded at fair value that exceeded 5% of total investments:

<b>Issuer</b>	<b>2019</b>	
	<b>Fair value</b>	<b>Percentage</b>
U.S. Treasury securities	\$ 355,897,865	35.51%
Federal Home Loan Bank notes	90,923,335	9.07%
Federal Home Loan Mortgage Corporation	50,175,873	5.01%
Federal Farm Credit Bank notes	55,119,417	5.50%

<b>Issuer</b>	<b>2018</b>	
	<b>Fair value</b>	<b>Percentage</b>
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 \$36.4 million and \$20.8 million at June 30, 2019 and 2018, respectively.

**Note 3**

**Accounts Receivable, net**

Accounts receivable consisted of the following at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Student tuition	\$ 118,724,304	105,389,440
Auxiliary enterprises and other operating activities	36,482,523	37,922,485
Contributions and gifts	11,653,986	5,686,649
Federal, state, and private grants and contracts	105,906,871	91,586,806
State Appropriations	10,348,959	9,537,728
Accrued Interest	4,332,183	3,959,382
Patient Income	756,145,625	640,749,269
Other	20,614,034	27,798,758
Total accounts receivable	1,064,208,485	922,630,517
Less bad debt provision	(660,218,873)	(565,854,483)
Net accounts receivable	<u>\$ 403,989,612</u>	<u>\$ 356,776,034</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

**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.

The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the IHL System as of June 30, 2019 and 2018:

	<b>Interest Rates</b>	<b>June 30, 2019</b>	<b>Current Portion</b>	<b>Non-current Portion</b>
Perkins student loans	3% to 9%	\$ 56,712,840	9,667,571	47,045,269
Institutional loans	0% to 9%	63,339,855	9,400,583	53,939,272
Nursing student loans	3% to 9%	4,014,708	158,542	3,856,166
Dental student loans	3% to 9%	302,989	27,774	275,215
Medical student loans	3% to 9%	144,153	12,027	132,126
Other federal loans	3% to 9%	2,150,528	2,107,233	43,295
Total notes receivable		126,665,073	21,373,730	105,291,343
Less allowance for doubtful accounts		(21,486,826)	(2,606,757)	(18,880,069)
Net notes receivable		<u>\$ 105,178,247</u>	<u>18,766,973</u>	<u>86,411,274</u>
	<b>Interest Rates</b>	<b>June 30, 2018</b>	<b>Current Portion</b>	<b>Non-current Portion</b>
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		<u>\$ 114,304,915</u>	<u>17,955,857</u>	<u>96,349,058</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

**Note 5**

**Capital Assets**

A summary of changes in capital assets for the years ended June 30, 2019 and 2018 is presented as follows:

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Deletions/ transfers</b>	<b>Balance June 30, 2019</b>
Nondepreciable Capital Assets:				
Land	\$ 113,314,248	514,757	6,250	113,822,755
Construction in progress	553,061,926	195,543,013	271,449,494	477,155,445
Livestock	1,592,700	320,615	122,661	1,790,654
Total nondepreciable capital assets	<u>667,968,874</u>	<u>196,378,385</u>	<u>271,578,405</u>	<u>592,768,854</u>
Depreciable capital assets:				
Buildings	4,093,940,504	206,573,309	451,981	4,300,061,832
Improvements other than buildings	413,495,729	64,380,886	82,480	477,794,135
Equipment	882,341,934	63,025,749	32,990,887	912,376,796
Library books	431,508,572	9,992,424	711,647	440,789,349
Total depreciable assets	<u>5,821,286,739</u>	<u>343,972,368</u>	<u>34,236,995</u>	<u>6,131,022,112</u>
Total capital assets	<u>6,489,255,613</u>	<u>540,350,753</u>	<u>305,815,400</u>	<u>6,723,790,966</u>
Less accumulated depreciation for:				
Buildings	1,059,000,004	75,936,306	674,168	1,134,262,142
Improvements other than buildings	167,588,940	16,445,521	207,746	183,826,715
Equipment	646,122,051	58,333,564	29,314,236	675,141,379
Library books	368,985,043	13,413,667	750,560	381,648,150
Total accumulated depreciation	<u>2,241,696,038</u>	<u>164,129,057</u>	<u>30,946,710</u>	<u>2,374,878,385</u>
Net capital assets	<u>\$ 4,247,559,575</u>	<u>376,221,696</u>	<u>274,868,690</u>	<u>4,348,912,581</u>



STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deletions/ transfers</b>	<b>Balance June 30, 2018</b>
<b>Nondepreciable Capital Assets:</b>				
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	<u>849,237,452</u>	<u>226,033,762</u>	<u>407,302,340</u>	<u>667,968,874</u>
<b>Depreciable capital assets:</b>				
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	<u>5,343,700,291</u>	<u>529,473,260</u>	<u>51,886,812</u>	<u>5,821,286,739</u>
Total capital assets	<u>6,192,937,743</u>	<u>755,507,022</u>	<u>459,189,152</u>	<u>6,489,255,613</u>
<b>Less accumulated depreciation for:</b>				
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	<u>2,117,518,030</u>	<u>160,514,325</u>	<u>36,336,317</u>	<u>2,241,696,038</u>
Net capital assets	<u>\$ 4,075,419,713</u>	<u>594,992,697</u>	<u>422,852,835</u>	<u>4,247,559,575</u>

As of June 30, 2019 and 2018, capital assets included assets under capital leases with an original cost basis of approximately \$2.7 million and \$2.9 million, respectively, with accumulated amortization of approximately \$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	—	—

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

**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, 2019 and 2018 are as follow:

	<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension related (see note 15)	\$ 187,147,415	\$ 65,296,174
OPEB related (see note 16)	8,543,523	11,215,537
Unamortized loss/gain on refunding of debt	46,600,783	5,023,215
Other	21,440	—
Beneficial interest in irrevocable trusts	—	34,944,417
Totals	\$ 242,313,161	\$ 116,479,343
	<b>2018</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	\$ 351,140,716	\$ 104,616,116

**Note 7**

**Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities as of June 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Payable to vendors and contractors	\$ 129,187,412	131,807,475
Accrued salaries, wages and employee withholdings	86,878,504	90,953,089
Accrued interest	6,241,282	6,315,453
Other	5,237,030	439,910
Total	\$ 227,544,228	229,515,927

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

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

**Note 8**

**Unearned Revenues**

Unearned revenues as of June 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Unearned summer school revenue	\$ 29,881,248	29,237,845
Unearned grants and contract revenue	34,432,465	38,191,350
Other principally athletic activities	31,587,263	33,170,263
Total	\$ 95,900,976	100,599,458

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

**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, 2019 and 2018 is listed in the following schedules.

<b>2019 Condensed Financial Information for Educational Building Corporations</b>								
	ASU	DSU	JSU	MSU	MVSU	UM	USM	UMMC
Current assets	\$ 3,172	—	—	—	—	19,192,264	6,381,062	7,959,003
Noncurrent assets	40,414,712	13,325,000	92,092,525	319,810,000	17,315,000	248,383,514	163,223,011	339,462,952
Total assets	40,417,884	13,325,000	92,092,525	319,810,000	17,315,000	267,575,778	169,604,073	347,421,955
Deferred outflows of resources	—	—	10,733,386	—	—	—	—	4,174,574
Current liabilities	2,237,513	585,000	4,292,775	11,115,000	625,000	17,295,612	6,381,062	22,263,729
Noncurrent liabilities	47,177,137	12,740,000	98,533,136	308,695,000	16,690,000	245,256,950	163,223,011	325,247,629
Total liabilities	49,414,650	13,325,000	102,825,911	319,810,000	17,315,000	262,552,562	169,604,073	347,511,358
Deferred inflows of resources	—	—	—	—	—	5,023,216	—	—
Total net position	\$ (8,996,766)	—	—	—	—	—	—	4,085,171
Operating revenues	\$ 3,852,874	—	—	—	1,184,361	—	—	16,011,162
Operating expenses	(4,214,812)	—	—	—	(1,184,361)	—	—	(12,664,018)
Total operating income (loss)	(361,938)	—	—	—	—	—	—	3,347,144
Nonoperating revenues	264	1,081,300	4,465,374	15,602,024	—	8,566,167	11,187,555	—
Nonoperating expenses	—	(1,081,300)	(4,465,374)	(15,602,024)	—	(8,566,167)	(11,187,555)	—
Total nonoperating revenue (expenses)	264	—	—	—	—	—	—	—
Change in net position	\$ (361,674)	—	—	—	—	—	—	3,347,144

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

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	41,787,070	14,330,000	96,086,742	330,015,000	17,900,000	284,206,142	175,113,573	345,825,887
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	50,422,163	14,330,000	106,553,415	330,015,000	17,900,000	278,798,169	175,113,573	349,540,739
Deferred inflows of resources	—	—	—	—	—	5,407,973	—	—
Total net position	\$ (8,635,093)	—	—	—	—	—	—	738,027
Operating revenues	\$ 3,796,438	—	—	—	862,861	—	—	13,707,137
Operating expenses	(4,346,280)	—	—	—	(862,861)	—	—	(13,496,585)
Total operating income (loss)	(549,842)	—	—	—	—	—	—	210,552
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)	77	(975,000)	—	—	—	—	—	—
Change in net position	\$ (549,765)	(975,000)	—	—	—	—	—	210,552

**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, 2019 and 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, unemployment and tort claims).

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 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, 2019 and 2018 is listed in the following schedules.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Alcorn State University:								
Bonded Debt								
EBC - Series 2009A	\$ 47,000,000	5.125% - 5.25%	2040	\$ 1,730,000	—	815,000	915,000	915,000
EBC - Series 2016	43,630,000	2.00% - 5.00%	2040	43,375,000	—	—	43,375,000	—
Unamortized Premium				3,994,650	—	192,514	3,802,136	192,514
Total Bonded Debt				49,099,650	—	1,007,514	48,092,136	1,107,514
Other Long-term Liabilities:								
Accrued leave liabilities				3,673,129	1,811,660	1,689,078	3,795,711	755,353
Net pension liability				75,934,194	—	777,577	75,156,617	—
Net OPEB liability				4,553,690	—	128,268	4,425,422	—
Deposits refundable				666,362	3,223	—	669,585	—
Total Other liabilities				84,827,375	1,814,883	2,594,923	84,047,335	755,353
Total				\$ 133,927,025	1,814,883	3,602,437	132,139,471	1,862,867
Due within one year							(1,862,867)	
Total noncurrent liabilities							\$ 130,276,604	

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Delta State University:								
Bonded Debt								
EBC - Series 2009A	\$ 3,135,000	2.50% to 3.75%	2019	\$ 430,000	—	430,000	—	—
EBC - Series 2016	15,105,000	2.00% to 5.00%	2039	13,900,000	—	575,000	13,325,000	585,000
Total Bonded Debt				14,330,000	—	1,005,000	13,325,000	585,000
Capital Leases				31,540	—	31,540	—	—
Other Long-term Liabilities:								
Accrued leave liabilities				1,463,614	41,489	—	1,505,103	242,827
Deposits refundable				110,063	—	5,854	104,209	—
Net pension liability				44,338,880	533,580	—	44,872,460	—
Net OPEB liability				3,212,943	55,329	—	3,268,272	—
Federal Loan Fund Repayment Contingency				152,957	148,683	—	301,640	—
Total Other liabilities				49,278,457	779,081	5,854	50,051,684	242,827
Total				\$ 63,639,997	779,081	1,042,394	63,376,684	827,827
Due within one year							(827,827)	
Total noncurrent liabilities							\$ 62,548,857	

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Jackson State University:								
Bonded Debt								
EBC - Series 1982	\$ 4,000,000	1.00% - 3.00%	2021	\$ 510,000	—	165,000	345,000	170,000
EBC - Series 2010A-1	31,325,000	3.00% - 5.00%	2034	—	505,000	—	505,000	505,000
EBC - Series 2015A	57,595,000	2.00% - 5.00%	2045	55,940,000	—	645,000	55,295,000	1,165,000
EBC - Series 2015B	13,065,000	0.069% - 2.6%	2021	5,315,000	—	2,560,000	2,755,000	2,005,000
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	29,425,000	—	230,000	29,195,000	230,000
Unamortized premium				8,101,330	41,837	305,376	7,837,791	310,376
Total Bonded Debt				105,291,330	546,837	3,905,376	101,932,791	4,385,376
Capital Leases - Buses	1,127,000	4.56%		781,702	—	105,867	675,835	110,750
Capital Leases - Band equipment	463,638	2.06%		157,376	—	157,376	—	—
Total Capital Leases				939,078	—	263,243	675,835	110,750
Other Long-term Liabilities:								
Accrued leave liabilities				4,681,473	—	490,515	4,190,958	295,236
Net pension liability				152,074,130	—	23,214,359	128,859,771	—
Net OPEB liability				7,923,756	—	740,041	7,183,715	—
Deposits refundable				(667,801)	848,021	—	180,220	—
Federal Loan Fund Repayment Contingency				1,912,787	—	—	1,912,787	—
Notes Payable				323,007	—	105,722	217,285	107,025
Total Other liabilities				166,247,352	848,021	24,550,637	142,544,736	402,261
Total				\$ 272,477,760	1,394,858	28,719,256	245,153,362	4,898,387
Due within one year							(4,898,387)	
Total noncurrent liabilities							\$ 240,254,975	

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June 30, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi State University:								
Bonded Debt								
Dormitory Revenue System	\$ 2,250,000	3.00%	2022	\$ 280,000	—	90,000	190,000	90,000
Student Apartments	2,038,000	3.00%	2023	340,000	—	80,000	260,000	85,000
EBC - Series 2009A-1	29,615,000	2.50% - 5.25%	2040	1,480,000	—	725,000	755,000	755,000
EBC - Series 2009A-2	17,105,000	2.75% - 5.00%	2025	3,650,000	—	1,790,000	1,860,000	1,860,000
EBC - Series 2011	54,370,000	2.00% - 5.00%	2043	5,010,000	—	1,185,000	3,825,000	1,225,000
EBC - Series 2013	60,470,000	2.00% - 5.00%	2044	10,670,000	—	555,000	10,115,000	570,000
EBC - Series 2014A	89,810,000	2.00% - 5.00%	2044	80,035,000	—	3,480,000	76,555,000	3,625,000
EBC - Series 2014B	23,435,000	0.29% - 4.813%	2044	20,160,000	—	935,000	19,225,000	950,000
EBC - Series 2015	56,010,000	2.00% - 5.00%	2046	53,995,000	—	1,050,000	52,945,000	1,090,000
EBC - Series 2017	63,270,000	2.00% - 5.00%	2046	62,940,000	—	280,000	62,660,000	835,000
EBC - Series 2017A	92,075,000	2.00% - 5.00%	2044	92,075,000	—	205,000	91,870,000	205,000
Unamortized premium				23,294,316	—	2,834,268	20,460,048	2,669,801
Total Bonded Debt				353,929,316	—	13,209,268	340,720,048	13,959,801
Other Long-term Liabilities:								
Accrued leave liabilities				22,894,178	380,369	—	23,274,547	3,458,568
Net pension liability				525,651,937	—	7,691,089	517,960,848	—
Net OPEB liability				30,245,677	—	509,963	29,735,714	—
Deposits refundable				54,702	—	5,795	48,907	—
Federal Loan Fund Repayment Contingency				13,320,312	11,159	—	13,331,471	—
Total Other liabilities				592,166,806	391,528	8,206,847	584,351,487	3,458,568
Total				\$ 946,096,122	391,528	21,416,115	925,071,535	17,418,369
Due within one year							(17,418,369)	
Total noncurrent liabilities							\$ 907,653,166	



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Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				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	\$ 77,053	—	77,053	—	—
Other Long-term Liabilities:								
Accrued leave liabilities				1,040,833	51,387	—	1,092,220	43,689
Net pension liability				39,274,129	—	707,770	38,566,359	—
Net OPEB liability				2,342,410	21,675	—	2,364,085	—
Federal Loan Fund Repayment Contingency				885,616	—	72,359	813,257	—
Total Other liabilities				<u>43,542,988</u>	<u>73,062</u>	<u>780,129</u>	<u>42,835,921</u>	<u>43,689</u>
Total				<u>\$ 43,620,041</u>	<u>73,062</u>	<u>857,182</u>	<u>42,835,921</u>	<u>43,689</u>
Due within one year							<u>(43,689)</u>	
Total noncurrent liabilities							<u>\$ 42,792,232</u>	

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June 30, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi Valley State University:								
Bonded Debt								
EBC - Series 2007	\$ 19,015,000	4.00%	2022	\$ 715,000	—	180,000	535,000	180,000
EBC - Series 2015	17,270,000	2.00%	2037	17,185,000	—	405,000	16,780,000	445,000
Total Bonded Debt				17,900,000	—	585,000	17,315,000	625,000
Capital Leases				249,348	—	81,264	168,084	83,102
Total Capital Leases				249,348	—	81,264	168,084	83,102
Other Long-term Liabilities:								
Accrued leave liabilities				1,608,224	11,919	—	1,620,143	166,109
Net pension liability				41,999,298	303,835	—	42,303,133	—
Net OPEB liability				3,175,395	—	95,254	3,080,141	—
Deposits refundable				31,152	16,136	—	47,288	—
Total Other liabilities				46,814,069	331,890	95,254	47,050,705	166,109
Total				\$ 64,963,417	331,890	761,518	64,533,789	874,211
Due within one year							(874,211)	
Total noncurrent liabilities							\$ 63,659,578	

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Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				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	\$ 970,000	—	970,000	—	—
EBC - Series 2009A	19,870,000	3.50% - 4.50%	2030	1,835,000	—	900,000	935,000	935,000
EBC - Series 2009B	24,165,000	3.623% - 5.00%	2021	7,395,000	—	2,345,000	5,050,000	2,450,000
EBC - Series 2009C	14,770,000	3.25% - 4.75%	2035	960,000	—	470,000	490,000	490,000
EBC - Series 2011	27,995,000	3.00% - 5.00%	2032	4,455,000	—	945,000	3,510,000	1,050,000
EBC - Series 2013C	62,900,000	3.22%	2034	62,900,000	—	—	62,900,000	—
EBC - Series 2013D	12,100,000	3.10%	2021	6,299,380	—	2,444,706	3,854,674	2,524,952
EBC - Series 2015	12,600,000	Variable	2026	10,350,000	—	900,000	9,450,000	900,000
EBC - Series 2015A	15,660,000	2.00% - 4.00%	2040	15,190,000	—	215,000	14,975,000	230,000
EBC - Series 2015B	10,125,000	1.375% - 3.75%	2030	8,395,000	—	600,000	7,795,000	615,000
EBC - Series 2015C	31,630,000	2.00% - 5.00%	2047	30,420,000	—	625,000	29,795,000	635,000
EBC - Series 2015D	17,660,000	0.993% - 4.452%	2037	16,285,000	—	700,000	15,585,000	710,000
EBC - Series 2016A	33,245,000	2.00% - 5.00%	2035	30,820,000	—	1,890,000	28,930,000	1,940,000
EBC - Series 2017	38,995,000	2.00% - 5.00%	2035	38,400,000	—	—	38,400,000	—
Unamortized Premium				9,056,280	—	724,376	8,331,904	704,850
Total Bonded Debt				243,730,660	—	13,729,082	230,001,578	13,184,802
Other Long-term Liabilities:								
Accrued leave liabilities				15,269,749	1,235,170	—	16,504,919	1,904,000
Net pension liability				319,127,442	6,182,444	—	325,309,886	—
Net OPEB liability				19,806,214	442,483	—	20,248,697	—
Deposits refundable				101,515	7,299	—	108,814	—
Notes Payable - Hancock Bank				7,794,139	—	888,360	6,905,779	911,643
Notes Payable - Renasant Bank				7,884,452	—	705,191	7,179,261	724,588
Notes Payable - Trustmark Bank				17,783,300	—	852,821	16,930,479	939,114
Federal Loan Fund Repayment Contingency				8,465,200	771,000	—	9,236,200	—
Total Other liabilities				396,232,011	8,638,396	2,446,372	402,424,035	4,479,345
Total				\$ 639,962,671	8,638,396	16,175,454	632,425,613	17,664,147
Due within one year							(17,664,147)	
Total noncurrent liabilities							\$ 614,761,466	

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June 30, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Southern Mississippi:								
Bonded Debt								
EBC - Series 2009	\$ 49,900,000	2.75% - 5.38%	2037	\$ 1,320,000	—	585,000	735,000	735,000
EBC - Series 2013	51,875,000	2.00% - 5.00%	2044	8,450,000	—	320,000	8,130,000	395,000
EBC - Series 2015A	38,600,000	2.00% - 5.00%	2034	36,680,000	—	520,000	36,160,000	1,395,000
EBC - Series 2015B	16,690,000	0.50% - 3.25%	2034	11,960,000	—	2,225,000	9,735,000	2,260,000
EBC - Series 2016	58,870,000	2.00% - 5.00%	2040	58,225,000	—	335,000	57,890,000	350,000
EBC - Series 2017	44,005,000	2.00% - 5.00%	2044	43,405,000	—	165,000	43,240,000	165,000
Unamortized Premium				15,073,573	—	1,359,502	13,714,071	1,376,062
Total Bonded Debt				175,113,573	—	5,509,502	169,604,071	6,676,062
Other Long-term Liabilities:								
Accrued leave liabilities				9,360,563	90,746	—	9,451,309	1,155,279
Net pension liability				222,060,208	2,393,461	—	224,453,669	—
Net OPEB liability				14,037,705	6,717	—	14,044,422	—
Deposits refundable				9,626	—	6,921	2,705	—
Federal Loan Fund Repayment Contingency				26,227,863	—	189,710	26,038,153	—
Total Other liabilities				271,695,965	2,490,924	196,631	273,990,258	1,155,279
Total				\$ 446,809,538	2,490,924	5,706,133	443,594,329	7,831,341
Due within one year							(7,831,341)	
Total noncurrent liabilities							\$ 435,762,988	

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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June 30, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2019				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Mississippi Medical Center:								
Bonded Debt								
MCEBC - Series 1998B	\$ 41,075,000	3.88% - 5.90%	2024	\$ 20,805,000	—	3,020,000	17,785,000	3,185,000
MCEBC - Series 2009	105,605,000	2.00% - 5.00%	2034	2,550,000	—	2,550,000	—	—
MCEBC - Series 2010A	24,870,000	5.92% - 6.69%	2032	24,870,000	—	—	24,870,000	—
MCEBC - Series 2010B	20,000,000	6.84%	2035	20,000,000	—	—	20,000,000	—
MCEBC - Series 2010C	5,130,000	2.5% to 5.0%	2020	1,180,000	—	575,000	605,000	605,000
MCEBC - Series 2012A	51,860,000	4.0% to 5.0%	2041	51,860,000	—	—	51,860,000	—
MCEBC - Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	—	—	53,390,000	—
MCEBC - Series 2017A	137,635,000	3.0% to 5.0%	2047	137,390,000	—	—	137,390,000	—
MCEBC - Series 2017B	12,345,000	2.45% to 3.10%	2024	12,345,000	—	—	12,345,000	2,760,000
Unamortized premium				14,553,323	—	1,000,694	13,552,629	796,232
Total Bonded Debt				338,943,323	—	7,145,694	331,797,629	7,346,232
Other Long-term Liabilities:								
Accrued leave liabilities				57,101,294	8,373,490	5,798,354	59,676,430	5,650,073
Federal Loan Fund Repayment Contingency				4,106,793	123,579	148,581	4,081,791	—
Net pension liability				1,212,970,916	19,392,594	—	1,232,363,510	—
Net OPEB liability				57,663,711	—	874,162	56,789,549	—
Reserve for unpaid claims				35,888,000	4,750,000	4,750,000	35,888,000	5,084,000
Total Other liabilities				1,367,730,714	32,639,663	11,571,097	1,388,799,280	10,734,073
Total				\$ 1,706,674,037	32,639,663	18,716,791	1,720,596,909	18,080,305
Due within one year							(18,080,305)	
Total noncurrent liabilities							\$ 1,702,516,604	

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Notes to Financial Statements

June 30, 2019 and 2018

Description and Purpose	Year ended June 30, 2019				
	Beginning balance	Additions	Deletions	Ending balance	Due within one year
IHL Board Office:					
Other Long-term Liabilities:					
Accrued leave liabilities	\$ 710,974	8,946	—	719,920	46,520
Net pension liability	18,081,464	—	262,443	17,819,021	—
Net OPEB liability	712,832	—	21,088	691,744	—
Reserve for unpaid claims	34,678,606	2,212,219	—	36,890,825	8,657,231
Total Other liabilities	\$ 54,183,876	2,221,165	283,531	56,121,510	8,703,751
Due within one year				(8,703,751)	
Total noncurrent liabilities				\$ 47,417,759	

Description and Purpose	Year ended June 30, 2019				
	Beginning balance	Additions	Deletions	Ending balance	Due within one year
MCVS:					
Other Long-term Liabilities:					
Accrued leave liabilities	\$ 65,806	2,644	—	68,450	6,246
Net pension liability	1,649,603	3,213	—	1,652,816	—
Total Other liabilities	\$ 1,715,409	5,857	—	1,721,266	6,246
Due within one year				(6,246)	
Total noncurrent liabilities				\$ 1,715,020	

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June 30, 2019 and 2018

Description and Purpose	Year ended June 30, 2019				
	Beginning balance	Additions	Deletions	Ending balance	Due within one year
State of Mississippi Institutions of Higher Learning -- Combined:					
Total bonded debt	\$ 1,298,337,852	546,837	46,096,436	1,252,788,253	47,869,787
Total capital leases	1,297,019	—	453,100	843,919	193,852
Reserves for unpaid claims	70,566,606	6,962,219	4,750,000	72,778,825	13,741,231
Other long-term liabilities and notes payable:					
Net pension liability	2,653,162,201	28,809,127	32,653,238	2,649,318,090	-
Net OPEB liability	143,674,333	526,204	2,368,776	141,831,761	-
Accrued leave liabilities	117,869,837	12,007,820	7,977,947	121,899,710	13,723,900
Deposits refundable	305,619	874,679	18,570	1,161,728	-
Notes payable	33,784,898	—	2,552,094	31,232,804	2,682,370
Refundable government advances and other	55,071,528	1,054,421	410,650	55,715,299	-
Total other long-term liabilities and notes payable	3,003,868,416	43,272,251	45,981,275	3,001,159,392	16,406,270
Total	\$ 4,374,069,893	50,781,307	97,280,811	4,327,570,389	78,211,140
Due within one year				(78,211,140)	
Total noncurrent liabilities				\$ 4,249,359,249	

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Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Alcorn State University:								
Bonded Debt								
EBC - Series 2009A	\$ 47,000,000	5.125% - 5.25%	2040	\$ 2,450,000	—	720,000	1,730,000	815,000
EBC - Series 2016	43,630,000	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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Delta State University:								
Bonded Debt								
EBC - Series 2009A	\$ 3,135,000	2.50% to 3.75%	2019	\$ 845,000	—	415,000	430,000	430,000
EBC - Series 2016	15,105,000	2.00% to 5.00%	2039	14,460,000	—	560,000	13,900,000	575,000
Total Bonded Debt				15,305,000	—	975,000	14,330,000	1,005,000
Capital Leases								
Aircraft				285,303	—	285,303	—	—
Infrastructure/Desktop/Hardware				70,274	—	38,734	31,540	30,921
Total Capital Leases				355,577	—	324,037	31,540	30,921
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				54,146,415	8,264,624	13,132,582	49,278,457	246,467
Total				\$ 69,806,992	8,264,624	14,431,619	63,639,997	1,282,388
Due within one year							(1,282,388)	
Total noncurrent liabilities							\$ 62,357,609	

\* 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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Jackson State University:								
Bonded Debt								
EBC - Series 1982	\$ 4,000,000	1.00% - 3.00%	2021	\$ 670,000	—	160,000	510,000	165,000
EBC - Series 2010A-1	31,325,000	3.00% - 5.00%	2034	21,735,000	—	21,735,000	—	—
EBC - Series 2015A	57,595,000	2.00% - 5.00%	2045	56,485,000	—	545,000	55,940,000	605,000
EBC - Series 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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				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
EBC - Series 1998	31,865,000	3.75% - 5.25%	2019	1,630,000	—	1,630,000	—	—
EBC - Series 2007A	6,110,000	4.125% - 5.00%	2019	290,000	—	290,000	—	—
EBC - Series 2009A-1	29,615,000	2.50% - 5.25%	2040	2,180,000	—	700,000	1,480,000	725,000
EBC - Series 2009A-2	17,105,000	2.75% - 5.00%	2025	3,650,000	—	—	3,650,000	1,790,000
EBC - Series 2011	54,370,000	2.00% - 5.00%	2043	44,425,000	—	39,415,000	5,010,000	1,185,000
EBC - Series 2013	60,470,000	2.00% - 5.00%	2044	58,950,000	—	48,280,000	10,670,000	555,000
EBC - Series 2014A	89,810,000	2.00% - 5.00%	2044	83,400,000	—	3,365,000	80,035,000	3,480,000
EBC - Series 2014B	23,435,000	0.29% - 4.813%	2044	21,075,000	—	915,000	20,160,000	935,000
EBC - Series 2015	56,010,000	2.00% - 5.00%	2046	55,015,000	—	1,020,000	53,995,000	1,050,000
EBC - Series 2017	63,270,000	2.00% - 5.00%	2046	63,270,000	—	330,000	62,940,000	280,000
EBC - Series 2017A	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				354,947,381	95,091,935	96,110,000	353,929,316	10,375,000
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				646,658,328	87,924,301	142,415,823	592,166,806	3,014,672
Total				\$ 1,001,605,709	183,016,236	238,525,823	946,096,122	13,389,672
Due within one year							(13,389,672)	
Total noncurrent liabilities							\$ 932,706,450	

\* 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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				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							(125,114)	
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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi Valley State University:								
Bonded Debt								
EBC - Series 2007	\$ 19,015,000	4.00%	2022	\$ 885,000	—	170,000	715,000	180,000
EBC - Series 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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				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
Unamortized 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, 2019 and 2018

Description and Purpose	Original Issue	Annual Interest Rate	Maturity (fiscal year)	Year ended June 30, 2018				
				Beginning balance	Additions	Deletions	Ending balance	Due within one year
University of Mississippi Medical Center:								
Bonded Debt								
MCEBC - Series 1998B	\$ 41,075,000	3.88% - 5.90%	2024	\$ 23,670,000	—	2,865,000	20,805,000	3,020,000
MCEBC - Series 2009	105,605,000	2.00% - 5.00%	2034	71,635,000	—	69,085,000	2,550,000	2,550,000
MCEBC - Series 2010A	24,870,000	5.92% - 6.69%	2032	24,870,000	—	—	24,870,000	—
MCEBC - Series 2010B	20,000,000	6.84%	2035	20,000,000	—	—	20,000,000	—
MCEBC - Series 2010C	5,130,000	2.5% to 5.0%	2020	1,735,000	—	555,000	1,180,000	575,000
MCEBC - Series 2012A	51,860,000	4.0% to 5.0%	2041	51,860,000	—	—	51,860,000	—
MCEBC - Series 2012B	53,390,000	4.064% to 4.822%	2038	53,390,000	—	—	53,390,000	—
MCEBC - Series 2017A	137,635,000	3.0% to 5.0%	2047	—	137,635,000	245,000	137,390,000	—
MCEBC - 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				<u>251,002,988</u>	<u>163,538,908</u>	<u>75,598,573</u>	<u>338,943,323</u>	<u>6,832,314</u>
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				<u>1,447,529,358</u>	<u>259,580,628</u>	<u>339,379,272</u>	<u>1,367,730,714</u>	<u>10,616,097</u>
Total				<u>\$ 1,698,532,346</u>	<u>423,119,536</u>	<u>414,977,845</u>	<u>1,706,674,037</u>	<u>17,448,411</u>
Due within one year							(17,448,411)	
Total noncurrent liabilities							<u>\$ 1,689,225,626</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, 2019 and 2018

Description and Purpose	Year ended June 30, 2018				
	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	Year ended June 30, 2018				
	Beginning balance	Additions	Deletions	Ending balance	Due within one year
Mississippi Commission for Volunteer Service:					
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, 2019 and 2018

Description and Purpose	Year ended June 30, 2018				
	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

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The annual debt service requirements for the outstanding debt as of June 30, 2019 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:					
2020	\$ 1,107,514	—	—	1,763,350	2,870,864
2021	1,322,514	—	—	1,693,550	3,016,064
2022	1,422,514	—	—	1,693,550	3,116,064
2023	1,527,514	—	—	1,648,925	3,176,439
2024	1,627,514	—	—	1,600,200	3,227,714
2025 - 2029	9,942,570	—	—	6,790,000	16,732,570
2030 - 2034	12,777,570	—	—	4,337,400	17,114,970
2035 - 2039	15,204,426	—	—	1,847,326	17,051,752
2040 - 2044	3,160,000	—	—	55,300	3,215,300
Total	\$ 48,092,136	—	—	21,429,601	69,521,737

<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:					
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	650,000	—	—	436,100	1,086,100
2025 - 2029	2,760,000	—	—	1,779,225	4,539,225
2030 - 2034	3,385,000	—	—	1,162,950	4,547,950
2035 - 2039	4,120,000	—	—	425,800	4,545,800
Total	\$ 13,325,000	—	—	5,711,075	19,036,075

<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:					
2020	\$ 4,385,376	110,750	107,025	4,031,850	8,635,001
2021	4,520,376	115,858	110,260	3,897,823	8,644,317
2022	4,690,376	121,201	—	3,723,676	8,535,253
2023	5,885,376	126,791	—	3,503,636	9,515,803
2024	6,090,376	132,639	—	3,256,535	9,479,550
2025 - 2029	32,911,880	68,596	—	12,293,603	45,274,079
2030 - 2034	35,346,880	—	—	5,601,543	40,948,423
2035 - 2039	3,431,880	—	—	905,250	4,337,130
2040 - 2044	3,926,880	—	—	408,400	4,335,280
2045 - 2049	743,391	—	—	21,600	764,991
Total	\$ 101,932,791	675,835	217,285	37,643,916	140,469,827

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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June 30, 2019 and 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:					
2020	\$ 13,959,801	—	—	13,709,915	27,669,716
2021	14,178,566	—	—	13,264,133	27,442,699
2022	14,348,457	—	—	12,756,523	27,104,980
2023	14,545,103	—	—	12,228,438	26,773,541
2024	14,899,553	—	—	11,645,381	26,544,934
2025 - 2029	65,574,458	—	—	49,537,208	115,111,666
2030 - 2034	64,429,330	—	—	35,266,190	99,695,520
2035 - 2039	69,068,859	—	—	21,222,089	90,290,948
2040 - 2044	62,903,281	—	—	7,843,049	70,746,330
2045 - 2049	6,812,640	—	—	208,100	7,020,740
Total	\$ <u>340,720,048</u>	<u>—</u>	<u>—</u>	<u>177,681,026</u>	<u>518,401,074</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:					
2020	\$ 625,000	83,102	—	579,144	1,287,246
2021	675,000	84,982	—	555,206	1,315,188
2022	725,000	—	—	537,906	1,262,906
2023	575,000	—	—	514,506	1,089,506
2024	625,000	—	—	497,256	1,122,256
2025 - 2029	3,940,000	—	—	2,201,900	6,141,900
2030 - 2034	5,675,000	—	—	1,453,200	7,128,200
2035 - 2039	4,475,000	—	—	341,575	4,816,575
Total	\$ <u>17,315,000</u>	<u>168,084</u>	<u>—</u>	<u>6,680,693</u>	<u>24,163,777</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:					
2020	\$ 13,184,802	—	2,575,345	9,186,947	24,947,094
2021	14,084,390	—	2,656,598	8,695,122	25,436,110
2022	12,115,482	—	2,739,967	8,203,530	23,058,979
2023	12,264,913	—	2,826,038	7,738,824	22,829,775
2024	12,739,738	—	2,914,624	7,218,259	22,872,621
2025 - 2029	70,192,774	—	11,584,066	26,694,217	108,471,057
2030 - 2034	67,135,764	—	5,718,881	12,330,616	85,185,261
2035 - 2039	15,471,086	—	—	4,145,145	19,616,231
2040 - 2044	9,200,343	—	—	1,838,094	11,038,437
2045 - 2049	3,612,286	—	—	178,250	3,790,536
Total	\$ <u>230,001,578</u>	<u>—</u>	<u>31,015,519</u>	<u>86,229,004</u>	<u>347,246,101</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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<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:					
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	—	—	5,997,599	12,095,546
2024	6,514,927	—	—	5,774,466	12,289,393
2025 - 2029	38,402,514	—	—	24,813,235	63,215,749
2030 - 2034	47,816,430	—	—	15,948,600	63,765,030
2035 - 2039	32,155,927	—	—	6,217,691	38,373,618
2040 - 2044	17,899,225	—	—	1,564,797	19,464,022
Total	\$ <u>169,604,071</u>	<u>—</u>	<u>—</u>	<u>79,492,599</u>	<u>249,096,670</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:					
2020	\$ 7,346,232	—	—	14,561,924	21,908,156
2021	7,614,696	—	—	14,291,652	21,906,348
2022	7,927,975	—	—	13,966,070	21,894,045
2023	8,257,010	—	—	13,621,319	21,878,329
2024	8,606,755	—	—	13,255,157	21,861,912
2025 - 2029	43,760,468	—	—	61,679,357	105,439,825
2030 - 2034	54,320,904	—	—	51,169,168	105,490,072
2035 - 2039	72,492,369	—	—	35,785,091	108,277,460
2040 - 2044	75,332,394	—	—	18,172,156	93,504,550
2045 - 2049	46,138,826	—	—	3,769,224	49,908,050
Total	\$ <u>331,797,629</u>	<u>—</u>	<u>—</u>	<u>240,271,118</u>	<u>572,068,747</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):					
2020	\$ 47,869,787	193,852	2,682,370	50,870,889	101,616,898
2021	50,006,551	200,840	2,766,858	49,292,287	102,266,536
2022	48,864,834	121,201	2,739,967	47,573,356	99,299,358
2023	49,772,863	126,791	2,826,038	45,711,797	98,437,489
2024	51,753,863	132,639	2,914,624	43,683,354	98,484,480
2025 - 2029	267,484,664	68,596	11,584,066	185,788,745	464,926,071
2030 - 2034	290,886,878	—	5,718,881	127,269,667	423,875,426
2035 - 2039	216,419,547	—	—	70,889,967	287,309,514
2040 - 2044	172,422,123	—	—	29,881,796	202,303,919
2045 - 2049	57,307,143	—	—	4,177,174	61,484,317
Total	\$ <u>1,252,788,253</u>	<u>843,919</u>	<u>31,232,804</u>	<u>655,139,032</u>	<u>1,940,004,008</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

**Note 11**

**Operating Expenses by Natural and Functional Classifications**

The IHL System's operating expenses by functional classification were as follows for the years ended June 30, 2019 and 2018:

2019										
Functional Classification	Salaries and wages	Fringe benefits	Travel	Contractual services	Utilities	Scholarships and fellowships	Commodities	Depreciation expense	Other	Total
Instruction	\$ 450,883,023	162,902,493	11,746,241	40,311,181	368,051	1,808,482	18,369,848	—	194,248	686,583,567
Research	197,810,599	78,216,875	9,892,697	69,672,447	3,273,806	2,476,573	36,331,420	—	972,673	398,647,090
Public service	79,974,715	30,105,451	4,701,801	31,219,137	950,529	194,145	8,421,532	—	10,712	155,578,022
Academic support	83,325,233	29,464,186	2,716,083	27,924,802	553,003	388,296	16,683,714	—	2,689	161,058,006
Student services	48,373,814	17,832,253	5,152,531	15,068,728	138,876	1,925,499	7,240,074	—	137,614	95,869,389
Institutional support	142,537,741	49,860,695	2,633,588	93,492,283	507,283	284,090	21,731,853	—	3,046,902	314,094,435
Operation of plant	51,014,570	22,197,222	143,324	50,424,934	46,921,648	—	11,531,243	—	36,654	182,269,595
Student aid	4,038,353	5,637,962	36,896	690,442	—	173,665,552	215,115	—	—	184,284,320
Auxiliary enterprises	85,381,377	27,797,722	13,049,735	90,567,300	15,903,350	28,135,342	22,133,795	—	38,458	283,007,079
Depreciation	—	—	—	—	—	—	—	162,945,647	—	162,945,647
Hospital	512,439,410	172,179,825	1,190,979	121,940,433	1,320,298	—	258,310,418	—	—	1,067,381,363
Loan fund expense	—	—	—	1,053	—	—	—	—	1,003,751	1,004,804
	<u>1,655,778,835</u>	<u>596,194,684</u>	<u>51,263,875</u>	<u>541,312,740</u>	<u>69,936,844</u>	<u>208,877,979</u>	<u>400,969,012</u>	<u>162,945,647</u>	<u>5,443,701</u>	<u>3,692,723,317</u>
Elimination entries	—	—	—	(50,390,650)	—	(31,678,749)	—	—	—	(82,069,399)
Total operating expenses	<u>\$ 1,655,778,835</u>	<u>596,194,684</u>	<u>51,263,875</u>	<u>490,922,090</u>	<u>69,936,844</u>	<u>177,199,230</u>	<u>400,969,012</u>	<u>162,945,647</u>	<u>5,443,701</u>	<u>3,610,653,918</u>

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

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	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

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**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:

	<b>Amount</b>
Year ending June 30,	
2020	\$ 27,671,930
2021	24,903,941
2022	20,956,760
2023	18,444,524
2024	16,149,701
2025 - 2029	59,261,601
2030 - 2034	25,994,977
2035 - 2039	1,851,450
Total minimum payments required	\$ 195,234,884

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the years ending June 30, 2019 and 2018 approximated \$31.9 million and \$28.9 million, respectively.

**Note 13**

**Construction Commitments and Financing**

The IHL System has contracted for various construction projects as of June 30, 2019. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

	<b>Remaining estimated cost to complete</b>	<b>Funded by</b>			
		<b>Federal Sources</b>	<b>State Sources</b>	<b>Institutional Sources</b>	<b>Other Sources</b>
Alcorn State University	\$ 35,658,038	—	35,658,038	—	—
Delta State University	4,234,022	—	4,234,022	—	—
Jackson State University	19,425,997	—	19,425,997	—	—
Mississippi State University	100,195,006	6,860,390	8,468,797	46,465,819	38,400,000
Mississippi University for Women	4,365,311	—	4,249,569	115,742	—
Mississippi Valley State University	21,257,319	—	20,200,777	774,887	281,655
University of Mississippi	158,449,109	650,000	40,902,846	90,491,813	26,404,450
University of Southern Mississippi	8,244,398	—	5,480,657	2,763,741	—
University of Mississippi Medical Center	133,151,998	3,581,142	14,820,877	26,684,269	88,065,710
Totals	\$ 484,981,198	11,091,532	153,441,580	167,296,271	153,151,815



# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

### Note 14

#### Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure approximated \$52.0 million and \$52.3 million as of June 30, 2019 and 2018, respectively. These amounts are included in the accompanying statement of net position in “net position – expendable for other purposes”, and “net position – expendable for scholarships and fellowships”. The endowment investments totaled \$339 million and \$333 million at June 30, 2019 and 2018, respectively.

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, 2018 for fiscal year 2019 and 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](http://www.pers.ms.gov).

#### Disclosures under GASB Statement No. 68

The pension disclosures that follow for fiscal years 2019 and 2018 include all disclosures for GASB Statement No. 68 using the latest valuation reports available (June 30, 2018). For fiscal year 2019, the measurement date for the PERS defined benefit plan is June 30, 2018. 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, 2018 and 2017 for the fiscal years 2019 and 2018 financials, respectively.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

### **(a) PERS Defined Benefit Plan**

#### **Plan Description**

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

#### **Membership and Benefits Provided**

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

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

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

#### **Contributions**

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

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9.00% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2019 and 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

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

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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.

### Employer Contributions

The IHL System's contributions to PERS for the years ended June 30, 2019 and 2018 were \$165.7 million and \$160.5 million, respectively. The IHL System's proportionate share was calculated on the basis of historical contributions. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the IHL System that are not representative of future contribution effort are excluded in the determination of 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
PERS defined benefit plan:			
2019	\$ 160,203,045	15.93%	-0.03%
2018	161,259,432	15.96%	0.15%

### Net Pension Liability

The IHL System's proportion of the net pension liability at June 30, 2019 and 2018 is as follows:

	Proportionate share of net pension liability	Proportion of net pension liability
PERS defined benefit plan:		
2019	\$ 2,649,318,090	15.93%
2018	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 of assumptions, changes in proportion and differences between employer contributions and the proportionate share of contributions, and contributions made after the measurement date. The difference between expected and actual experience with regard to economic and demographic factors is amortized over the average of the expected remaining service life of active and inactive members which is approximately five years. The first year of amortization is recognized as pension expense with the remaining years shown as a deferred outflow of resources.

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

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		2019									
		Deferred outflows					Deferred inflows				
		Changes in proportion and differences between employer contributions and proportionate share of contributions			Contributions subsequent to the measurement date		Net difference between projected and actual investment earnings on pension plan investment		Differences between expected and actual experience		Total deferred inflows of resources
	Differences between expected and actual experience	Changes of assumptions			Total deferred outflows of resources		Changes of assumptions				
Alcorn State University	\$ 329,482	44,340	(799,656)	4,363,103	3,937,269	1,494,012	41,507	316,821	1,852,340		
Delta State University	196,718	26,474	351,215	2,725,784	3,300,191	892,004	24,782	189,159	1,105,945		
Jackson State University	564,914	76,024	(13,779,020)	7,274,360	(5,863,722)	2,561,558	71,166	543,206	3,175,930		
Mississippi State University	2,270,711	305,583	(8,328,764)	32,163,084	26,410,614	10,296,362	286,058	2,183,455	12,765,875		
Mississippi University for Women	169,072	22,753	(257,442)	2,267,113	2,201,496	766,647	21,299	162,576	950,522		
Mississippi Valley State University	185,454	24,958	467,718	2,545,552	3,223,682	840,929	23,363	178,328	1,042,620		
University of Mississippi	1,426,140	191,924	7,760,332	19,541,619	28,920,015	6,466,721	179,661	1,371,338	8,017,720		
University of Southern Mississippi	983,992	132,422	3,009,520	13,321,459	17,447,393	4,461,836	123,960	946,181	5,531,977		
University of Mississippi Medical Center	5,402,611	727,061	22,290,772	78,391,851	106,812,295	24,497,722	680,605	5,195,007	30,373,334		
Executive Office	78,118	10,513	(600,350)	1,078,124	566,405	354,218	9,841	75,116	439,175		
M CVS	7,246	975	82,700	100,856	191,777	32,856	913	6,967	40,736		
Total	\$ 11,614,458	1,563,027	10,197,025	163,772,905	187,147,415	52,664,865	1,463,155	11,168,154	65,296,174		

Contributions subsequent to the measurement date of \$163.8 million reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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	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	\$ 1,090,931	1,687,720	(540,365)	4,445,215	6,683,501	974,939	129,391	554,069	1,658,399
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
M CVS	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.

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

<b>Deferred outflows of resources year ended June 30</b>				
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
Alcorn State University	\$ (33,945)	(227,522)	(164,367)	(425,834)
Delta State University	256,322	189,350	128,735	574,407
Jackson State University	(2,827,995)	(5,053,285)	(5,256,802)	(13,138,082)
Mississippi State University	(1,291,807)	(2,797,684)	(1,662,978)	(5,752,469)
Mississippi University for Women	196,251	(107,329)	(154,538)	(65,616)
Mississippi Valley State University	472,045	130,004	76,081	678,130
University of Mississippi	5,362,867	2,556,052	1,459,477	9,378,396
University of Southern Mississippi	2,405,282	1,139,335	581,316	4,125,933
University of Mississippi Medical Center	17,111,319	6,696,048	4,613,077	28,420,444
Executive Office	(339,166)	(115,831)	(56,722)	(511,719)
MCVS	70,961	18,955	1,004	90,920
Total	<u>\$ 21,382,134</u>	<u>2,428,093</u>	<u>(435,717)</u>	<u>23,374,510</u>

<b>Deferred inflows of resources year ended June 30</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>Total</b>
Alcorn State University	\$ (554,528)	279,981	1,788,902	337,985	1,852,340
Delta State University	(331,082)	167,164	1,068,069	201,795	1,105,946
Jackson State University	(950,766)	480,042	3,067,162	579,492	3,175,930
Mississippi State University	(3,821,670)	1,929,561	12,328,673	2,329,310	12,765,874
Mississippi University for Women	(284,554)	143,671	917,969	173,436	950,522
Mississippi Valley State University	(312,125)	157,592	1,006,913	190,240	1,042,620
University of Mississippi	(2,400,233)	1,211,878	7,743,132	1,462,944	8,017,721
University of Southern Mississippi	(1,656,086)	836,158	5,342,520	1,009,385	5,531,977
University of Mississippi Medical Center	(9,092,746)	4,590,927	29,333,119	5,542,033	30,373,333
Executive Office	(131,474)	66,381	424,134	80,134	439,175
MCVS	(12,195)	6,157	39,341	7,433	40,736
Total	<u>\$ (19,547,459)</u>	<u>9,869,512</u>	<u>63,059,934</u>	<u>11,914,187</u>	<u>65,296,174</u>

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### Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations, and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the 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 years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Valuation date	June 30, 2018	June 30, 2017
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Inflation rate	3.00 %	3.00 %
Salary increases	3.25	3.25
Investment rate of return	7.75	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 years ended June 30, 2019 and 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 years ended June 30, 2019 and 2018. Beginning July 1, 2019, the employer contribution rate will be 17.40%. 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, 2019 and 2018 are summarized in the following table:

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<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
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
	<u>100.00</u>	

**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 2019 and 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%)
IHL System proportionate share of net pension liability			
2019	\$ 3,488,391,705	\$ 2,649,318,090	\$ 1,951,937,126
2018	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 years ended June 30, 2019 and 2018 were \$67.1 million and \$65.8 million, respectively, which equaled its required contribution for the period.



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

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

##### **Membership and Benefits Provided**

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

##### **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.

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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](http://knowyourbenefits.dfa.ms.gov).

At June 30, 2018 and 2017, the Plan provided health coverage to 327 and 334 employer units, respectively.

### **Disclosures under GASB Statement No. 75**

The disclosures that follow for fiscal years 2019 and 2018 include all disclosures for GASB Statement No. 75 using the latest valuation report available (June 30, 2018). For fiscal year 2019, the measurement date for the State and School Employees' Life and Health Insurance Plan is June 30, 2018. 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, 2018 and 2017 for the fiscal years 2019 and 2018 financials, respectively.

### **Proportionate Share Allocation Methodology**

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

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

At June 30, 2019 and 2018, the IHL System reported a liability of \$141.8 million and \$143.7 million, respectively, for its proportionate share of the net OPEB liability (NOL). For fiscal year ending June 30, 2019, the NOL was measured as of June 30, 2018, 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, 2019 and 2018, the IHL System's proportion was 18.34% and 18.31%, respectively.

For the years ended June 30, 2019 and 2018, the IHL System recognized OPEB expense of \$6.8 million and \$7.1 million, respectively.

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

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		2019					
		Deferred outflows			Deferred inflows		
		Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Implicit rate subsidy	Total deferred outflows of resources	Changes of assumptions	Changes in proportion and differences between employer OPEB benefit payments and proportionate share of OPEB benefit payments	Total deferred inflows of resources
Differences between expected and actual experience							
Alcorn State University	\$	9,010	32,747	189,146	230,903	315,320	372,957
Delta State University		6,654	129,199	142,563	278,416	232,871	232,871
Jackson State University		14,627	—	295,582	310,209	511,854	1,150,962
Mississippi State University		60,544	—	1,324,942	1,385,486	2,118,730	2,396,602
Mississippi University for Women		4,813	64,963	102,908	172,684	168,446	168,446
Mississippi Valley State University		6,271	18,011	132,873	157,155	219,466	264,883
University of Mississippi		41,228	1,099,316	895,823	2,036,367	1,442,761	1,442,761
University of Southern Mississippi		28,595	416,206	612,232	1,057,033	1,000,693	1,000,693
University of Mississippi Medical Center		115,630	170,414	2,586,529	2,872,573	4,046,365	4,101,574
Executive Office		1,409	10,838	30,450	42,697	49,288	83,788
Total	\$	288,781	1,941,694	6,313,048	8,543,523	10,105,794	11,215,537

\$6.3 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 ending June 30, 2020.

		2018				
		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 was 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

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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, 2018 measurement period is 6.4 years. 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:

		<b>Deferred outflows (inflows) of resources year ended June 30</b>						
		<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Thereafter</b>	<b>Total</b>
Alcorn State University	\$	(65,628)	(65,628)	(65,628)	(65,628)	(55,690)	(12,998)	(331,200)
Delta State University		(20,738)	(20,738)	(20,738)	(20,738)	(14,324)	258	(97,018)
Jackson State University		(220,913)	(220,913)	(220,913)	(220,913)	(196,658)	(56,025)	(1,136,335)
Mississippi State University		(473,128)	(473,128)	(473,128)	(473,128)	(379,353)	(64,193)	(2,336,058)
Mississippi University for Women		(20,614)	(20,614)	(20,614)	(20,614)	(15,196)	(1,018)	(98,670)
Mississippi Valley State University		(47,678)	(47,678)	(47,678)	(47,678)	(40,453)	(9,436)	(240,601)
University of Mississippi		(67,337)	(67,337)	(67,337)	(67,337)	(41,027)	8,158	(302,217)
University of Southern Mississippi		(113,038)	(113,038)	(113,038)	(113,038)	(89,681)	(14,059)	(555,892)
University of Mississippi Medical Center		(768,604)	(768,604)	(768,604)	(768,604)	(625,078)	(116,036)	(3,815,530)
Executive Office		(14,440)	(14,440)	(14,440)	(14,440)	(11,681)	(2,100)	(71,541)
Total	\$	<u>(1,812,118)</u>	<u>(1,812,118)</u>	<u>(1,812,118)</u>	<u>(1,812,118)</u>	<u>(1,469,141)</u>	<u>(267,449)</u>	<u>(8,985,062)</u>

### Actuarial Methods and Assumptions

The following table provides a summary of the actuarial methods and assumptions used to determine the discount rate reported for OPEB for the years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Valuation date	June 30, 2018	June 30, 2017
Measurement date	June 30, 2018	June 30, 2017
Experience study	April 18, 2017	April 18, 2017
Actuarial assumptions:		
Cost method	Entry age normal	Entry age normal
Inflation rate	3.00 %	3.00 %
Long-term expected rate of return	4.50 %	N/A
Discount rate	3.89 %	3.56 %
Projected cash flows	N/A	N/A
Projected salary increases	3.25% - 18.50%	3.25% - 18.50%
Healthcare cost trend rates	7.25% decreasing to 4.75% by 2028	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

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### **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**

For the years ended June 30, 2019 and 2018, the discount rate used to measure the total OPEB liability was 3.89% and 3.56%, respectively. The discount rate is 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**

At June 30, 2019, the long-term expected rate of return, net of OPEB plan investment expense, including inflation was 4.50%. For fiscal year ended June 30, 2018, since there were no assets in a trust as of the measurement date, there was 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 tables presents the IHL System's proportionate share of the NOL for 2019 and 2018, calculated using the discount rate of 3.56% and 3.89%, respectively, 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 or 1-percentage-point higher than the current rate:

	Discount Rate Sensitivity		
	1% Decrease (2.89%)	Current discount rate (3.89%)	1% Increase (4.89%)
	IHL System proportionate share of net OPEB liability 2019	\$ 157,216,990	\$ 141,831,760

	Discount Rate Sensitivity		
	1% Decrease (2.56%)	Current discount rate (3.56%)	1% Increase (4.56%)
	IHL System proportionate share of net OPEB liability 2018	\$ 147,468,676	\$ 143,674,333

### **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:

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	Health Care Cost Trend Rates Sensitivity		
	1% Decrease	Current discount rate	1% Increase
IHL System proportionate share of net OPEB liability			
2019	\$ 131,383,093	\$ 141,831,760	\$ 153,698,470
2018	132,692,876	143,674,333	156,210,809

**Non-cash Impact on Fringe Benefits Expense**

For the years ended June 30, 2019 and 2018, the non-cash impact of GASB Statement No. 68 on fringe benefits expense was \$111.6 million and \$200.3 million, respectively. For the years ended June 30, 2019 and 2018, the non-cash impact of GASB Statement No. 75 on fringe benefits expense was \$448,534 and \$1,148,333, respectively.

	Year ended June 30, 2019			
	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	\$ 12,858,503	(2,162,596)	(15,760)	10,680,147
Delta State University	9,696,990	(1,021,922)	(30,099)	8,644,969
Jackson State University	23,257,308	(3,152,675)	54,671	20,159,304
Mississippi State University	135,565,687	(16,147,658)	(4,722)	119,413,307
Mississippi University for Women	8,113,408	(1,667,599)	(17,155)	6,428,654
Mississippi Valley State University	9,025,447	(1,572,893)	(8,000)	7,444,554
University of Mississippi	81,461,858	(15,808,334)	(230,793)	65,422,731
University of Southern Mississippi	56,771,346	(8,499,534)	(115,648)	48,156,164
University of Mississippi Medical Center	256,911,360	(61,533,151)	(83,587)	195,294,622
Executive Office	2,231,089	107,573	2,559	2,341,221
Mississippi Commission for Volunteer Service	301,688	(112,636)	—	189,052
	<u>\$ 596,194,684</u>	<u>(111,571,425)</u>	<u>(448,534)</u>	<u>484,174,725</u>

	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
	<u>\$ 662,262,302</u>	<u>(200,276,747)</u>	<u>(1,148,333)</u>	<u>460,837,222</u>

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### 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 \$26.5 million and \$21.8 million at June 30, 2019, respectively, and \$23.1 million and \$21.1 million at June 30, 2018, respectively, and are included in the statements of net position.

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

In order to minimize the amount of risk and in accordance with self-insurance general practices, the WC Fund purchases excess loss insurance to cover risks exceeding \$1,000,000 per occurrence. Excess loss insurance premiums for the years ended June 30, 2019 and 2018 were approximately \$331,000 and \$366,000, respectively. Excess loss insurance does not discharge the WC Fund from its primary liability to cover the IHL System's claims. Consequently, failure of the insurer to honor its obligation could result in losses to the WC Fund.

The following represents changes in the unpaid claims liabilities for the WC Fund for the years ended June 30, 2019, 2018, and 2017 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unpaid claim liability at beginning of year	\$ 20,992	21,419	21,467
Incurred claims:			
Insured events of the current	8,304	8,952	8,535
Decrease in provisions for			
insured events of prior years	(2,403)	(4,339)	(2,922)
Total incurred claims	<u>5,901</u>	<u>4,613</u>	<u>5,613</u>
Payments:			
Attributable to insured events of the current year	1,579	1,664	1,687
Attributable to insured events of the prior year	3,614	3,376	3,974
Total payments	<u>5,193</u>	<u>5,040</u>	<u>5,661</u>
Unpaid claim liability at end of year	<u>\$ 21,700</u>	<u>20,992</u>	<u>21,419</u>

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$2.5 million and \$2.4 million as of June 30, 2019 and 2018, respectively.

### 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. Total assets and liabilities of the Unemployment Fund approximated \$8.6 million and \$4.2 million at June 30, 2019 and 2018, respectively, and \$6.9 million and \$4.1 million at June 30, 2018, respectively, and are included in the statements of net position.

A professionally licensed actuarial firm was contracted to perform an actuarial analysis of the Unemployment Fund as of June 30, 2019. The actuaries concluded that the fund's actual assets at June 30, 2019 exceeded the recommended minimum fund balance. The recommended fund balance at June 30, 2019 is \$4.3 million. Actual fund assets equaled

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\$8.6 million at June 30, 2019. The fiscal year 2020 assessment level was set at \$1.7 million. Future assessments are recommended to be set at \$1.7 million for fiscal year 2021, \$1.7 million for fiscal year 2022, and \$1.7 million for fiscal year 2023. 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, 2019. Total assets and liabilities related to this activity approximated \$17.7 million and \$11.0 million at June 30, 2019 and 2018, respectively, and \$16.8 million and \$9.8 million at June 30, 2019 and 2018, respectively, and are included in the statements of net position.

The following represents changes in the unpaid claims liabilities for the IHL Tort Fund during the years ended June 30, 2019, 2018, and 2017 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unpaid claim liability at beginning of year	\$ 9,694	10,319	12,156
Incurred claims:			
Insured events of the current	3,628	3,741	3,382
Decrease in provisions for			
insured events of prior years	(668)	(2,530)	(2,524)
Total incurred claims	<u>2,960</u>	<u>1,211</u>	<u>858</u>
Payments:			
Attributable to insured events of the current year	205	426	167
Attributable to insured events of the prior year	<u>1,537</u>	<u>1,410</u>	<u>2,528</u>
Total payments	<u>1,742</u>	<u>1,836</u>	<u>2,695</u>
Unpaid claim liability at end of year	<u>\$ 10,912</u>	<u>9,694</u>	<u>10,319</u>

Total accrued claims, included in long-term liabilities, are presented at their present value using a discount rate of 3.0%. The discount approximated \$990,000 and \$873,000 as of June 30, 2019 and 2018, respectively.

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



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### 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 \$45.6 million and \$35.5 million at June 30, 2019, respectively, and approximated \$42.6 million and \$35.9 million at June 30, 2018, respectively, and are included in the statements of net position.

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

The following represents changes in the unpaid claims liabilities for the UMMC Tort Claims Fund for the years ended June 30, 2019, 2018 and 2017 (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Unpaid claim liability at beginning of year	\$ 35,888	35,255	31,777
Incurred claims:			
Insured events of the current	8,970	8,245	8,644
Decrease in provisions for			
insured events of prior years	<u>(5,975)</u>	<u>(3,527)</u>	<u>(2,022)</u>
Total incurred claims	<u>2,995</u>	<u>4,718</u>	<u>6,622</u>
Payments:			
Attributable to insured events of the current year	504	27	1,937
Attributable to insured events of the prior year	<u>2,888</u>	<u>4,058</u>	<u>1,207</u>
Total payments	<u>3,392</u>	<u>4,085</u>	<u>3,144</u>
Unpaid claim liability at end of year	\$ <u>35,491</u>	<u>35,888</u>	<u>35,255</u>

At June 30, 2019 and 2018, unpaid claims of \$39.2 million and \$39.7 million, respectively, are presented at their net present value of \$35.5 million and \$35.9 million, respectively, using a discount rate of 4%.

### Note 21

#### Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These reclassifications had no impact on net position or changes in net position. This reclassification resulted in an increase to prior year long-term liabilities and an offsetting decrease to other noncurrent liabilities.

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### Note 22

#### Subsequent Events

During July 2019, the University of Mississippi Educational Building Corporation (UMEBC) issued Series 2019 revenue bonds to refund and refinance all or part of Series 2013C (Ole Miss Athletics Foundation Multi-Purpose Arena Construction Project), Series 2015 (Ole Miss Athletics Foundation Parking Facilities Refunding Project) and the Taxable Promissory Note, Series 2017, and pay issuance costs. The total new issued bonds approximated \$76.7 million.

During August 2019, the Medical Center Educational Building Corporation (MCEBC) issued Series 2019 revenue bonds to advance refund the MCEBC taxable Build America Bonds, Series 2010A, finance capital expenditures, including but not limited to upgrades to the HVAC system of UMMC and pay issuance costs. The total new issued bonds approximated \$24.4 million.

### Note 23

#### 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 consolidated financial statements include the foundation, Maroon Air LLC, and the Mississippi State Investment Pool in which the foundation has a controlling financial interest. 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. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets with donor restrictions – net assets subject to donor-imposed stipulations that may or will be met either by actions of MSUF and or the passage of time. Net assets in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

Generally, the donor of these assets permits the foundation to use all or part of the income earned on related investments for general or specific purposes in support of the university.

Net assets without donor restrictions – net assets that represent resources generated from operations or that are not subject to donor-imposed stipulations. Net assets without donor restrictions include contributions designated to a particular college or unit for which the use or purpose is unrestricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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 reclassifications between the applicable classes of net assets.

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

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which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of intellectual property are based on its estimated fair value, considering the characteristics specific to the assets and estimated usage during the term of the agreement. Contributed goods and services are recorded as revenues and expenses in the consolidated statements of activities at estimated fair value.

### *Use of Estimates*

The preparation of consolidated 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 consolidated 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 donor 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 outsourced chief investment officer, which executes investment decisions in accordance with the foundation's approved investment policy.

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 as 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, 2019 and 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.

### *Mississippi State Investment Pool*

MSUF, MSU, the MSU Alumni Association, and The Bulldog Club, Inc. are participants in a joint venture, the Mississippi State Investment Pool (MSIP), whereby investable 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, 2019 and 2018, the foundation has consolidated the MSIP, reflecting the noncontrolling interests of the other participants in its consolidated financial statements.

### **(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.

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Pledges receivable, net, are summarized as follows at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 11,626,312	23,889,272
One year to five years	22,249,630	16,662,471
More than five years	5,005,000	5,318,000
	38,880,942	45,869,743
Less unamortized discount (rates ranging from 1% to 5%)	(5,518,792)	(4,993,241)
	33,362,150	40,876,502
Less allowance for uncollectible pledges	(1,112,007)	(951,748)
	\$ 32,250,143	39,924,754

### (d) Investments

Investments are summarized as follows as of June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Short-term investments	\$ 8,094,707	2,664,509
Agility Comprehensive Solutions Feeder Fund LP	408,128,487	329,806,753
Global fixed income	4,220,959	3,695,315
Global equities	9,472,100	2,591,037
Real assets	31,615,070	37,582,149
Absolute return strategies	308,893	57,813,117
Private capital	15,192,530	11,543,325
Contributed properties held for investment	34,594,669	33,335,253
Cash-surrender value of life insurance	1,886,091	1,965,236
	\$ 513,513,506	480,996,694

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, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Global equities	56 %	65 %
Global fixed income	12	18
Absolute return strategies	21	7
Real assets	8	8
Private capital	3	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, 2019 and 2018 with an approximate fair value of \$12.8 million and \$6.3 million, respectively.

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The following schedule summarizes net investment income in the consolidated statements of activities for the years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Dividends and interest, net of expenses	\$ 2,557,241	2,603,104
Net realized and unrealized gains	18,293,833	25,045,967
	\$ 20,851,074	27,649,071

### 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) as a 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, 2019 and 2018:

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		<b>2019</b>				
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments at NAV</b>	<b>Total</b>
Short-term investments	\$	8,094,707	—	—	—	8,094,707
Agility-Comprehensive Solutions						
Feeder Fund LP (1)		—	—	—	408,128,487	408,128,487
Global fixed income:						
Interest-rate sensitive		4,220,959	—	—	—	4,220,959
Global equities:						
Domestic		9,472,100	—	—	—	9,472,100
Real assets:						
Real estate funds (2)		—	—	—	19,431,181	19,431,181
Natural resources (3)		—	—	—	12,183,889	12,183,889
Total real assets		—	—	—	31,615,070	31,615,070
Absolute return strategies (4)		—	—	—	308,893	308,893
Private capital (2)		—	—	—	15,192,530	15,192,530
Contributed properties held for investment (5)		—	—	34,594,669	—	34,594,669
Cash surrender value of life insurance (6)		—	1,886,091	—	—	1,886,091
Total investments	\$	<u>21,787,766</u>	<u>1,886,091</u>	<u>34,594,669</u>	<u>455,244,980</u>	<u>513,513,506</u>
Present value of amounts due from externally managed trusts	\$	—	—	50,787,293	—	50,787,293
		<b>2018</b>				
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Investments at NAV</b>	<b>Total</b>
Short-term investments	\$	2,664,509	—	—	—	2,664,509
Agility-Comprehensive Solutions						
Feeder Fund LP (1)		—	—	—	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 (2)		—	—	—	17,318,444	17,318,444
Natural resources (3)		—	—	—	20,263,705	20,263,705
Total real assets		—	—	—	37,582,149	37,582,149
Absolute return strategies (4)		—	—	—	57,813,117	57,813,117
Private capital (2)		—	—	—	11,543,325	11,543,325
Contributed properties held for investment (5)		—	—	33,335,253	—	33,335,253
Cash surrender value of life insurance (6)		—	1,965,236	—	—	1,965,236
Total investments	\$	<u>8,950,861</u>	<u>1,965,236</u>	<u>33,335,253</u>	<u>436,745,344</u>	<u>480,996,694</u>
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

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- (1) The fund's terms allow for 5-day notice withdrawals at any month-end totaling up to 10% of its account balance at the fund's previous fiscal yearend, (plus any capital contributions to the fund during the current year). In addition, the MSIP may make withdrawals from its capital account, of up to 100% of its Agility Global Equities, Agility Fixed Income, and Agility Real Asset holdings, as well as 25% of its Agility Absolute Return holdings, as of any fiscal quarter end, with at least one quarter's prior written notice to the general partner. Further, approximately \$11.6 million and \$7.6 million of MSIP's investment in the Fund is considered illiquid at June 30, 2019 and 2018, respectively, with up to a 10-year lockup period and 1 to 3-year extensions.
- (2) These funds have initial 10-year terms or 12-year terms, unless extended or dissolved sooner in accordance with the limited partnership agreements. Future commitments to these funds approximate \$5,345,000 and \$8,100,000 at June 30, 2019 and 2018, respectively. Private capital and real estate funds are generally made through limited partnerships. Under the terms of such agreements, the MSIP may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. The MSUF cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular future year are uncertain.
- (3) At June 30, 2019 and 2018, the MSIP invests in four natural resource investments, which have terms ending in 2019, 2022, 2025 and 2026. Investments with lockup periods are subject to one or more one to two-year extensions. Future commitments to these funds approximate \$8,695,000 and \$10,300,000 at June 30, 2019 and 2018, respectively.
- (4) Generally, MSIP's investments in absolute return strategies (or hedge funds) allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually with the majority requiring 60 days to 12 months' notice after the initial lock up period, which may be from one to three years. At June 30, 2019 and 2018, the MSUF had no absolute return strategy investments for which an otherwise redeemable investment was not redeemable.
- (5) Bulldog Forest properties totaling approximately \$21,608,000 and \$27,806,000 at June 30, 2019 and 2018, respectively, may be held in perpetuity or liquidated at the Foundation's discretion. Other properties are for immediate sale.
- (6) 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 years ended June 30, 2019 and 2018 for contributed properties held for investments classified in Level 3:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 33,335,253	27,098,091
Acquisitions	1,068,806	5,442,782
Dispositions	(347,500)	(250,000)
Net realized and unrealized gains	538,110	1,044,380
Balance, end of year	\$ 34,594,669	33,335,253

For the years ended June 30, 2019 and 2018, the changes in present value of amounts due from externally managed trusts classified as Level 3 are as follows:

	<b>2019</b>	<b>2018</b>
Balance, beginning of year	\$ 50,702,847	50,228,587
Contributions	—	881,325
Terminations	(619,478)	(1,771,645)
Change in valuation	703,924	1,364,580
Balance, end of year	\$ 50,787,293	50,702,847

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

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**(e) Net Assets Without Donor Restrictions**

Net assets without donor restrictions as of June 30, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Spendable funds	\$ 12,532,812	15,748,781
Quasi-endowment funds	19,658,949	19,670,908
Net investment in land, buildings and equipment	10,316,928	8,097,478
	\$ 42,508,689	43,517,167

Quasi-endowment funds are those funds held by the Foundation to function as endowments for the benefit of MSU.

**(f) Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Subject to expenditure for specified purpose:		
General college support	\$ 10,883,299	11,043,794
Student financial aid	16,613,295	15,833,748
Research	198,651	289,666
Faculty and staff support	374,819	354,293
Facilities	9,909,095	618,663
Other	1,851,167	3,814,716
	39,830,326	31,954,880
Subject to the passage of time and specified purpose:		
Charitable remainder trusts, cash surrender value of life insurance, gift annuities and other	15,519,311	15,571,919
Pledges receivable restricted by donors	15,814,926	23,008,178
	31,334,237	38,580,097
Donor restricted endowments subject to spending policy and appropriation to support the following purposes (including net accumulated earnings of approximately \$50,108,000 and \$47,864,000 at June 30, 2019 and 2018, respectively):		
Subject to endowment spending policy and appropriation:		
General college support	91,652,973	86,900,650
Student financial aid	193,293,683	178,946,678
Research	16,138,355	16,451,965
Faculty and staff support	55,915,805	54,794,344
Facilities	7,730,315	7,724,965
Other	11,045,193	10,141,576
	375,776,324	354,960,178
Charitable remainder trusts, gift annuities and other	47,584,896	44,559,025
Pledges receivable restricted to endowment by donors	16,435,217	16,916,576
	\$ 510,961,000	486,970,756



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**(g) Endowment Funds**

The State of Mississippi adopted the UPMIFA effective July 1, 2012. The foundation's 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 foundation segregates within the net asset class with donor restrictions, the original gift amount and amounts required to be retained by donor separate from the portion subject to appropriation.

Endowment net asset compositions by type of fund as of June 30, 2019 and 2018 are as follows:

	<b>2019</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ —	375,776,324	375,776,324
Board-designated funds	19,658,949	—	19,658,949
Total	<u>\$ 19,658,949</u>	<u>375,776,324</u>	<u>395,435,273</u>

	<b>2018</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ —	354,960,178	354,960,178
Board-designated funds	19,670,908	—	19,670,908
Total	<u>\$ 19,670,908</u>	<u>354,960,178</u>	<u>374,631,086</u>

Changes in endowment net assets for the fiscal years ended June 30, 2019 and 2018 are as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2017	\$ 19,382,126	334,817,686	354,199,812
Investment returns, net	1,129,160	21,166,804	22,295,964
Contributions	—	12,276,543	12,276,543
Appropriation of endowment assets for expenditure	(844,278)	(15,281,968)	(16,126,246)
Other	3,900	1,981,113	1,985,013
Endowment net assets, June 30, 2018	<u>19,670,908</u>	<u>354,960,178</u>	<u>374,631,086</u>
Investment returns, net	435,852	15,025,238	15,461,090
Contributions	6,183	18,631,716	18,637,899
Appropriation of endowment assets for expenditure	(460,623)	(12,831,061)	(13,291,684)
Other	6,629	(9,747)	(3,118)
Endowment net assets, June 30, 2019	<u>\$ 19,658,949</u>	<u>375,776,324</u>	<u>395,435,273</u>

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

### **(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 \$718,576 and \$709,680 at June 30, 2019 and 2018, respectively. These endowments had an original gift value of approximately \$32.9 million and \$26.8 million at June 30, 2019 and 2018, respectively.

### **Note 24**

#### **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**

###### *Basis of Accounting*

The UMF financial statements are presented on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and recorded as follows:

Net assets with donor restrictions – consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that the donor stipulate the resources be maintained in perpetuity, but permit UMF to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Net assets without donor restrictions – represents funds that are available for support of the operations of UMF and that are not subject to donor stipulation.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. UMF considers donor contributions to the various university schools and departments to be included in net assets with donor restrictions as those university units have authority over expenditures. Expenses are reported as decreases in net assets without donor restrictions. When a donor restriction expires or the stated purpose is accomplished, net assets are reclassified as applicable in the statements of activities as net assets released from restriction.

Board-designated net assets are net assets without donor restrictions that are used only for the specific purpose passed by board resolution. Changes to designations require a subsequent board resolution. The President/CEO and other staff of UMF may not change the purpose of any board-designated funds without the consent of the board. These net assets are designated for providing a general operating fund reserve and charitable gift annuity reserve.

###### *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.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

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.

### *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 NAV. As of June 30, 2019 and 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. All pledges are classified as net assets with donor restrictions. A summary of pledges receivable as of June 30, 2019 and 2018 is as follows:

	<b>2019</b>	<b>2018</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 14,187,360	12,267,439
One year to five years	38,607,939	41,904,269
More than five years	28,179,628	31,353,449
	80,974,927	85,525,157
Less unamortized discount (rates ranging from 1.6% to 5.1%)	(11,887,077)	(13,111,238)
	69,087,850	72,413,919
Less allowance for uncollectible pledges	(2,481,848)	(2,881,202)
	\$ 66,606,002	69,532,717

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Notes to Financial Statements

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**(d) Investments**

Investments, aggregated by investment strategy, consist of the following at June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Investment strategy:		
Fixed income:		
U.S. government securities	\$ 3,698,434	3,179,079
Corporate bonds	20,824,579	22,685,726
Certificates of deposit	522,625	512,021
Other fixed income securities	30,707,071	49,680,983
Total fixed income	55,752,709	76,057,809
Equities:		
Common stocks	28,626,727	27,678,093
Common stock funds:		
International	660,892	830,980
Global	—	37,584,218
Mutual funds	3,515,956	3,568,017
Total equities	32,803,575	69,661,308
Real estate owned	4,079,468	3,919,468
Other short-term investments	22,555,664	8,147,048
Pooled investment funds, at NAV	408,877,214	332,145,983
Total investments	\$ 524,068,630	489,931,616

The following schedule summarizes net investment income in the statements of activities for the years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Dividends and interest, net of expenses	\$ 7,139,600	7,607,958
Net realized and unrealized gains	15,212,955	26,815,802
	\$ 22,352,555	34,423,760

**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

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

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) as a 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 tables present the financial assets of UMF carried at fair value by level within the valuation hierarchy as of June 30, 2019 and 2018:

	<b>2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment strategy:				
Fixed income:	\$			
U.S. Government securities	—	3,698,434	—	3,698,434
Corporate bonds	—	20,824,579	—	20,824,579
Certificates of deposit	—	522,625	—	522,625
Other fixed income securities	26,588,520	4,118,551	—	30,707,071
Total fixed income	<u>26,588,520</u>	<u>29,164,189</u>	<u>—</u>	<u>55,752,709</u>
Equities:				
Common stock	28,626,727	—	—	28,626,727
Common stock funds:				
International	660,892	—	—	660,892
Mutual funds	3,515,956	—	—	3,515,956
Total equities	<u>32,803,575</u>	<u>—</u>	<u>—</u>	<u>32,803,575</u>
Real estate owned	—	—	4,079,468	4,079,468
Other short-term investments	22,555,664	—	—	22,555,664
	<u>\$ 81,947,759</u>	<u>29,164,189</u>	<u>4,079,468</u>	<u>115,191,416</u>
Pooled investment funds, at NAV				<u>408,877,214</u>
Total investments			\$	<u><u>524,068,630</u></u>
Beneficial interest in trusts	\$	3,441,055	6,832,146	—
				10,273,201

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

	<b>2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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	<u>46,444,779</u>	<u>29,613,030</u>	<u>—</u>	<u>76,057,809</u>
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	<u>3,568,017</u>	<u>—</u>	<u>—</u>	<u>3,568,017</u>
Total equities	69,661,308	—	—	69,661,308
Real estate owned	—	—	3,919,468	3,919,468
Other short-term investments	<u>8,147,048</u>	<u>—</u>	<u>—</u>	<u>8,147,048</u>
	<u>\$ 124,253,135</u>	<u>29,613,030</u>	<u>3,919,468</u>	157,785,633
Pooled investment funds, at NAV				<u>332,145,983</u>
Total investments				<u>\$ 489,931,616</u>
Beneficial interest in trusts	\$ 3,308,622	6,558,639	—	9,867,261

The following table includes a rollforward of the amounts for the years ended June 30, 2019 and 2018 for investments classified within Level 3:

	<u>Real estate owned</u>
Balance as of June 30, 2017	\$ 4,359,468
Net realized and unrealized losses	(47,881)
Acquisitions	—
Dispositions	<u>(392,119)</u>
Balance as of June 30, 2018	3,919,468
Net realized and unrealized losses	—
Acquisitions	160,000
Dispositions	<u>—</u>
Balance as of June 30, 2019	<u>\$ 4,079,468</u>

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Notes to Financial Statements

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The table below represents a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category at June 30, 2019:

<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	\$ 14,679,611	—	Semiannually	60 days	Indefinite
Energy MLP	17,429,790	—	Quarterly	60 days	Indefinite
Event driven	15,271,477	—	Quarterly	60 days	Indefinite
Fixed income	27,426,730	—	No redemption feature	None	Indefinite
Global equity	64,584,861	—	No redemption feature	None	Indefinite
Global equity-long only	43,921,891	—	No redemption feature	None	Indefinite
High income	13,057,247	—	Quarterly	120 days	Indefinite
Long/short equity fund	21,039,917	—	Quarterly	60 days	Indefinite
Natural resource private fund	7,956,131	—	No redemption feature	None	10 years
Private credit	14,294,096	—	No redemption feature	None	Indefinite
Relative value	15,014,109	—	Quarterly	65 days	Indefinite
Timber fund	10,888,182	—	No redemption feature	None	12 years
Other	56,083	—	No redemption feature	None	Indefinite
Venture capital and private equity	143,257,089	45,221,903	No redemption feature	None	7 years to indefinite
	<u>\$ 408,877,214</u>				
Real estate:					
Real estate owned	\$ 4,079,468	—	No redemption feature	None	Indefinite
	<u>\$ 4,079,468</u>				

(e) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 were restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Spendable:		
Academic and program support	\$ 178,032,801	158,352,067
Scholarship support	75,759,328	54,207,900
Faculty support	39,100,045	58,535,188
Library support	8,771,050	9,052,859
Total	<u>301,663,224</u>	<u>280,148,014</u>
Endowment:		
Academic and program support	\$ 54,083,486	50,170,337
Scholarship support	118,100,910	112,427,761
Faculty support	75,311,037	72,162,202
Library support	13,947,847	13,905,594
Total	<u>261,443,280</u>	<u>248,665,894</u>
Total net assets with donor restrictions	<u>\$ 563,106,504</u>	<u>528,813,908</u>

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Notes to Financial Statements

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**(f) Endowment Funds**

The State of Mississippi adopted the UPMIFA effective July 1, 2012. The foundation's 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 foundation segregates within the net asset class with donor restrictions, the original gift amount and amounts required to be retained by donor separate from the portion subject to appropriation.

Endowment net asset compositions by type of fund as of June 30, 2019 and 2018 are as follows:

	<b>2019</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	261,443,280	261,443,280
Portion subject to appropriation	—	125,641,224	125,641,224
Board-designated quasi endowment	14,271,593	—	14,271,593
Total endowment funds	<u>\$ 14,271,593</u>	<u>387,084,504</u>	<u>401,356,097</u>
	<b>2018</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be retained by donor	\$ —	248,665,894	248,665,894
Portion subject to appropriation	—	123,407,160	123,407,160
Board-designated quasi endowment	15,283,457	—	15,283,457
Total endowment funds	<u>\$ 15,283,457</u>	<u>372,073,054</u>	<u>387,356,511</u>



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June 30, 2019 and 2018

Changes in endowment net assets for the years ended June 30, 2019 and 2018 are as follows:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2017	\$ 16,094,148	342,329,576	358,423,724
Contributions and transfers to endowment	—	11,257,665	11,257,665
Appropriation of expenditures	(1,214,616)	(11,126,526)	(12,341,142)
Investment return:			
Investment income	581,452	18,213,899	18,795,351
Net appreciation (depreciation)	(177,527)	11,398,440	11,220,913
Endowment net assets, June 30, 2018	15,283,457	372,073,054	387,356,511
Contributions and transfers to endowment	—	12,672,947	12,672,947
Appropriation of expenditures	(1,692,533)	(11,149,379)	(12,841,912)
Investment return:			
Investment income	928,004	11,913,031	12,841,035
Net appreciation (depreciation)	(247,335)	1,574,851	1,327,516
Endowment net assets, June 30, 2019	\$ <u>14,271,593</u>	<u>387,084,504</u>	<u>401,356,097</u>

**(g) Funds with Deficiencies**

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 total amount of the gifts made to the endowment by the donor. There were no deficiencies at June 30, 2019 or 2018.

**Note 25**

**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 laws of the State of Mississippi to provide support to the University of Southern Mississippi (USM) and its students. USMF depends on the university to provide the staff and facilities for its operations.

Foundation Aviation Holdings, LLC was formed by the USMF in October 2008 as a single member limited liability company. The USMF's consolidated financial statements include the accounts of Foundation Aviation Holdings, LLC.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

### **(b) Significant Accounting Policies**

#### *Basis of Accounting*

The USMF consolidated financial statements are presented on the accrual basis of accounting and have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and recorded as follows:

Net assets without donor restrictions – net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions – net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and release from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions 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 restricted net assets are reported as follows:

- as increases (decreases) in net assets with donor restrictions that are perpetual in nature if the terms of the gift or the foundation's interpretation of relevant state law requires that they be added to the principal of a donor-restricted endowment fund;
- as increases (decreases) in net assets with donor restrictions that are temporary in nature in all other cases and released from restriction when appropriated for expenditure in accordance with donor agreements.

#### *Use of Estimates*

The USMF prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles, which require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. 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.

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

### *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. At June 30, 2019 and 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 for which the foundation is the owner and beneficiary are recorded at cost. Transactions are accounted for on a trade date basis.

### **(c) Pledges Receivable, Net**

Pledges receivable, net, are summarized as follows for June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,976,656	3,534,626
One year to five years	5,546,812	8,106,193
More than five years	102	13,755
	9,523,570	11,654,574
Less unamortized discount (rates ranging from 0.72% to 3.50%)	(297,000)	(691,426)
	9,226,570	10,963,148
Less allowance for uncollectible pledges	(354,694)	(292,000)
	\$ 8,871,876	10,671,148

### **(d) Investments**

Investments, aggregated by investment strategy, consist of the following at June 30, 2019 and 2018:

# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

	<b>2019</b>	<b>2018</b>
Fixed income:		
U.S. government securities	\$ 1,030,050	1,920,630
Corporate bonds	2,545,355	5,853,993
Mutual funds	42,408,778	37,534,557
Other fixed income securities	1,313,963	3,774,271
Total fixed income	47,298,146	49,083,451
Equities:		
Mutual and common stock funds	51,202,025	49,583,039
Alternative investments:		
Hedge funds	9,372,248	8,922,430
Real estate investment funds	3,430,785	3,194,622
Private equity funds	818,561	337,460
Total alternative investments	13,621,594	12,454,512
Cash and cash equivalents	163,453	—
Pending purchases	4,690,000	—
Investments held at cost	118,433	117,292
Total investments	\$ 117,093,651	111,238,294

The following schedule summarizes net investment income in the consolidated statements of activities for the years ended June 30, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
Dividends and interest, net of expenses	\$ 2,047,388	2,189,631
Net realized and unrealized gains	3,939,942	4,488,167
	\$ 5,987,330	6,677,798

### 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) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value hierarchy table are

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The following tables present USMF's financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2019 and 2018:

					<b>2019</b>				
					<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
Fixed income:									
U.S. Government securities	\$	—	1,030,050	—	1,030,050				
Corporate bonds		—	2,545,355	—	2,545,355				
Mutual funds		42,408,778	—	—	42,408,778				
Other fixed income securities		—	1,313,963	—	1,313,963				
Equities:									
Mutual and common stock		51,202,025	—	—	51,202,025				
Total investments at fair value	\$	<u>93,610,803</u>	<u>4,889,368</u>	<u>—</u>	<u>98,500,171</u>				
Investments measured at NAV or equivalent					13,621,594				
Cash and cash equivalents					163,453				
Pending purchases					4,690,000				
Other investments held at cost					118,433				
Total investments					<u>\$ 117,093,651</u>				
Amounts due from externally managed trusts									
	\$	—	—	7,944,900	7,944,900				
					<b>2018</b>				
					<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	
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				
Equities:									
Mutual and common stock		49,583,039	—	—	49,583,039				
Total investments at fair value	\$	<u>91,106,682</u>	<u>7,559,808</u>	<u>—</u>	<u>98,666,490</u>				
Investments measured at NAV or equivalent					12,454,512				
Other investments held at cost					117,292				
Total investments					<u>\$ 111,238,294</u>				
Amounts due from externally managed trusts									
	\$	—	—	5,644,811	5,644,811				
Gift annuities payable		—	—	244,184	244,184				

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

The following table includes a rollforward of the amounts for the years ended June 30, 2019 and 2018 for investments classified within Level 3:

	<b>Amounts due from Externally Managed Trusts</b>
Balance as of June 30, 2017	\$ 5,102,951
Change in value	541,860
Balance as of June 30, 2018, as previously reported	5,644,811
Restatement	464,679
Balance as of June 30, 2018, as restated	6,109,490
Change in value	1,835,410
Balance as of June 30, 2019	<u>\$ 7,944,900</u>

The table below represents a summary of the investments whose net asset value approximates fair value and the related unfunded commitments and redemption restrictions associated with each major category at June 30, 2019:

<b>Investment</b>	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>	<b>Redemption notice</b>
Hedge funds	\$ 9,372,248	—	Various
Real estate investment funds	3,430,785	—	95 days
Private equity	818,561	3,228,919	None
Total	<u>\$ 13,621,594</u>		

**(e) Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019:

Subject to expenditure for specified purpose:

Student financial aid	\$ 6,463,891
Academic divisions	2,238,228
Research	317,009
Operations and maintenance of plant	2,145,124
Library	174,685
Athletics	441,592
Faculty and staff support	52,762
Other restricted purposes	6,543,355
	<u>18,376,646</u>

Endowments:

Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor:

Student financial aid	46,551,414
Academic divisions	4,438,784
Research	461,419

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

Operations and maintenance of plant	5,574,262
Library	3,035,245
Faculty and staff support	9,962,179
Other restricted purposes	<u>5,067,727</u>
Total	75,091,030
Subject to foundation endowment spending policy and appropriation:	
Student financial aid	14,132,954
Academic divisions	1,351,963
Research	87,928
Operations and maintenance of plant	945,216
Library	744,712
Faculty and staff support	2,743,443
Other restricted purposes	<u>2,630,547</u>
Total	<u>22,636,763</u>
Total endowments	97,727,793
Not subject to spending policy or appropriation	
Restricted to endowment:	
Pledges and other receivables, net	1,127,059
Amounts due from externally managed trusts	7,944,900
Gift annuities	146,786
Cash surrender value of life insurance	2,049,816
Life estate	<u>44,900</u>
Total	<u>11,313,461</u>
Total net assets with donor restrictions	<u>\$ 127,417,900</u>

**(f) Endowment Funds**

The State of Mississippi adopted the UPMIFA effective July 1, 2012. The foundation's 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 foundation segregates within the net asset class with donor restrictions, the original gift amount and amounts required to be retained by donor separate from the portion subject to appropriation.

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Financial Statements

June 30, 2019 and 2018

	<b>2019</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ —	91,734,424	91,734,424
Donor restricted funds functioning as endowments	3,376,611	5,993,369	9,369,980
Board-designated funds	3,773,198	—	3,773,198
Total	<u>\$ 7,149,809</u>	<u>97,727,793</u>	<u>104,877,602</u>
	<b>2018</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor restricted endowment funds	\$ —	97,632,746	97,632,746
Donor restricted funds functioning as endowments	(539)	—	(539)
Board-designated funds	3,283,076	—	3,283,076
Total	<u>\$ 3,282,537</u>	<u>97,632,746</u>	<u>100,915,283</u>

During the year ended June 30, 2019, the foundation had the following endowment related activities:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2017	\$ 2,326,743	92,424,219	94,750,962
Investment returns, net	179,012	4,953,926	5,132,938
Contributions	222,716	2,519,460	2,742,176
Appropriation of endowment assets for expenditure	(105,825)	(3,149,524)	(3,255,349)
Other	3,785,654	(2,241,098)	1,544,556
Endowment net assets, June 30, 2018	6,408,300	94,506,983	100,915,283
Investment returns, net	415,323	3,244,456	3,659,779
Contributions	174,444	3,225,475	3,399,919
Appropriation of endowment assets for expenditure	(250,800)	(3,280,468)	(3,531,268)
Other	402,542	31,347	433,889
Endowment net assets, June 30, 2019	<u>\$ 7,149,809</u>	<u>97,727,793</u>	<u>104,877,602</u>



# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Financial Statements

June 30, 2019 and 2018

### **(g) Funds with Deficiencies**

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 total amount of the gifts made to the endowment by the donor. There were no deficiencies at June 30, 2019. At June 30, 2018, there were 13 endowments that were underwater in the amount of \$539 and this deficiency has been recorded in net assets without donor restrictions.

**COMBINING SUPPLEMENTAL INFORMATION**

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**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Net Position

June 30, 2019

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	\$ 35,368,497	1,779,236	17,889,662	188,829,780	10,269,085	19,071,937	51,506,639	40,835,548	240,441,103	9,265,198	(64,669)	—	615,192,016
Short-term investments	4,885,537	137,461	—	16,123,300	—	2,859,454	151,791,897	10,114,009	85,399,855	15,849,132	19,986	—	287,180,631
Accounts receivable, net	12,408,647	4,821,196	20,617,511	56,904,511	4,880,446	3,900,102	50,489,652	30,220,857	216,727,885	2,306,722	712,083	—	403,989,612
Student notes receivable, net	735,617	281,085	63,704	4,138,673	54,771	—	8,290,605	3,730,154	566,795	905,569	—	—	18,766,973
Inventories	179,518	443,156	186,792	2,491,120	—	456,581	1,044,141	269,510	32,166,606	796,697	—	—	38,034,121
Prepaid expenses	—	222,473	9,014	7,458,808	89,253	115,446	1,489,100	5,144,586	12,636,410	24,673	—	—	27,189,763
Other current assets	—	—	—	1,021,288	—	—	—	—	527,943	—	—	—	1,549,231
Total current assets	53,577,816	7,684,607	38,766,683	276,967,480	15,293,555	26,403,520	264,612,034	90,314,664	588,466,597	29,147,991	667,400	—	1,391,902,347
Noncurrent assets:													
Restricted cash and cash equivalents	3,192,437	(601,513)	1,229,657	7,068,823	(1,247,192)	—	9,249,788	7,537,297	92,902,182	—	—	—	119,331,479
Restricted short-term investments	1,055,340	—	—	—	—	301,363	—	—	5,783,278	—	—	—	7,139,981
Endowments investments	20,193,677	—	46,665,207	38,625,697	4,108,125	2,687,459	105,106,759	9,731,561	93,574,151	18,343,651	—	—	339,036,287
Other long-term investments	—	2,731,742	—	81,368,593	8,072,072	1,105,766	170,180,647	49,240,771	41,593,098	43,899,610	665,654	—	398,857,953
Student notes receivable, net	—	642,155	1,545,757	14,160,536	629,870	—	23,105,413	20,375,805	6,693,503	19,258,235	—	—	86,411,274
Beneficial interest in irrevocable trust	—	—	—	—	—	—	—	—	34,944,417	—	—	—	34,944,417
Capital assets, net	141,876,698	126,353,925	261,019,507	1,072,590,930	108,439,479	110,243,811	1,179,407,086	584,802,006	759,984,856	4,182,204	12,079	—	4,348,912,581
Other noncurrent assets	—	—	84,840	12,378,712	—	161,537	169,900	—	3,764,065	—	—	—	16,559,054
Total noncurrent assets	166,318,152	129,126,309	310,544,968	1,226,193,291	120,002,354	114,499,936	1,487,219,593	671,687,440	1,039,239,550	85,683,700	677,733	—	5,351,193,026
Total assets	219,895,968	136,810,916	349,311,651	1,503,160,771	135,295,909	140,903,456	1,751,831,627	762,002,104	1,627,706,147	114,831,691	1,345,133	—	6,743,095,373
Deferred outflows of resources	9,243,566	3,578,607	5,179,873	42,228,941	2,374,180	3,380,837	30,956,382	30,689,014	113,880,882	609,102	191,777	—	242,313,161
Total assets and deferred outflows of resources	\$ 229,139,534	140,389,523	354,491,524	1,545,389,712	137,670,089	144,284,293	1,782,788,009	792,691,118	1,741,587,029	115,440,793	1,536,910	—	6,985,408,534

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Net Position

June 30, 2019

<b>Liabilities</b>	<b>Alcorn State University</b>	<b>Delta State University</b>	<b>Jackson State University</b>	<b>Mississippi State University</b>	<b>Mississippi University for Women</b>	<b>Mississippi Valley State University</b>	<b>University of Mississippi</b>	<b>University of Southern Mississippi</b>	<b>University of Mississippi Medical Center</b>	<b>IHL Board Office</b>	<b>MCVS</b>	<b>Elimination entries</b>	<b>Total</b>
<b>Current liabilities:</b>													
Accounts payable and accrued liabilities	\$ 3,208,880	2,326,894	14,813,702	35,438,358	2,238,127	1,715,054	22,671,352	17,780,292	126,103,143	928,661	319,765	—	227,544,228
Unearned revenues	2,094,843	812,747	3,813,239	16,145,740	1,371,179	452,870	49,107,749	10,445,876	11,656,733	—	—	—	95,900,976
Accrued leave liabilities – current portion	755,353	242,827	295,236	3,458,568	43,689	166,109	1,904,000	1,155,279	5,650,073	46,520	6,246	—	13,723,900
Long-term liabilities – current portion	1,107,514	585,000	4,603,151	13,959,801	—	708,102	15,760,147	6,676,062	12,430,232	8,657,231	—	—	64,487,240
Other current liabilities	—	—	—	—	249,793	64,115	283,120	38,860	60,039,092	223,246	—	—	60,898,226
<b>Total current liabilities</b>	<b>7,166,590</b>	<b>3,967,468</b>	<b>23,525,328</b>	<b>69,002,467</b>	<b>3,902,788</b>	<b>3,106,250</b>	<b>89,726,368</b>	<b>36,096,369</b>	<b>215,879,273</b>	<b>9,855,658</b>	<b>326,011</b>	<b>—</b>	<b>462,554,570</b>
<b>Noncurrent liabilities:</b>													
Accrued leave liabilities	3,040,358	1,262,276	3,895,722	19,815,979	1,048,531	1,454,033	14,600,919	8,296,030	54,026,357	673,400	62,204	—	108,175,809
Deposits refundable	669,585	104,209	180,220	48,907	—	47,288	108,814	2,705	—	—	—	—	1,161,728
Long-term liabilities	46,984,622	12,740,000	98,222,760	326,760,247	—	16,774,983	245,256,950	162,928,009	355,255,397	28,233,594	—	—	1,293,156,562
Net pension liability	75,156,617	44,872,460	128,859,771	517,960,848	38,566,359	42,303,133	325,309,886	224,453,669	1,232,363,510	17,819,021	1,652,816	—	2,649,318,090
Net OPEB liability	4,425,422	3,268,272	7,183,715	29,735,714	2,364,085	3,080,141	20,248,697	14,044,422	56,789,549	691,744	—	—	141,831,761
Other long-term liabilities	—	301,640	1,912,787	13,331,471	813,257	—	9,236,200	26,038,153	4,081,791	—	—	—	55,715,299
<b>Total noncurrent liabilities</b>	<b>130,276,604</b>	<b>62,548,857</b>	<b>240,254,975</b>	<b>907,653,166</b>	<b>42,792,232</b>	<b>63,659,578</b>	<b>614,761,466</b>	<b>435,762,988</b>	<b>1,702,516,604</b>	<b>47,417,759</b>	<b>1,715,020</b>	<b>—</b>	<b>4,249,359,249</b>
<b>Total liabilities</b>	<b>137,443,194</b>	<b>66,516,325</b>	<b>263,780,303</b>	<b>976,655,633</b>	<b>46,695,020</b>	<b>66,765,828</b>	<b>704,487,834</b>	<b>471,859,357</b>	<b>1,918,395,877</b>	<b>57,273,417</b>	<b>2,041,031</b>	<b>—</b>	<b>4,711,913,819</b>
<b>Deferred inflows of resources</b>	<b>2,225,297</b>	<b>1,338,816</b>	<b>4,326,892</b>	<b>15,162,477</b>	<b>1,118,968</b>	<b>1,307,503</b>	<b>14,483,696</b>	<b>6,532,670</b>	<b>69,419,325</b>	<b>522,963</b>	<b>40,736</b>	<b>—</b>	<b>116,479,343</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 139,668,491</b>	<b>67,855,141</b>	<b>268,107,195</b>	<b>991,818,110</b>	<b>47,813,988</b>	<b>68,073,331</b>	<b>718,971,530</b>	<b>478,392,027</b>	<b>1,987,815,202</b>	<b>57,796,380</b>	<b>2,081,767</b>	<b>—</b>	<b>4,828,393,162</b>
<b>Net Position</b>													
Net investment in capital assets	\$ 98,311,085	113,028,924	177,558,924	747,827,762	108,439,479	93,272,941	927,832,854	405,651,907	458,707,280	4,182,204	12,079	—	3,134,825,439
Restricted for:													
Nonexpendable:													
Scholarship and fellowships	—	—	7,758,677	2,202,723	855,689	1,062,980	8,881,093	5,569,090	—	1,010,885	—	—	27,341,137
Research	—	—	—	4,293,953	—	—	141,661	—	—	—	—	—	4,435,614
Other purposes	17,468,403	—	30,660,459	7,632,405	286,659	—	44,096,278	—	28,451,329	20,881,747	—	—	149,477,280
Expendable:													
Scholarships and fellowships	—	—	7,366,073	2,122,735	429,133	1,408,276	7,337,252	1,661,710	2,288,343	22,247,147	—	—	44,860,669
Research	—	—	—	27,027,861	—	—	7,926,517	—	29,112,643	—	—	—	64,067,021
Capital projects	—	49,873	109,120	981,462	1,670,289	573,269	4,259,739	—	—	—	—	—	7,643,752
Debt service	—	(246,670)	21,142	(5,034,036)	—	349,345	—	23,719,578	965,580	—	—	—	19,774,939
Loans	550,327	—	337,551	11,106,847	170,084	—	25,973,747	5,983,311	7,676,230	—	—	—	51,798,097
Other purposes	—	—	849,771	1,415,422	—	611,351	22,244,180	8,804,483	78,411,181	19,211,074	941,767	—	132,489,229
Unrestricted	(26,858,772)	(40,297,745)	(138,277,388)	(246,005,532)	(21,995,232)	(21,067,200)	15,123,158	(137,090,988)	(851,840,759)	(9,888,644)	(1,498,703)	—	(1,479,697,805)
<b>Total net position</b>	<b>\$ 89,471,043</b>	<b>72,534,382</b>	<b>86,384,329</b>	<b>553,571,602</b>	<b>89,856,101</b>	<b>76,210,962</b>	<b>1,063,816,479</b>	<b>314,299,091</b>	<b>(246,228,173)</b>	<b>57,644,413</b>	<b>(544,857)</b>	<b>—</b>	<b>2,157,015,372</b>

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, 2019

	Alcorn State University	Delta State University	Jackson State University	Mississippi State University	Mississippi University for Women	Mississippi Valley State University	University of Mississippi	University of Southern Mississippi	University of Mississippi Medical Center	IHL Board Office	MCVS	Elimination entries	Total
<b>Operating revenues:</b>													
Tuition and fees	\$ 25,438,082	23,209,807	64,247,567	298,003,892	19,624,655	13,733,636	365,045,526	137,921,832	37,648,203	—	—	—	984,873,200
Scholarship allowances	(16,220,822)	(5,226,749)	(17,457,552)	(104,143,451)	(6,487,669)	(8,952,465)	(116,949,312)	(44,628,896)	(5,446,188)	—	—	—	(325,513,104)
Bad debt expense	(363,742)	—	(862,566)	(3,167,055)	(137,335)	(254,347)	(1,282,067)	(432,000)	(39,873)	—	—	—	(6,538,985)
Net tuition and fees	8,853,518	17,983,058	45,927,449	190,693,386	12,999,651	4,526,824	246,814,147	92,860,936	32,162,142	—	—	—	652,821,111
Federal appropriations	—	—	—	14,410,558	—	—	—	—	—	—	—	—	14,410,558
Federal grants and contracts	16,952,870	1,821,512	32,347,408	125,231,733	223,393	7,503,560	46,501,830	58,183,443	56,542,582	1,665,184	3,064,519	(33,782,086)	316,255,948
State grants and contracts	214,274	2,214,422	822,255	21,443,287	5,649,390	91,971	13,967,708	9,566,128	6,394,485	844,088	—	(31,678,749)	29,529,259
Nongovernmental grants and contracts	758,763	4,610,636	1,490,207	15,893,848	2,602,538	—	30,836,276	13,243,720	9,019,428	2,260,766	—	—	80,716,182
Sales and services of educational departments	1,643,310	1,646,846	1,028,930	48,010,714	1,455,488	2,065,729	7,097,135	3,759,878	—	3,678,767	33,470	(2,855,271)	67,564,996
<b>Auxiliary enterprises:</b>													
Student housing	12,463,115	4,160,140	13,164,013	33,980,530	2,452,254	4,018,166	26,403,396	18,856,912	—	—	—	—	115,498,526
Food services	6,348,330	2,683,651	10,140,361	2,912,745	1,958,306	3,194,041	3,892,427	2,395,353	—	—	—	—	33,525,214
Bookstore	281,975	158,877	—	748,296	117,660	736,519	496,430	1,123,653	2,348,699	—	—	—	6,012,109
Athletics	—	379,599	—	64,082,930	—	—	68,340,565	12,302,520	—	—	—	—	145,105,614
Other auxiliary revenues	778,630	—	2,027,923	12,598,818	225,787	1,464,834	11,397,161	5,914,290	643,824	2,021,719	—	—	37,072,986
Less auxiliary enterprise scholarship allowances	(4,311,864)	—	(7,130,549)	(11,046,739)	(1,475,611)	—	(7,996,535)	(3,273,301)	—	—	—	—	(35,234,599)
Interest earned on loans to students	—	78,930	—	378,544	—	—	659,652	—	318,339	—	—	—	1,435,465
Patient care revenues	—	—	—	—	—	—	—	—	1,176,072,282	—	—	—	1,176,072,282
Other operating revenues	4,422,917	—	5,881,934	5,835,027	207,454	1,457,780	14,098,202	5,953,693	39,033,710	16,145,520	13,584	(13,753,293)	79,296,528
Total operating revenues	48,405,838	35,737,671	105,699,931	525,173,677	26,416,310	25,059,424	462,508,394	220,887,225	1,322,535,491	26,616,044	3,111,573	(82,069,399)	2,720,082,179
<b>Operating expenses:</b>													
Salaries and wages	35,082,344	28,118,216	66,581,531	338,738,640	21,174,722	21,080,419	237,855,828	143,229,890	755,414,438	7,854,647	648,160	—	1,655,778,835
Fringe benefits	12,858,503	9,696,990	23,257,308	135,565,687	8,113,408	9,025,447	81,461,858	56,771,346	256,911,360	2,231,089	301,688	—	596,194,684
Travel	2,677,725	1,538,711	2,855,068	13,438,280	718,839	1,417,677	15,461,024	7,597,640	5,298,770	167,481	92,660	—	51,263,875
Contractual services	17,775,595	18,640,376	37,579,855	92,462,566	8,288,954	8,643,139	82,239,515	61,107,147	191,205,838	20,494,080	2,875,675	(50,390,650)	490,922,090
Utilities	3,645,489	1,737,311	4,946,239	16,385,939	2,683,472	2,123,028	13,818,502	10,406,339	13,499,287	691,238	—	—	69,936,844
Scholarships and fellowships	7,976,114	6,011,478	17,694,003	43,267,929	5,358,849	2,893,186	55,840,960	21,675,156	4,436,233	43,724,071	—	(31,678,749)	177,199,230
Commodities	5,434,195	3,366,874	3,612,193	56,563,017	2,026,367	3,670,050	33,302,904	16,253,018	276,390,823	255,992	93,579	—	400,969,012
Depreciation	4,404,693	3,693,901	8,145,333	39,400,009	2,570,409	2,746,100	37,375,537	18,604,754	45,882,651	117,955	4,305	—	162,945,647
Other operating expenses	2,325	322,676	4,110,460	—	—	—	697,069	—	301,409	—	9,762	—	5,443,701
Total operating expenses	89,856,983	73,126,533	168,781,990	735,822,067	50,935,020	51,599,046	558,053,197	335,645,290	1,549,340,809	75,536,553	4,025,829	(82,069,399)	3,610,653,918
Operating loss	(41,451,145)	(37,388,862)	(63,082,059)	(210,648,390)	(24,518,710)	(26,539,622)	(95,544,803)	(114,758,065)	(226,805,318)	(48,920,509)	(914,256)	—	(890,571,739)

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**  
Combining Statement of Revenues, Expenses and Changes in Net Position  
Year ended June 30, 2019

	<b>Alcorn State University</b>	<b>Delta State University</b>	<b>Jackson State University</b>	<b>Mississippi State University</b>	<b>Mississippi University for Women</b>	<b>Mississippi Valley State University</b>	<b>University of Mississippi</b>	<b>University of Southern Mississippi</b>	<b>University of Mississippi Medical Center</b>	<b>IHL Board Office</b>	<b>MCVS</b>	<b>Elimination entries</b>	<b>Total</b>
Nonoperating revenue (expenses):													
State appropriations	\$ 26,376,604	20,026,340	42,924,423	171,173,883	14,962,901	15,585,964	87,076,804	82,886,086	158,489,701	48,383,198	681,449	—	668,567,353
Gifts and grants	14,354,569	5,764,152	19,650,306	81,566,282	6,530,645	9,647,735	35,514,047	36,631,747	8,582,565	—	—	—	218,242,048
Investment income, net of investment expense	740,175	25,105	2,227,560	10,381,057	497,773	756,445	10,612,790	4,295,018	11,987,772	2,116,465	199	—	43,640,359
Interest expense on capital assets-related debt	(1,882,789)	(506,300)	(4,465,374)	(7,644,434)	(1,063)	(604,517)	(8,532,509)	(6,245,085)	(12,640,320)	—	—	—	(42,522,391)
Other nonoperating revenues	—	—	—	—	266,754	—	—	—	—	—	—	—	266,754
Other nonoperating expenses	—	(1,024,669)	(2,642,867)	(6,673,826)	(533,616)	—	(804,658)	—	—	(177,088)	—	—	(11,856,724)
<b>Total net nonoperating revenue</b>	<b>39,588,559</b>	<b>24,284,628</b>	<b>57,694,048</b>	<b>248,802,962</b>	<b>21,723,394</b>	<b>25,385,627</b>	<b>123,866,474</b>	<b>117,567,766</b>	<b>166,419,718</b>	<b>50,322,575</b>	<b>681,648</b>	<b>—</b>	<b>876,337,399</b>
Income (loss) before other revenues, expenses, gains and losses	(1,862,586)	(13,104,234)	(5,388,011)	38,154,572	(2,795,316)	(1,153,995)	28,321,671	2,809,701	(60,385,600)	1,402,066	(232,608)	—	(14,234,340)
Capital grants and gifts	—	—	—	14,096,684	—	—	5,399,953	4,356,003	6,234,853	—	—	—	30,087,493
State appropriations restricted for capital purposes	714,170	5,673,240	4,831,713	19,513,110	5,332,583	9,323,761	1,333,562	7,979,277	17,440,825	87,544	—	—	72,229,785
Additions to permanent endowments	1,465,000	—	2,170,000	—	147,802	91,150	7,272	—	1,355,634	—	—	—	5,236,858
Other additions	6,006,533	11,973,655	—	—	10,838	—	396,609	1,504,225	—	1,480,348	—	—	21,372,208
Other deletions	(5,393,577)	—	(649,825)	(551,917)	(268,267)	—	(747,734)	(2,665,274)	(869,689)	(104,022)	—	—	(11,250,305)
<b>Change in net position</b>	<b>929,540</b>	<b>4,542,661</b>	<b>963,877</b>	<b>71,212,449</b>	<b>2,427,640</b>	<b>8,260,916</b>	<b>34,711,333</b>	<b>13,983,932</b>	<b>(36,223,977)</b>	<b>2,865,936</b>	<b>(232,608)</b>	<b>—</b>	<b>103,441,699</b>
Net position, beginning 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
Net position, end of the year	<u>89,471,043</u>	<u>72,534,382</u>	<u>86,384,329</u>	<u>553,571,602</u>	<u>89,856,101</u>	<u>76,210,962</u>	<u>1,063,816,479</u>	<u>314,299,091</u>	<u>(246,228,173)</u>	<u>57,644,413</u>	<u>(544,857)</u>	<u>—</u>	<u>2,157,015,372</u>

See accompanying independent auditors' report.

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Cash Flows

Year ended June 30, 2019

	<b>Alcorn State University</b>	<b>Delta State University</b>	<b>Jackson State University</b>	<b>Mississippi State University</b>	<b>Mississippi University for Women</b>	<b>Mississippi Valley State University</b>	<b>University of Mississippi</b>	<b>University of Southern Mississippi</b>	<b>University of Mississippi Medical Center</b>	<b>IHL Board Office</b>	<b>M CVS</b>	<b>Elimination entries</b>	<b>Total</b>
Operating activities:													
Tuition and fees	\$ 7,506,015	17,983,691	48,026,334	196,670,739	13,364,414	4,577,703	248,392,894	92,988,113	31,930,380	—	—	—	661,440,283
Grants and contracts	15,165,095	9,196,730	33,226,845	157,813,700	7,664,463	7,542,055	89,445,290	78,230,133	67,431,992	4,770,038	2,636,428	(65,460,835)	407,661,934
Sales and services of educational departments	1,643,310	1,646,846	(2,705,064)	48,344,698	1,449,478	2,065,729	7,296,573	3,759,878	89,500	3,484,167	33,470	(2,855,271)	64,253,314
Payments to suppliers	(29,555,140)	(23,478,561)	(46,904,238)	(161,747,662)	(11,357,730)	(13,739,866)	(115,014,652)	(87,748,020)	(481,588,816)	(18,853,485)	(2,955,206)	50,390,650	(942,552,726)
Payments to employees for salaries and benefits	(45,762,491)	(36,900,587)	(90,352,201)	(458,191,051)	(27,774,207)	(28,409,770)	(302,074,739)	(189,312,554)	(946,631,328)	(10,186,922)	(834,568)	—	(2,136,430,418)
Payments for utilities	(3,645,489)	(1,737,311)	(4,946,239)	(16,396,560)	(2,683,472)	(2,123,028)	(14,112,819)	(10,427,418)	(13,499,287)	(691,238)	—	—	(70,262,861)
Payment for scholarships and fellowships	(7,976,114)	(6,011,478)	(17,694,003)	(43,277,459)	(5,358,849)	(2,893,186)	(55,700,468)	(21,628,913)	(4,552,757)	(43,889,615)	—	31,678,749	(177,304,093)
Loans issued to students and employees	—	—	—	(2,066,475)	—	(3,811)	(4,132,486)	(881,557)	(557,681)	(1,427,145)	—	—	(9,069,155)
Collections of loans from students and employees	—	716,528	—	3,503,656	—	—	2,415,872	3,963,825	2,358,981	3,969,428	—	—	16,928,290
Auxiliary enterprise charges:													
Student housing	10,722,081	3,453,081	8,885,684	33,396,389	1,631,820	4,018,166	14,555,409	17,174,603	—	—	—	—	93,837,233
Food services	6,348,330	2,853,291	10,718,420	2,977,501	1,303,129	3,194,041	3,921,630	1,827,332	—	—	—	—	33,143,674
Bookstore	281,975	158,877	—	748,296	117,660	736,519	538,196	979,361	2,302,680	—	—	—	5,863,564
Athletics	—	—	—	64,766,830	—	—	68,858,490	8,569,737	—	—	—	—	142,195,057
Other auxiliary enterprises	778,630	103,247	2,027,923	2,352,057	296,000	1,464,834	11,496,355	6,143,086	645,818	2,017,368	—	—	27,325,318
Patient care services	—	—	—	—	—	—	—	—	1,145,976,158	—	—	—	1,145,976,158
Interest earned on loans to students	—	—	—	—	—	—	659,652	—	318,339	254,254	—	—	1,232,245
Other receipts	4,422,917	57,272	5,846,362	19,121,554	207,455	1,342,351	13,974,857	5,024,976	40,594,595	16,145,520	13,584	(13,753,293)	92,998,150
Other payments	—	(2,839,700)	—	—	—	—	(15,503,746)	—	(301,409)	—	(9,762)	—	(18,654,617)
Net cash used in operating activities	(40,070,881)	(34,798,074)	(53,870,177)	(151,983,787)	(21,139,839)	(22,228,263)	(44,983,692)	(91,337,418)	(155,482,835)	(44,407,630)	(1,116,054)	—	(661,418,650)
Noncapital financing activities:													
State appropriations	26,376,604	20,026,340	42,675,743	171,169,114	14,962,901	15,792,391	87,030,385	82,678,776	158,466,957	48,017,038	681,449	—	667,877,698
Gifts and grants for other than capital purposes	—	5,764,152	19,650,306	81,570,761	6,797,399	9,647,735	29,543,358	37,019,397	8,582,565	—	—	—	198,575,673
Private gifts for endowment purposes	1,465,000	—	2,170,000	—	147,802	91,150	7,272	—	1,355,634	—	—	—	5,236,858
Federal loan program receipts	31,452,821	14,812,446	72,222,174	133,411,776	13,507,635	17,445,192	103,469,327	84,342,828	38,751,647	—	—	—	509,415,846
Federal loan program disbursements	(31,452,821)	(12,403,735)	(72,222,174)	(133,297,869)	(13,507,635)	(17,445,192)	(103,469,327)	(84,297,621)	(38,751,647)	—	—	—	(506,848,021)
Other sources	—	—	—	—	208,861	—	865,166	—	12,937	1,567,892	—	—	2,654,856
Other uses	—	(1,043,262)	—	(1,299,628)	(560,196)	—	(146,028)	—	(629,964)	(281,110)	—	—	(3,960,188)
Net cash provided by noncapital financing activities	27,841,604	27,155,941	64,496,049	251,554,154	21,556,767	25,531,276	117,300,153	119,756,317	167,775,192	49,303,820	681,449	—	872,952,722



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Cash Flows

Year ended June 30, 2019

	<b>Alcorn State University</b>	<b>Delta State University</b>	<b>Jackson State University</b>	<b>Mississippi State University</b>	<b>Mississippi University for Women</b>	<b>Mississippi Valley State University</b>	<b>University of Mississippi</b>	<b>University of Southern Mississippi</b>	<b>University of Mississippi Medical Center</b>	<b>IHL Board Office</b>	<b>MCVS</b>	<b>Elimination entries</b>	<b>Total</b>
Capital and related financing activities:													
Proceeds from Capital Debt	\$ —	—	—	—	—	—	—	—	—	—	—	—	—
Cash Paid for Capital Assets	—	(2,492,290)	(60,982)	(40,010,393)	(5,857,746)	(130,241)	(35,315,916)	(7,574,258)	(116,747,525)	(46,329)	—	—	(208,235,680)
Capital Appropriations Received	3,852,874	5,673,240	—	—	5,332,583	—	—	—	12,000,000	—	—	—	26,858,697
Capital Grants and Contracts Received	14,354,569	—	—	602,419	—	—	3,403,973	3,631,296	6,198,573	—	—	—	28,190,830
Proceeds from Sales of Capital Assets	—	—	—	122,660	—	—	144,876	38,160	3,560	—	—	—	309,256
Principal Paid on Capital Debt and Leases	(815,000)	(1,036,541)	(3,727,504)	(10,375,000)	(77,053)	(666,264)	(15,451,078)	(5,509,502)	(6,145,000)	—	—	—	(43,802,942)
Interest Paid on Capital Debt and Leases	(2,635,058)	(506,300)	(4,465,374)	(14,089,955)	(1,063)	(594,937)	(8,602,662)	(6,256,160)	(14,548,969)	—	—	—	(51,700,478)
Other Source	—	4,479,728	—	288,686	—	—	176,328	997,111	—	—	—	—	5,941,853
Other Uses	(192,512)	(11,607)	(266,713)	(3,860,624)	—	—	(1,142,791)	—	—	—	—	—	(5,474,247)
Net cash provided by (used in) capital and related financing activities	14,564,873	6,106,230	(8,520,573)	(67,322,207)	(603,279)	(1,391,442)	(56,787,270)	(14,673,353)	(119,239,361)	(46,329)	—	—	(247,912,711)
Investing activities:													
Proceeds from Sales and Maturities of Investments	1,465,000	5,547,131	—	26,343,604	5,595,642	425,444	92,209,310	17,672,041	154,089,661	25,652,901	251,420	—	329,252,154
Interest Received on Investments	743,405	(38,870)	2,227,560	7,980,480	499,857	634,202	3,514,468	2,023,007	10,641,702	678,314	(11,934)	—	28,892,191
Purchases of Investments	(1,465,000)	(5,500,000)	(2,692,071)	(28,902,392)	(4,205,817)	(491,046)	(95,749,804)	(22,984,080)	(72,946,620)	(30,370,616)	(270,441)	—	(265,577,887)
Net cash provided by (used in) investing activities	743,405	8,261	(464,511)	5,421,692	1,889,682	568,600	(26,026)	(3,289,032)	91,784,743	(4,039,401)	(30,955)	—	92,566,458
Net increase (decrease) in cash and cash equivalents	3,079,001	(1,527,642)	1,640,788	37,669,852	1,703,331	2,480,171	15,503,165	10,456,514	(15,162,261)	810,460	(465,560)	—	56,187,819
Cash and cash equivalents - beginning 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
Cash and cash equivalents - end of year	38,560,934	1,177,723	19,119,319	195,898,603	9,021,893	19,071,937	60,756,427	48,372,845	333,343,285	9,265,198	(64,669)	—	734,523,495

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

Combining Statement of Cash Flows

Year ended June 30, 2019

	<b>Alcorn State University</b>	<b>Delta State University</b>	<b>Jackson State University</b>	<b>Mississippi State University</b>	<b>Mississippi University for Women</b>	<b>Mississippi Valley State University</b>	<b>University of Mississippi</b>	<b>University of Southern Mississippi</b>	<b>University of Mississippi Medical Center</b>	<b>IHL Board Office</b>	<b>MCVS</b>	<b>Elimination entries</b>	<b>Total</b>
Reconciliation of operating loss to net cash provided by (used in) operating activities:													
Operating loss	\$ (41,451,145)	(37,388,862)	(63,082,059)	(210,648,390)	(24,518,710)	(26,539,622)	(95,544,803)	(114,758,065)	(226,805,318)	(48,920,509)	(914,256)	—	(890,571,739)
Adjustment to reconcile operating loss to net cash used in operating activities:													
Depreciation expenses	4,404,693	3,693,901	8,145,333	39,400,009	2,570,409	2,746,100	37,375,537	18,604,754	45,882,651	117,955	4,305	—	162,945,647
Self-insurance claims expense	—	—	—	—	—	—	—	—	4,718,711	8,863,601	—	—	13,582,312
Provision for uncollectible accounts receivable	—	317,402	(862,566)	3,167,055	137,335	254,347	1,336,717	432,000	173,606,282	88,710	—	—	178,477,282
Other	—	—	—	—	—	1,525,002	—	—	—	—	—	—	1,525,002
Changes in assets and liabilities:													
(Increase) decrease in assets:													
Receivables, net	200,921	515,315	(967,536)	(4,941,101)	(398,568)	(622,762)	(830,195)	(2,792,153)	(207,420,410)	2,343,331	(428,091)	—	(215,341,249)
Inventories	(12,024)	(15,078)	497,815	235,979	—	49,133	(64,233)	16,967	(3,064,731)	(85,952)	—	—	(2,442,124)
Prepaid expenses	—	—	—	(866,398)	166,218	(84,919)	88,439	446,187	(5,978,155)	4,653	—	—	(6,223,975)
Loans to students and employees	—	537,634	—	—	—	—	(1,752,085)	12,937	1,262,092	—	—	—	60,578
Deferred outflows of resources	162,798	256,257	26,273,274	22,457,013	2,228,901	1,143,761	7,931,970	5,246,912	38,093,707	100,908	104,715	—	104,000,216
Other assets	—	—	—	—	—	(9,580)	(50)	958,699	(12,943)	—	—	—	936,126
Increase (decrease) in liabilities:													
Accounts payable and accrued liabilities	745,259	(342,224)	(1,875,143)	3,416,071	(349,013)	(10,995)	1,057,115	(2,531,964)	1,517,638	(28,096)	106,708	—	1,705,356
Unearned revenue	184,938	92,750	605,727	1,720,239	(110,188)	230,441	(3,924,431)	(1,815,035)	(897,034)	—	—	—	(3,912,593)
Deposits refundable	3,223	(5,854)	848,021	—	—	16,137	—	(6,920)	—	—	—	—	854,607
Accrued leave liability	(414,825)	41,489	(399,370)	380,370	57,171	11,918	1,235,170	1,479,993	2,575,136	8,946	2,644	—	4,978,642
Net pension liability	(1,034,559)	533,580	(23,214,359)	(7,691,089)	(707,770)	303,835	6,182,444	2,393,461	19,392,594	(262,443)	3,213	—	(4,101,093)
Net OPEB liability	(128,268)	55,329	(740,041)	(509,964)	(21,675)	(95,254)	442,483	6,717	(874,162)	(21,088)	—	—	(1,885,923)
Deferred inflows of resources	335,026	206,855	512,417	1,896,419	(141,948)	228,551	1,482,230	968,092	5,047,479	72,491	4,708	—	10,612,320
Other liabilities	(3,066,918)	(3,296,568)	388,310	—	(52,001)	(1,374,356)	—	—	(2,526,372)	(6,690,137)	—	—	(16,618,042)
Total adjustments	1,380,264	2,590,788	9,211,882	58,664,603	3,378,871	4,311,359	50,561,111	23,420,647	71,322,483	4,512,879	(201,798)	—	229,153,089
Net cash used in operating activities	\$ (40,070,881)	(34,798,074)	(53,870,177)	(151,983,787)	(21,139,839)	(22,228,263)	(44,983,692)	(91,337,418)	(155,482,835)	(44,407,630)	(1,116,054)	—	(661,418,650)
Noncash capital related financing and investing activities:													
Capital assets acquired through donations and capital lease obligations	\$ —	8,572,275	—	94,265	—	—	1,008,762	225,856	36,280	—	—	—	9,937,438
Capital appropriations from the State of Mississippi	714,170	5,673,240	4,831,713	19,513,110	5,332,583	9,323,761	1,333,562	7,979,277	5,440,825	87,544	—	—	60,229,785

See accompanying independent auditors' report.

**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)*  
June 30, 2019

	Proportionate share of the net pension liability	Proportionate share of the net pension liability	Estimated Covered-employee payroll provided by PERS	Proportionate share of the net pension liability as a percentage of its covered-employee payroll	PERS fiduciary net position as a percentage of the total pension liability
Alcorn State University:					
2015	0.47%	\$ 56,758,259	28,572,870	199.00%	67.00%
2016	0.46%	71,034,832	28,709,073	247.43%	61.70%
2017	0.46%	82,196,659	29,437,759	279.22%	57.47%
2018	0.46%	75,934,194	29,303,410	259.13%	61.49%
2019	0.45%	75,156,617	28,855,149	260.46%	62.54%
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%
2019	0.27%	44,872,460	17,228,044	260.46%	62.54%
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%
2019	0.77%	128,859,771	49,473,594	260.46%	62.54%
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%
2019	3.11%	517,960,848	198,862,565	260.46%	62.54%
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%
2019	0.23%	38,566,359	14,806,921	260.46%	62.54%
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%
2019	0.25%	42,303,133	16,241,594	260.46%	62.54%
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%
2019	1.96%	325,309,886	124,897,390	260.46%	62.54%
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%
2019	1.35%	224,453,669	86,175,302	260.46%	62.54%
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%
2019	7.41%	1,232,363,510	473,145,740	260.46%	62.54%
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%
2019	0.11%	17,819,021	6,841,321	260.46%	62.54%
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%
2019	0.01%	1,652,816	634,571	260.46%	62.54%
2015 Total	15.24%	\$ 1,850,037,000	931,333,441	199.00%	67.00%
2016 Total	15.54%	\$ 2,402,927,178	971,178,203	247.42%	61.70%
2017 Total	15.81%	\$ 2,824,552,261	1,011,579,899	279.22%	57.47%
2018 Total	15.96%	\$ 2,653,162,201	1,023,869,410	259.13%	61.49%
2019 Total	15.93%	\$ 2,649,318,090	1,017,162,190	260.46%	62.54%

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)*  
June 30, 2019

	<b>Proportionate share of contributions</b>	<b>Required contributions</b>	<b>Contribution deficiency (excess)</b>	<b>Actual Covered- employee payroll</b>	<b>Contribution as a percentage of covered-employee payroll</b>
<b>Alcorn State University:</b>					
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%
2019	4,363,103	4,363,103	—	27,702,241	15.75%
<b>Delta State University:</b>					
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%
2019	2,725,784	2,725,784	—	17,306,565	15.75%
<b>Jackson State University:</b>					
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%
2019	7,274,360	7,274,360	—	46,186,413	15.75%
<b>Mississippi State University:</b>					
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%
2019	32,163,084	32,163,084	—	204,210,057	15.75%
<b>Mississippi University for Women:</b>					
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%
2019	2,267,113	2,267,113	—	14,394,367	15.75%
<b>Mississippi Valley State University:</b>					
2015	2,384,644	2,384,644	—	15,140,597	15.75%
2016	2,491,943	2,491,943	—	15,821,860	15.75%
2017	2,509,604	2,509,604	—	15,933,994	15.75%
2018	2,536,037	2,536,037	—	16,101,822	15.75%
2019	2,545,552	2,545,552	—	16,162,235	15.75%
<b>University of Mississippi:</b>					
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%
2019	19,541,619	19,541,619	—	124,073,771	15.75%
<b>University of Southern Mississippi:</b>					
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%
2019	13,321,459	13,321,459	—	84,580,692	15.75%
<b>University of Mississippi Medical Center:</b>					
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%
2019	78,391,851	78,391,851	—	497,726,038	15.75%
<b>Executive Office:</b>					
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%
2019	1,078,124	1,078,124	—	6,845,232	15.75%
<b>MCVS:</b>					
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%
2019	100,856	100,856	—	640,356	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%
2019 Total	\$ 163,772,905	163,772,905	—	1,039,827,967	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, 2019

	<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%
2019	0.57%	4,425,422	25,875,362	17.10%	0.00%
Delta State University:					
2018	0.41%	3,212,943	18,397,530	17.46%	0.00%
2019	0.42%	3,268,272	19,109,522	17.10%	0.00%
Jackson State University:					
2018	1.01%	7,923,756	45,371,973	17.46%	0.00%
2019	0.93%	7,183,714	42,003,040	17.10%	0.00%
Mississippi State University:					
2018	3.85%	30,245,677	173,188,825	17.46%	0.00%
2019	3.84%	29,735,714	173,864,154	17.10%	0.00%
Mississippi University for Women:					
2018	0.30%	2,342,410	13,412,798	17.46%	0.00%
2019	0.31%	2,364,085	13,822,757	17.10%	0.00%
Mississippi Valley State University:					
2018	0.40%	3,175,395	18,182,528	17.46%	0.00%
2019	0.40%	3,080,141	18,009,522	17.10%	0.00%
University of Mississippi:					
2018	2.52%	19,806,214	113,411,739	17.46%	0.00%
2019	2.62%	20,248,697	118,393,742	17.10%	0.00%
University of Southern Mississippi:					
2018	1.79%	14,037,705	80,380,864	17.46%	0.00%
2019	1.82%	14,044,422	82,117,466	17.10%	0.00%
University of Mississippi Medical Center:					
2018	7.35%	57,663,711	330,186,370	17.46%	0.00%
2019	7.34%	56,789,549	332,047,403	17.10%	0.00%
Executive Office:					
2018	0.09%	712,832	4,081,724	17.46%	0.00%
2019	0.09%	691,744	4,044,612	17.10%	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>
2019 Total	<u>18.34%</u>	<u>\$ 141,831,760</u>	<u>\$ 829,287,578</u>	<u>17.10%</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, 2019

	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
Alcorn State University:					
2018	\$ 253,468	179,174	74,294	26,074,744	0.69%
2019	269,284	197,080	72,204	25,875,362	0.76%
Delta State University:					
2018	178,839	126,420	52,420	18,397,530	0.69%
2019	198,872	145,548	53,324	19,109,522	0.76%
Jackson State University:					
2018	441,053	311,776	129,277	45,371,973	0.69%
2019	437,124	319,917	117,207	42,003,040	0.76%
Mississippi State University:					
2018	1,683,539	1,190,076	493,462	173,188,825	0.69%
2019	1,809,398	1,324,240	485,159	173,864,154	0.76%
Mississippi University for Women:					
2018	130,383	92,167	38,217	13,412,798	0.69%
2019	143,853	105,281	38,572	13,822,757	0.76%
Mississippi Valley State University:					
2018	176,749	124,942	51,807	18,182,528	0.69%
2019	187,424	137,170	50,255	18,009,522	0.76%
University of Mississippi:					
2018	1,102,456	779,315	323,141	113,411,739	0.69%
2019	1,232,120	901,748	330,371	118,393,742	0.76%
University of Southern Mississippi:					
2018	781,368	552,341	229,027	80,380,864	0.69%
2019	854,594	625,449	229,144	82,117,466	0.76%
University of Mississippi Medical Center:					
2018	3,209,684	2,268,893	940,791	330,186,370	0.69%
2019	3,455,606	2,529,046	926,561	332,047,403	0.76%
Executive Office:					
2018	39,678	28,048	11,630	4,081,724	0.69%
2019	42,092	30,806	11,286	4,044,612	0.76%
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>
2019 Total	<u>\$ 8,630,368</u>	<u>6,316,285</u>	<u>2,314,083</u>	<u>829,287,578</u>	<u>0.76%</u>

See accompanying independent auditors' report.



# STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

## Notes to Required Supplementary Information (Unaudited)

June 30, 2019 and 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 of Assumptions and Benefit Terms (pension plan)

There were no changes of assumptions for fiscal year 2019.

*Changes of assumptions (2018):*

- 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 years 2019 and 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 of Assumptions and Benefit Terms (OPEB plan)

*Changes of assumptions (2019):* The SEIR was changed from 3.56% for the prior measurement date to 3.89% to the current measurement date.

STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING

Notes to Required Supplementary Information (Unaudited)

June 30, 2019 and 2018

*Changes of assumptions (2018):* 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 years 2019 and 2018 reflect no changes in benefit terms.

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## **REPORTS ON INTERNAL CONTROL AND COMPLIANCE**

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**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 (the IHL System), as of and for the years ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the IHL System's basic financial statements, and have issued our report thereon dated December 16, 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 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 IHL System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the IHL System's internal control. Accordingly, we do not express an opinion on the effectiveness of the IHL System's internal control.

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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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 16, 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, 2019

	<b>IHL System only</b>	<b>DFA reclass entry</b>	<b>MSU Foundation</b>	<b>UM Foundation</b>	<b>USM Foundation</b>	<b>Foundation eliminations</b>	<b>Total</b>
<b>Assets</b>							
Current Assets:							
Equity in internal investment pool	\$ —	—	—	—	—	—	—
Cash and cash equivalents	615,192,016	—	3,523,259	7,472,205	2,675,234	—	628,862,714
Short term investments	287,180,631	—	8,094,707	22,555,664	—	—	317,831,002
Accounts receivable, net	403,989,612	(12,712,064)	—	—	—	—	391,277,548
Affiliate lease and accounts receivable	—	—	—	—	—	—	—
Notes and pledges receivable, net	18,766,973	—	11,287,550	9,990,900	2,661,563	—	42,706,986
Due from other governments	—	12,712,064	—	—	—	—	12,712,064
Inventories	38,034,121	—	—	—	—	—	38,034,121
Prepaid expenses	27,189,763	—	—	—	—	—	27,189,763
Other current assets	1,549,231	—	302,310	—	558,273	—	2,409,814
<b>Total current assets</b>	<b>1,391,902,347</b>	<b>—</b>	<b>23,207,826</b>	<b>40,018,769</b>	<b>5,895,070</b>	<b>—</b>	<b>1,461,024,012</b>
Non-Current Assets:							
Investments	398,857,953	—	154,558,064	114,428,462	19,365,858	—	687,210,337
Notes and pledges receivable, net	86,411,274	—	20,962,593	56,615,102	6,210,313	—	170,199,282
Restricted assets:							
Cash and cash equivalents	119,331,479	—	6,683,375	—	—	—	126,014,854
Short term investments	7,139,981	—	—	—	—	—	7,139,981
Investments	339,036,287	—	401,648,028	387,084,504	100,379,249	(40,825,525)	1,187,322,543
Beneficial interest in irrevocable trust	34,944,417	—	—	—	—	—	34,944,417
Capital assets, net	4,348,912,581	—	10,316,928	2,297,732	286,111	—	4,361,813,352
Other noncurrent assets	16,559,054	—	—	11,849,193	7,944,900	—	36,353,147
<b>Total noncurrent assets</b>	<b>5,351,193,026</b>	<b>—</b>	<b>594,168,988</b>	<b>572,274,993</b>	<b>134,186,431</b>	<b>(40,825,525)</b>	<b>6,610,997,913</b>
<b>Total assets</b>	<b>6,743,095,373</b>	<b>—</b>	<b>617,376,814</b>	<b>612,293,762</b>	<b>140,081,501</b>	<b>(40,825,525)</b>	<b>8,072,021,925</b>
Deferred outflows of resources:							
Deferred loss on refunding of debt	46,622,223	—	—	—	—	—	46,622,223
Pension related deferred outflows	187,147,415	—	—	—	—	—	187,147,415
OPEB related deferred outflows	8,543,523	—	—	—	—	—	8,543,523
<b>Total deferred outflows of resources</b>	<b>242,313,161</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>242,313,161</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 6,985,408,534</b>	<b>—</b>	<b>617,376,814</b>	<b>612,293,762</b>	<b>140,081,501</b>	<b>(40,825,525)</b>	<b>8,314,335,086</b>

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Combining Schedule of Net Position

June 30, 2019

	<b>IHL System only</b>	<b>DFA reclass entry</b>	<b>MSU Foundation</b>	<b>UM Foundation</b>	<b>USM Foundation</b>	<b>Foundation eliminations</b>	<b>Total</b>
<b>Liabilities and Net Position</b>							
<b>Liabilities:</b>							
<b>Current liabilities:</b>							
Accounts payable and accrued liabilities	\$ 227,544,228	(2,935,984)	8,842,956	—	675,423	—	234,126,623
Due to primary government	—	2,935,984	—	—	—	—	2,935,984
Unearned revenues	95,900,976	—	—	—	—	—	95,900,976
Bonds and notes payable	50,552,157	—	—	—	—	—	50,552,157
Lease obligations payable	193,852	—	—	—	—	—	193,852
Current portion of noncurrent liabilities	27,465,131	—	—	317,800	48,334	—	27,831,265
Other current liabilities	60,898,226	—	—	4,634,069	—	—	65,532,295
<b>Total current liabilities</b>	<b>462,554,570</b>	<b>—</b>	<b>8,842,956</b>	<b>4,951,869</b>	<b>723,757</b>	<b>—</b>	<b>477,073,152</b>
<b>Noncurrent liabilities:</b>							
Bonds and notes payable	1,233,468,900	—	—	—	—	—	1,233,468,900
Lease obligations payable	650,067	—	—	—	—	—	650,067
Net pension liability	2,649,318,090	—	—	—	—	—	2,649,318,090
Net OPEB liability	141,831,761	—	—	—	—	—	141,831,761
Other noncurrent liabilities	224,090,431	—	8,610,130	28,216,327	187,947	—	261,104,835
<b>Total noncurrent liabilities</b>	<b>4,249,359,249</b>	<b>—</b>	<b>8,610,130</b>	<b>28,216,327</b>	<b>187,947</b>	<b>—</b>	<b>4,286,373,653</b>
<b>Total liabilities</b>	<b>4,711,913,819</b>	<b>—</b>	<b>17,453,086</b>	<b>33,168,196</b>	<b>911,704</b>	<b>—</b>	<b>4,763,446,805</b>
<b>Deferred inflows of resources:</b>							
Deferred inflows related to pension	65,296,174	—	—	—	—	—	65,296,174
Deferred inflows related to refundings	5,023,215	—	—	—	—	—	5,023,215
Deferred inflows related to OPEB	11,215,537	—	—	—	—	—	11,215,537
Beneficial interest in irrevocable trusts	34,944,417	—	—	—	—	—	34,944,417
<b>Total deferred inflows of resources</b>	<b>116,479,343</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>116,479,343</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ 4,828,393,162</b>	<b>—</b>	<b>17,453,086</b>	<b>33,168,196</b>	<b>911,704</b>	<b>—</b>	<b>4,879,926,148</b>
<b>Net Position:</b>							
Net investment in capital assets	\$ 3,134,825,439	—	10,316,928	2,297,732	286,111	—	3,147,726,210
<b>Restricted for:</b>							
Other purposes	320,633,707	—	135,184,676	301,663,224	52,326,870	—	809,808,477
<b>Permanent endowments:</b>							
Nonexpendable	181,254,031	—	375,776,324	261,443,280	75,091,030	—	893,564,665
Unrestricted	(1,479,697,805)	—	78,645,800	13,721,330	11,465,786	(40,825,525)	(1,416,690,414)
<b>Total net position</b>	<b>\$ 2,157,015,372</b>	<b>—</b>	<b>599,923,728</b>	<b>579,125,566</b>	<b>139,169,797</b>	<b>(40,825,525)</b>	<b>3,434,408,938</b>

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, 2019

Functions/programs	Program revenues				Net revenue (expense) and changes in net position					
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	IHL System	MSU Foundation	UM Foundation	USM Foundation	Foundation eliminations	Total
IHL System	\$ 3,682,822,323	2,285,709,217	440,911,947	30,087,493	\$ (926,113,666)	—	—	—	—	(926,113,666)
MSU Foundation	43,894,170	—	27,962,571	—	—	(15,931,599)	—	—	—	(15,931,599)
UM Foundation	40,499,697	—	38,348,366	—	—	—	(2,151,331)	—	—	(2,151,331)
USM Foundation	11,118,144	—	2,414,607	—	—	—	—	(8,703,537)	—	(8,703,537)
Total universities	\$ 3,778,334,334	2,285,709,217	509,637,491	30,087,493	(926,113,666)	(15,931,599)	(2,151,331)	(8,703,537)	—	(952,900,133)
General revenues:										
Interest and investment income					43,640,359	21,167,212	22,724,706	7,833,385	(264,513)	95,101,149
Other					239,881,010	—	—	—	—	239,881,010
Payment from State of Mississippi					740,797,138	—	—	—	—	740,797,138
Contributions to permanent endowments					5,236,858	18,631,716	12,672,947	5,334,784	—	41,876,305
Total general revenues and contributions					1,029,555,365	39,798,928	35,397,653	13,168,169	(264,513)	1,117,655,602
Change in net position					\$ 103,441,699	23,867,329	33,246,322	4,464,632	(264,513)	\$ 164,755,469
Net position - beginning of the year										3,269,188,790
Prior period adjustment - USM Foundation										464,679
Net position - beginning of the year, as restated										3,269,653,469
Net position - end of the year										\$ 3,434,408,938

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, 2019

	<b>IHL System only</b>	<b>DFA reclass entry</b>	<b>Total</b>
Student tuition	\$ 118,724,304	—	118,724,304
Auxiliary enterprises and other operating activities	36,482,523	—	36,482,523
Contributions and gifts	11,653,986	—	11,653,986
Federal, state, and private grants and contracts	105,906,871	(2,363,105)	103,543,766
State appropriations	10,348,959	(10,348,959)	—
Accrued interest	4,332,183	—	4,332,183
Patient income	756,145,625	—	756,145,625
Other	20,614,034	—	20,614,034
Total accounts receivable	1,064,208,485	(12,712,064)	1,051,496,421
Less bad debt provision	(660,218,873)	—	(660,218,873)
Net accounts receivable	\$ 403,989,612	(12,712,064)	391,277,548

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, 2019

	<u>Interest rates</u>		<u>Total</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
From students:					
Perkins student loans	3% to 9%	\$	56,712,840	9,667,571	47,045,269
Nursing student loans	3% to 9%		4,014,708	158,542	3,856,166
Other federal loans	3% to 9%		2,150,528	2,107,233	43,295
Institutional student loans	0% to 9%		63,339,855	9,400,583	53,939,272
Medical student loans	3% to 9%		144,153	12,027	132,126
Dental student loans	3% to 9%		302,989	27,774	275,215
Notes and pledges:					
Foundations			<u>111,618,876</u>	<u>24,790,593</u>	<u>86,828,283</u>
Total notes and pledges receivable			238,283,949	46,164,323	192,119,626
Less allowance for doubtful accounts			<u>25,377,681</u>	<u>3,457,337</u>	<u>21,920,344</u>
Net notes and pledges receivable		\$	<u><u>212,906,268</u></u>	<u><u>42,706,986</u></u>	<u><u>170,199,282</u></u>
Foundation notes and pledges, before allowance for doubtful accounts:					
MSU Foundation		\$	33,362,150	11,676,752	21,685,398
UM Foundation			69,087,850	10,363,178	58,724,672
USM Foundation			<u>9,168,876</u>	<u>2,750,663</u>	<u>6,418,213</u>
		\$	<u><u>111,618,876</u></u>	<u><u>24,790,593</u></u>	<u><u>86,828,283</u></u>
Summary of allowance for doubtful accounts:					
IHL Universities		\$	21,486,826	2,606,758	18,880,068
MSU Foundation			1,112,007	389,202	722,805
UM Foundation			2,481,848	372,277	2,109,571
USM Foundation			<u>297,000</u>	<u>89,100</u>	<u>207,900</u>
		\$	<u><u>25,377,681</u></u>	<u><u>3,457,337</u></u>	<u><u>21,920,344</u></u>

See accompanying independent auditors' report.



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Assets Under Capital Lease Disclosure

June 30, 2019

	<u>Cost basis</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Jackson State University	\$ 1,590,638	675,834	914,804
Mississippi University for Women	725,000	552,713	172,287
Mississippi Valley State University	407,504	239,419	168,085
	<u>\$ 2,723,142</u>	<u>1,467,966</u>	<u>1,255,176</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, 2019

	Balance June 30, 2018	Additions	Deletions/ transfers	Balance June 30, 2019
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 113,814,023	514,757	(6,250)	114,322,530
Construction in progress	549,659,362	195,543,013	(271,449,494)	473,752,881
Livestock	1,592,700	320,615	(122,661)	1,790,654
Total nondepreciable capital assets	<u>665,066,085</u>	<u>196,378,385</u>	<u>(271,578,405)</u>	<u>589,866,065</u>
<b>Depreciable capital assets:</b>				
Improvements other than buildings	413,495,789	64,380,886	(82,480)	477,794,195
Buildings	4,108,750,541	206,680,980	(451,981)	4,314,979,540
Equipment	893,362,058	63,030,341	(33,203,188)	923,189,211
Library books	431,508,572	9,992,424	(711,647)	440,789,349
Total depreciable capital assets	<u>5,847,116,960</u>	<u>344,084,631</u>	<u>(34,449,296)</u>	<u>6,156,752,295</u>
Total capital assets	<u>6,512,183,045</u>	<u>540,463,016</u>	<u>(306,027,701)</u>	<u>6,746,618,360</u>
<b>Less accumulated depreciation for:</b>				
Improvements other than buildings	167,588,940	16,445,521	(207,746)	183,826,715
Buildings	1,066,879,752	76,071,169	(674,168)	1,142,276,753
Equipment	650,531,702	58,353,292	(31,745,987)	677,139,007
Library books	368,899,426	13,413,667	(750,560)	381,562,533
Total accumulated depreciation	<u>2,253,899,820</u>	<u>164,283,649</u>	<u>(33,378,461)</u>	<u>2,384,805,008</u>
Net capital assets	<u>\$ 4,258,283,225</u>	<u>376,179,367</u>	<u>(272,649,240)</u>	<u>4,361,813,352</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, 2019

	<b>Cost to complete</b>	<b>Funded by</b>			
		<b>Federal sources</b>	<b>State sources</b>	<b>Institutional funds</b>	<b>Other</b>
Alcorn State University	\$ 35,658,038	—	35,658,038	—	—
Delta State University	4,234,022	—	4,234,022	—	—
Jackson State University	9,757,738	—	9,757,738	—	—
Mississippi State University	100,195,006	6,860,390	8,468,797	46,465,819	38,400,000
Mississippi University for Women	4,365,311	—	4,249,569	115,742	—
Mississippi Valley State University	21,257,319	—	20,200,777	774,887	281,655
University of Mississippi	158,449,109	650,000	40,902,846	90,491,813	26,404,450
University of Southern Mississippi	8,244,398	—	5,480,657	2,763,741	—
University of Mississippi Medical Center	133,151,998	3,581,142	14,820,877	26,684,269	88,065,710
<b>Totals</b>	<b>\$ 475,312,939</b>	<b>11,091,532</b>	<b>143,773,321</b>	<b>167,296,271</b>	<b>153,151,815</b>

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, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019	Due within one year
Bonded debt	\$ 1,298,337,852	546,837	46,096,436	1,252,788,253	47,869,787
Notes payable	33,784,898	—	2,552,094	31,232,804	2,682,370
	<u>1,332,122,750</u>	<u>546,837</u>	<u>48,648,530</u>	<u>1,284,021,057</u>	<u>50,552,157</u>
Capital lease obligations	1,297,019	—	453,100	843,919	193,852
Other long-term liabilities:					
Net pension liability	2,653,162,201	28,809,127	32,653,238	2,649,318,090	—
Net OPEB liability	143,674,333	526,204	2,368,776	141,831,761	—
Accrued leave liability	117,869,837	12,007,820	7,977,947	121,899,710	13,723,900
Deposits refundable	305,619	874,679	18,570	1,161,728	—
Funds held in trust for others	22,613,795	1,773,598	—	24,387,393	317,800
Other noncurrent liabilities	137,310,911	10,816,039	6,639,681	141,487,269	13,789,565
Total other long-term liabilities	<u>3,074,936,696</u>	<u>54,807,467</u>	<u>49,658,212</u>	<u>3,080,085,951</u>	<u>27,831,265</u>
Total	<u>\$ 4,408,356,465</u>	<u>55,354,304</u>	<u>98,759,842</u>	<u>\$ 4,364,950,927</u>	<u>78,577,274</u>
Due within one year				<u>(78,577,274)</u>	
Total long-term liabilities				<u>\$ 4,286,373,653</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, 2019

	<b>Total</b>	<b>Bonded debt</b>	<b>Bonded debt interest</b>	<b>Notes payable</b>	<b>Notes payable interest</b>	<b>Capital leases</b>	<b>Capital lease interest</b>	<b>Total interest</b>
<b>IHL System Universities Only:</b>								
2020	\$ 101,616,898	47,869,787	49,844,143	2,682,370	993,859	193,852	32,887	50,870,889
2021	102,266,536	50,006,551	48,357,018	2,766,858	909,370	200,840	25,899	49,292,287
2022	99,299,358	48,864,834	46,730,724	2,739,967	823,514	121,201	19,118	47,573,356
2023	98,437,489	49,772,863	44,960,825	2,826,038	737,443	126,791	13,529	45,711,797
2024	98,484,480	51,753,863	43,026,815	2,914,624	648,858	132,639	7,681	43,683,354
2025 - 2029	464,926,071	267,484,664	183,840,659	11,584,066	1,946,522	68,596	1,564	185,788,745
2030 - 2034	423,875,426	290,886,878	126,821,280	5,718,881	448,387	—	—	127,269,667
2035 - 2039	287,309,514	216,419,547	70,889,967	—	—	—	—	70,889,967
2040 - 2044	202,303,919	172,422,123	29,881,796	—	—	—	—	29,881,796
2045 - 2049	61,484,317	57,307,143	4,177,174	—	—	—	—	4,177,174
	<u>\$ 1,940,004,008</u>	<u>1,252,788,253</u>	<u>648,530,401</u>	<u>31,232,804</u>	<u>6,507,953</u>	<u>843,919</u>	<u>100,678</u>	<u>655,139,032</u>
<b>Alcorn State University:</b>								
2020	\$ 2,870,864	1,107,514	1,763,350	—	—	—	—	1,763,350
2021	3,016,064	1,322,514	1,693,550	—	—	—	—	1,693,550
2022	3,116,064	1,422,514	1,693,550	—	—	—	—	1,693,550
2023	3,176,439	1,527,514	1,648,925	—	—	—	—	1,648,925
2024	3,227,714	1,627,514	1,600,200	—	—	—	—	1,600,200
2025 - 2029	16,732,570	9,942,570	6,790,000	—	—	—	—	6,790,000
2030 - 2034	17,114,970	12,777,570	4,337,400	—	—	—	—	4,337,400
2035 - 2039	17,051,752	15,204,426	1,847,326	—	—	—	—	1,847,326
2040 - 2044	3,215,300	3,160,000	55,300	—	—	—	—	55,300
	<u>\$ 69,521,737</u>	<u>48,092,136</u>	<u>21,429,601</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>21,429,601</u>
<b>Delta State University:</b>								
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	1,086,100	650,000	436,100	—	—	—	—	436,100
2025 - 2029	4,539,225	2,760,000	1,779,225	—	—	—	—	1,779,225
2030 - 2034	4,547,950	3,385,000	1,162,950	—	—	—	—	1,162,950
2035 - 2039	4,545,800	4,120,000	425,800	—	—	—	—	425,800
	<u>\$ 19,036,075</u>	<u>13,325,000</u>	<u>5,711,075</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,711,075</u>
<b>Jackson State University:</b>								
2020	\$ 8,635,001	4,385,376	3,996,558	107,025	5,722	110,750	29,570	4,031,850
2021	8,644,317	4,520,376	3,870,874	110,260	2,487	115,858	24,462	3,897,823
2022	8,535,253	4,690,376	3,704,558	—	—	121,201	19,118	3,723,676
2023	9,515,803	5,885,376	3,490,107	—	—	126,791	13,529	3,503,636
2024	9,479,550	6,090,376	3,248,854	—	—	132,639	7,681	3,256,535
2025 - 2029	45,274,079	32,911,880	12,292,039	—	—	68,596	1,564	12,293,603
2030 - 2034	40,948,423	35,346,880	5,601,543	—	—	—	—	5,601,543
2035 - 2039	4,337,130	3,431,880	905,250	—	—	—	—	905,250
2040 - 2044	4,335,280	3,926,880	408,400	—	—	—	—	408,400
2045 - 2049	764,991	743,391	21,600	—	—	—	—	21,600
	<u>\$ 140,469,827</u>	<u>101,932,791</u>	<u>37,539,783</u>	<u>217,285</u>	<u>8,209</u>	<u>675,835</u>	<u>95,924</u>	<u>37,643,916</u>
<b>Mississippi State University:</b>								
2020	\$ 27,669,716	13,959,801	13,709,915	—	—	—	—	13,709,915
2021	27,442,699	14,178,566	13,264,133	—	—	—	—	13,264,133
2022	27,104,980	14,348,457	12,756,523	—	—	—	—	12,756,523
2023	26,773,541	14,545,103	12,228,438	—	—	—	—	12,228,438
2024	26,544,934	14,899,553	11,645,381	—	—	—	—	11,645,381
2025 - 2029	115,111,666	65,574,458	49,537,208	—	—	—	—	49,537,208
2030 - 2034	99,695,520	64,429,330	35,266,190	—	—	—	—	35,266,190
2035 - 2039	90,290,948	69,068,859	21,222,089	—	—	—	—	21,222,089
2040 - 2044	70,746,330	62,903,281	7,843,049	—	—	—	—	7,843,049
2045 - 2049	7,020,740	6,812,640	208,100	—	—	—	—	208,100
	<u>\$ 518,401,074</u>	<u>340,720,048</u>	<u>177,681,026</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177,681,026</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, 2019

	<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:								
2020	\$ 1,287,246	625,000	575,827	—	—	83,102	3,317	579,144
2021	1,315,188	675,000	553,769	—	—	84,982	1,437	555,206
2022	1,262,906	725,000	537,906	—	—	—	—	537,906
2023	1,089,506	575,000	514,506	—	—	—	—	514,506
2024	1,122,256	625,000	497,256	—	—	—	—	497,256
2025 - 2029	6,141,900	3,940,000	2,201,900	—	—	—	—	2,201,900
2030 - 2034	7,128,200	5,675,000	1,453,200	—	—	—	—	1,453,200
2035 - 2039	4,816,575	4,475,000	341,575	—	—	—	—	341,575
	<u>\$ 24,163,777</u>	<u>17,315,000</u>	<u>6,675,939</u>	<u>—</u>	<u>—</u>	<u>168,084</u>	<u>4,754</u>	<u>6,680,693</u>
University of Mississippi:								
2020	\$ 24,947,094	13,184,802	8,198,810	2,575,345	988,137	—	—	9,186,947
2021	25,436,110	14,084,390	7,788,239	2,656,598	906,883	—	—	8,695,122
2022	23,058,979	12,115,482	7,380,016	2,739,967	823,514	—	—	8,203,530
2023	22,829,775	12,264,913	7,001,381	2,826,038	737,443	—	—	7,738,824
2024	22,872,621	12,739,738	6,569,401	2,914,624	648,858	—	—	7,218,259
2025 - 2029	108,471,057	70,192,774	24,747,695	11,584,066	1,946,522	—	—	26,694,217
2030 - 2034	85,185,261	67,135,764	11,882,229	5,718,881	448,387	—	—	12,330,616
2035 - 2039	19,616,231	15,471,086	4,145,145	—	—	—	—	4,145,145
2040 - 2044	11,038,437	9,200,343	1,838,094	—	—	—	—	1,838,094
2045 - 2049	3,790,536	3,612,286	178,250	—	—	—	—	178,250
	<u>\$ 347,246,101</u>	<u>230,001,578</u>	<u>79,729,260</u>	<u>31,015,519</u>	<u>6,499,744</u>	<u>—</u>	<u>—</u>	<u>86,229,004</u>
University of Southern Mississippi:								
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	12,095,546	6,097,947	5,997,599	—	—	—	—	5,997,599
2024	12,289,393	6,514,927	5,774,466	—	—	—	—	5,774,466
2025 - 2029	63,215,749	38,402,514	24,813,235	—	—	—	—	24,813,235
2030 - 2034	63,765,030	47,816,430	15,948,600	—	—	—	—	15,948,600
2035 - 2039	38,373,618	32,155,927	6,217,691	—	—	—	—	6,217,691
2040 - 2044	19,464,022	17,899,225	1,564,797	—	—	—	—	1,564,797
	<u>\$ 249,096,670</u>	<u>169,604,071</u>	<u>79,492,599</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>79,492,599</u>
University of Mississippi Medical Center:								
2020	\$ 21,908,156	7,346,232	14,561,924	—	—	—	—	14,561,924
2021	21,906,348	7,614,696	14,291,652	—	—	—	—	14,291,652
2022	21,894,045	7,927,975	13,966,070	—	—	—	—	13,966,070
2023	21,878,329	8,257,010	13,621,319	—	—	—	—	13,621,319
2024	21,861,912	8,606,755	13,255,157	—	—	—	—	13,255,157
2025 - 2029	105,439,825	43,760,468	61,679,357	—	—	—	—	61,679,357
2030 - 2034	105,490,072	54,320,904	51,169,168	—	—	—	—	51,169,168
2035 - 2039	108,277,460	72,492,369	35,785,091	—	—	—	—	35,785,091
2040 - 2044	93,504,550	75,332,394	18,172,156	—	—	—	—	18,172,156
2045 - 2049	49,908,050	46,138,826	3,769,224	—	—	—	—	3,769,224
	<u>\$ 572,068,747</u>	<u>331,797,629</u>	<u>240,271,118</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>240,271,118</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, Combined)  
 June 30, 2019

	<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	\$ 101,616,898	47,869,787	49,844,143	2,682,370	993,859	193,852	32,887	50,870,889
2020	102,266,536	50,006,551	48,357,018	2,766,858	909,370	200,840	25,899	49,292,287
2021	99,299,358	48,864,834	46,730,724	2,739,967	823,514	121,201	19,118	47,573,356
2022	98,437,489	49,772,863	44,960,825	2,826,038	737,443	126,791	13,529	45,711,797
2023	98,484,480	51,753,863	43,026,815	2,914,624	648,858	132,639	7,681	43,683,354
2024 - 2028	464,926,071	267,484,664	183,840,659	11,584,066	1,946,522	68,596	1,564	185,788,745
2029 - 2033	423,875,426	290,886,878	126,821,280	5,718,881	448,387	—	—	127,269,667
2034 - 2038	287,309,514	216,419,547	70,889,967	—	—	—	—	70,889,967
2039 - 2043	202,303,919	172,422,123	29,881,796	—	—	—	—	29,881,796
2044 - 2048	61,484,317	57,307,143	4,177,174	—	—	—	—	4,177,174
	<u>\$ 1,940,004,008</u>	<u>1,252,788,253</u>	<u>648,530,401</u>	<u>31,232,804</u>	<u>6,507,953</u>	<u>843,919</u>	<u>100,678</u>	<u>655,139,032</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, 2019

	<u>Original issue</u>	<u>Balance Outstanding June 30, 2019</u>	<u>Interest rate</u>	<u>Maturity date</u>
Alcorn State University:				
Bonds:				
EBC - Series 2009	\$ 47,000,000	915,000	5.13% – 5.25%	09/2039
EBC - Series 2016	43,630,000	47,177,136	2.00% – 5.00%	09/2039
	<u>90,630,000</u>	<u>48,092,136</u>		
Delta State University:				
Bonds:				
EBC - Series 2009A	3,135,000	—	2.50% – 3.75%	12/2018
EBC - Series 2016	15,105,000	13,325,000	2.00% – 5.00%	12/2038
	<u>18,240,000</u>	<u>13,325,000</u>		
Jackson State University:				
Bonds:				
EBC - Series 1982	4,000,000	345,000	1.00% – 3.00%	12/2020
EBC - Series 2010A-1	31,325,000	505,000	3.00% – 5.00%	03/2034
EBC - Series 2015A	57,595,000	63,132,791	2.00% – 5.00%	03/2045
EBC - Series 2015B	13,065,000	2,755,000	0.69% – 2.60%	03/2021
EBC - Series 2017	6,000,000	6,000,000	3.38 %	08/2027
EBC - Series 2017A	29,745,000	29,195,000	1.60% – 3.70%	03/2034
	<u>141,730,000</u>	<u>101,932,791</u>		
Notes:				
Housing project	2,222,000	217,285	3.00 %	12/2021
Mississippi State University:				
Bonds:				
Dormitory bonds	2,250,000	190,000	3.00 %	12/2021
Student apartments	2,038,000	260,000	3.00 %	12/2022
EBC - Series 2009A-1	29,615,000	756,336	2.50% – 5.25%	08/2039
EBC - Series 2009A-2	17,105,000	1,862,963	2.75% – 5.00%	08/2024
EBC - Series 2011	54,370,000	3,887,980	2.00% – 5.00%	12/2042
EBC - Series 2013	60,470,000	10,107,607	2.00% – 5.00%	08/2043
EBC - Series 2014A	89,810,000	80,312,048	2.00% – 5.00%	08/2043
EBC - Series 2014B	23,435,000	19,225,000	0.29% – 4.81%	08/2043
EBC - Series 2015	56,010,000	56,752,107	2.00% – 5.00%	08/2045
EBC - Series 2017	63,270,000	68,678,343	2.00% – 5.00%	08/2045
EBC - Series 2017A	92,075,000	98,687,664	2.00% – 5.00%	08/2043
	<u>490,448,000</u>	<u>340,720,048</u>		



**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2019

	<u>Original issue</u>	<u>Balance Outstanding June 30, 2019</u>	<u>Interest rate</u>	<u>Maturity date</u>
Mississippi Valley State University:				
Bonds:				
EBC - Series 2007	19,015,000	535,000	4.00 %	03/2022
EBC - Series 2015	17,270,000	16,780,000	2.00 %	03/2037
	<u>36,285,000</u>	<u>17,315,000</u>		
University of Mississippi:				
Bonds:				
EBC - Series 2008A	29,785,000	—	4.00% – 4.25%	10/2033
EBC - Series 2009A	19,870,000	935,000	3.50% – 4.50%	10/2029
EBC - Series 2009B	24,165,000	5,050,000	3.623% – 5.00%	10/2020
EBC - Series 2009C	14,770,000	490,000	3.25% – 4.75%	11/2034
EBC - Series 2011	27,995,000	4,866,094	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	3,854,674	3.10%	11/2020
EBC - Series 2015	12,600,000	9,450,000	Variable	12/2025
EBC - Series 2015A	15,660,000	15,262,619	2.00% – 4.00%	11/2039
EBC - Series 2015B	10,125,000	7,795,000	1.375% – 3.75%	11/2029
EBC - Series 2015C	31,630,000	31,617,617	2.00% – 5.00%	11/2046
EBC - Series 2015D	17,660,000	15,585,000	0.993% – 4.452%	11/2036
EBC - Series 2016A	33,245,000	30,910,638	2.00% – 5.00%	11/2034
EBC - Series 2017	38,995,000	41,284,936	2.00% – 5.00%	10/2034
	<u>351,500,000</u>	<u>230,001,578</u>		
Notes:				
Hancock Bank	9,500,000	6,905,779	2.59 %	06/2026
Renasant Bank	8,000,000	7,179,261	2.745 %	06/2028
Trustmark Bank	17,783,300	16,930,479	LIBOR + 1.39	06/2033
	<u>35,283,300</u>	<u>31,015,519</u>		
University of Southern Mississippi:				
Bonds:				
SMEBC - Series 2009	49,900,000	735,000	2.75% – 5.38%	09/2036
SMEBC - Series 2013	51,875,000	8,172,022	2.00% – 5.00%	09/2043
SMEBC - Series 2015A	38,600,000	38,914,334	2.00% – 5.00%	03/2034
SMEBC - Series 2015B	16,690,000	9,735,000	0.50% – 3.25%	03/2034
SMEBC - Series 2016	58,870,000	67,347,791	2.00% – 5.00%	09/2039
SMEBC - Series 2017	44,005,000	44,699,924	2.00% – 5.00%	09/2043
	<u>259,940,000</u>	<u>169,604,071</u>		

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**

State of Mississippi Component Unit Additional Information

Schedule of Bonds and Notes Payable Disclosure

June 30, 2019

	<u>Original issue</u>	<u>Balance Outstanding June 30, 2019</u>	<u>Interest rate</u>	<u>Maturity date</u>
University Medical Center:				
Bonds:				
MCEBC - Series 1998B	41,075,000	17,785,000	3.88% – 5.90%	12/2023
MCEBC - Series 2009	105,605,000	—	2.00% – 5.00%	06/2034
MCEBC - Series 2010A	24,870,000	24,870,000	5.92% – 6.69%	06/2032
MCEBC - Series 2010B	20,000,000	20,000,000	6.843%	06/2035
MCEBC - Series 2010C	5,130,000	629,083	2.50% – 5.00%	06/2020
MCEBC - Series 2012A	51,860,000	52,832,454	4.00% – 5.00%	06/2041
MCEBC - Series 2012B	53,390,000	53,390,000	4.064% – 4.822%	06/2038
MCEBC - Series 2017A	137,635,000	149,946,092	3.00% – 5.00%	06/2047
MCEBC - Series 2017B	12,345,000	12,345,000	2.45% – 3.10%	06/2024
	<u>451,910,000</u>	<u>331,797,629</u>		
Total	\$ <u><u>1,878,188,300</u></u>	<u><u>1,284,021,057</u></u>		

**STATE OF MISSISSIPPI INSTITUTIONS OF HIGHER LEARNING**  
State of Mississippi Component Unit Additional Information  
Schedule of Functional Expenses Disclosure  
Year ended June 30, 2019

<b>Functional Classification</b>	<b>Salaries and wages</b>	<b>Fringe benefits</b>	<b>Travel</b>	<b>Contractual services</b>	<b>Utilities</b>	<b>Scholarships and fellowships</b>	<b>Commodities</b>	<b>Depreciation expense</b>	<b>Other</b>	<b>Total</b>
Instruction	\$ 450,883,023	162,902,493	11,746,241	40,311,181	368,051	1,808,482	18,369,848	—	194,248	686,583,567
Research	197,810,599	78,216,875	9,892,697	69,672,447	3,273,806	2,476,573	36,331,420	—	972,673	398,647,090
Public Service	79,974,715	30,105,451	4,701,801	31,219,137	950,529	194,145	8,421,532	—	10,712	155,578,022
Academic Support	83,325,233	29,464,186	2,716,083	27,924,802	553,003	388,296	16,683,714	—	2,689	161,058,006
Student Services	48,373,814	17,832,253	5,152,531	15,068,728	138,876	1,925,499	7,240,074	—	137,614	95,869,389
Institutional Support	142,537,741	49,860,695	2,633,588	110,018,956	507,283	284,090	21,731,853	—	3,046,902	330,621,108
Operation of Plant	51,014,570	22,197,222	143,324	50,424,934	46,921,648	—	11,531,243	—	36,654	182,269,595
Student Aid	4,038,353	5,637,962	36,896	690,442	—	173,665,552	215,115	—	—	184,284,320
Auxiliary Enterprises	85,381,377	27,797,722	13,049,735	90,567,300	15,903,350	28,135,342	22,133,795	—	38,458	283,007,079
Depreciation	—	—	—	—	—	—	—	163,904,124	—	163,904,124
Hospital	512,439,410	172,179,825	1,190,979	121,940,433	1,320,298	—	258,310,418	—	—	1,067,381,363
Loan Fund expenses	—	—	—	1,053	—	—	—	—	1,003,751	1,004,804
Interest	—	—	—	—	—	—	—	—	(42,522,391)	(42,522,391)
Inter-campus eliminations	—	—	—	(50,390,650)	—	(31,678,749)	—	—	—	(82,069,399)
Total operating expenses	<u>\$ 1,655,778,835</u>	<u>596,194,684</u>	<u>51,263,875</u>	<u>507,448,763</u>	<u>69,936,844</u>	<u>177,199,230</u>	<u>400,969,012</u>	<u>163,904,124</u>	<u>(37,078,690)</u>	<u>3,585,616,677</u>