



2016-2017
**FINANCIAL
REPORT**

Mississippi University
for Women

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Financial Report

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**MISSISSIPPI UNIVERSITY FOR WOMEN
STATEMENT OF NET POSITION**

		June 30,	
		2017	2016
Assets			
Current Assets:			
Cash and Cash Equivalents	\$	7,442,495	\$ 7,647,457
Accounts Receivables, Net		5,484,560	4,906,400
Student Notes Receivables, Net		82,046	87,817
Prepaid Expenses		96,918	227,507
Total Current Assets		13,106,019	12,869,181
Non-Current Assets:			
Restricted Cash and Cash Equivalents		(1,159,432)	(1,273,415)
Endowment Investments		3,981,309	3,972,942
Other Long Term Investments		9,427,800	8,405,395
Student Notes Receivable, Net		943,525	1,009,893
Capital Assets, Net		99,844,513	97,766,819
Total Non-Current Assets		113,037,715	109,881,634
Total Assets		126,143,734	122,750,815
Deferred Outflows of Resources:			
Difference Between Expected and Actual Experience		1,159,709	816,880
Changes in Proportionate Share		886,321	1,006,883
Contributions Subsequent to the Measurement Date		2,333,680	2,316,938
Changes in Assumptions		1,960,054	3,058,149
Difference Between Projected and Actual Earnings on Pension Plan		2,816,674	-
Total Deferred Outflows of Resources		9,156,438	7,198,850
Total Assets and Deferred Outflows of Resources	\$	135,300,172	\$ 129,949,665

The accompanying notes are an integral part of the financial statements.

**MISSISSIPPI UNIVERSITY FOR WOMEN
STATEMENT OF NET POSITION**

	June 30,	
Liabilities	2017	2016
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 2,777,161	\$ 2,764,026
Unearned Revenues	1,384,273	1,416,572
Accrued Leave Liabilities - Current Portion	55,018	50,374
Long Term Liabilities - Current Portion	150,973	146,891
Other Current Liabilities	261,000	314,498
Total Current Liabilities	4,628,425	4,692,361
Non-Current Liabilities:		
Net Pension Liability	41,584,769	35,499,410
Accrued Leave Liabilities	1,320,439	1,208,980
Long Term Liabilities	77,053	228,025
Other Non-Current Liabilities	883,492	1,006,946
Total Non-Current Liabilities	43,865,753	37,943,361
Total Liabilities	48,494,178	42,635,722
Deferred Inflows of Resources:		
Deferred Amount of Refundings	\$ -	\$ -
Difference Between Projected and Actual Earnings on Pension Plan Change in Assumptions	110,483	867,858
Total Deferred Inflows of Resources	110,483	867,858
Total Liabilities and Deferred Inflows of Resources	\$ 48,604,661	\$ 43,503,580
Net Position:		
Net Invested in Capital Assets	99,616,488	97,391,903
Restricted for:		
Nonexpendable -		
Scholarships and Fellowships	824,033	823,996
Other Purposes	286,659	286,659
Expendable -		
Scholarships and Fellowships	500,839	498,987
Capital Projects	1,963,425	1,879,019
Loans	182,479	204,265
Unrestricted	(16,678,412)	(14,638,744)
Total Net Position	\$ 86,695,511	\$ 86,446,085

MISSISSIPPI UNIVERSITY FOR WOMEN
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	2017	2016
Operating revenues:		
Tuition and fees:	\$ 22,058,156	\$ 19,790,198
Less scholarship allowances	(7,683,835)	(6,965,574)
Less bad debt expense	(168,575)	(158,101)
Net tuition and fees	14,205,746	12,666,523
Federal appropriations		
Federal grants and contracts	29,910	84,258
State grants and contracts	6,143,777	6,487,163
Nongovernmental grants and contracts	2,748,811	2,907,154
Sales and services of educational departments	1,595,101	1,628,509
Auxiliary enterprises:		
Student housing	2,337,254	2,123,088
Food services	1,846,208	1,755,931
Bookstore	140,425	121,524
Other auxiliary revenues	207,067	198,037
Less auxiliary enterprise scholarship allowances	(1,476,551)	(1,383,177)
Other operating revenues, net	86,916	89,369
Total operating revenues	\$ 27,864,664	\$ 26,678,379
Operating expenses:		
Salaries and wages	\$ 21,458,709	\$ 21,247,312
Fringe benefits	9,847,194	7,806,373
Travel	383,779	435,829
Contractual services	8,214,917	8,437,871
Utilities	2,702,976	2,697,424
Scholarships and fellowships	6,078,916	6,053,736
Commodities	2,174,344	2,209,130
Depreciation	2,705,091	2,330,500
Total operating expenses	\$ 53,565,926	\$ 51,218,175
Operating income (loss)	\$ (25,701,262)	\$ (24,539,796)
Nonoperating revenues (expenses):		
State appropriations	\$ 15,615,941	\$ 16,744,182
Gifts and grants	5,541,958	5,482,344
Investment income	147,191	224,994
Interest expense on capital asset-related debt	(9,341)	(13,313)
Other nonoperating revenues	21,156	102,933
Other nonoperating expenses	(413,228)	(641,946)
Total nonoperating revenues (expenses), net	\$ 20,903,677	\$ 21,899,194
Income (loss) before other revenues, expenses, gains and losses	\$ (4,797,585)	\$ (2,640,602)
Other revenues, expenses, gains and losses:		
State appropriations restricted for capital purposes	\$ 5,018,135	\$ 1,182,974
Additions to permanent endowments	54,337	131,092
Other additions	-	416,053
Other deletions	(114,246)	(473,090)
Change in net position	\$ 160,641	\$ (1,383,573)
Net position, beginning as originally reported	\$ 86,446,085	\$ 87,680,647
Prior period adjustments	88,785	149,011
Net position - beginning of year, as restated	86,534,870	87,829,658
Net position - end of the year	\$ 86,695,511	\$ 86,446,085

**MISSISSIPPI UNIVERSITY FOR WOMEN
STATEMENT OF CASH FLOWS**

	2017	2016
Operating activities:		
Tuition and Fees	\$ 13,912,345	\$ 12,588,190
Grants and Contracts	8,813,019	9,604,537
Sales and Services of Educational Departments	1,591,030	1,652,414
Payments to Suppliers	(10,641,194)	(11,067,013)
Payments to Employees for Salaries and Benefits	(28,020,108)	(27,448,154)
Payments for Utilities	(2,760,633)	(2,748,963)
Payments for Scholarships and Fellowships	(6,078,916)	(6,053,736)
Auxiliary Enterprise Charges:		
Student Housing	1,496,561	1,396,212
Food Services	1,133,269	1,069,384
Bookstore	140,425	121,524
Other Auxiliary Enterprises	204,352	192,833
Other Receipts	86,916	89,368
	\$ (20,122,934)	\$ (20,603,404)
Noncapital financing activities:		
State Appropriations	\$ 15,615,941	\$ 16,744,182
Gifts and Grants for Other Than Capital Purposes;	5,541,958	5,516,736
Private Gifts for Endowment Purposes	54,337	131,092
Federal Loan Program Receipts	14,404,133	14,034,037
Federal Loan Program Disbursements	(14,404,133)	(14,034,037)
Other Sources	231,233	339,460
Other Uses	(690,803)	(876,680)
	\$ 20,752,666	\$ 21,854,790
Capital and related financing activities:		
Cash Paid for Capital Assets	\$ (299,642)	\$ (1,821,968)
Capital Appropriations Received	345,917	42,680
Principal Paid on Capital Debt and Leases	(146,891)	(142,919)
Interest Paid on Capital Debt and Leases	(9,341)	(13,313)
	\$ (109,957)	\$ (1,935,520)
Investing activities:		
Proceeds from Sales and Maturities of Investments	\$ 11,353,936	\$ 17,726,780
Interest Received on Investments	1,341,515	1,341,515
Purchases of Investments	(11,964,691)	(19,336,625)
	\$ (610,755)	\$ (268,330)
Net change in cash and cash equivalents	\$ (90,979)	\$ (952,464)
Cash and cash equivalents - beginning of year	6,374,042	7,326,505
Cash and cash equivalents - end of year	\$ 6,283,063	\$ 6,374,042

**MISSISSIPPI UNIVERSITY FOR WOMEN
STATEMENT OF CASH FLOWS**

	2017	2016
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (25,701,262)	\$ (24,539,796)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation expense	2,705,091	2,330,500
Provision for uncollectible receivables	168,575	195,636
Other	(2,380,014)	(3,975,783)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Receivables, Net	(506,021)	(12,039)
Prepaid Expenses	130,589	203,512
Increase (Decrease) in Liabilities:		
Accounts Payables and Accrued Liabilities	13,135	(158,704)
Deferred Revenue	(32,299)	(33,324)
Accrued Leave Liability	116,103	33,875
Other Liabilities	5,363,169	5,352,719
Total Adjustments	\$ 5,578,328	\$ 3,936,392
Net Cash Provided (Used) by Operating Activities	\$ (20,122,934)	\$ (20,603,404)
Reconciliation of cash and cash equivalents:		
Current assets - cash and cash equivalents	7,442,495	7,647,457
Noncurrent assets - restricted cash and cash equivalents	(1,159,432)	(1,273,415)
Cash and cash equivalents - end of year	\$ 6,283,063	\$ 6,374,042
NON-CASH TRANSACTIONS:		
1) State Appropriations Restricted for Capital Purposes	\$ 375,879	\$ 963,465
2) Unrealized Gain/(Loss) on Fair Value of Investments	(69,945)	194,953
3) Bureau of Buildings and Grounds Construction-in-Progress	4,913,439	967,954
4) Provision for Bad Debts	168,575	158,010
	\$ 5,387,948	\$ 2,284,382

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

Nature of Operations – Mississippi University for Women (MUW) is a Carnegie Master's S public university that provides high-quality undergraduate and graduate education for women and men in a variety of liberal arts and professional programs, while maintaining its historic commitment to academic and leadership development for women. MUW emphasizes a personalized learning environment in all of its educational programs, which are offered through the College of Arts and Sciences, College of Business and Professional Studies, College of Education and Human Sciences, and College of Nursing and Speech Language Pathology. MUW delivers selected programs and courses through distance education formats to provide educational opportunities throughout Mississippi and the United States, while addressing the unique educational and public service needs of northeast Mississippi and adjoining counties in northwest Alabama. MUW supports research, scholarship, and creativity to enhance faculty development and student learning and to advance knowledge in the disciplines offered by the university.

Reporting Entity - The Mississippi Constitution was amended in 1943 to create a Board of Trustees of State Institutions of Higher Learning (IHL). This constitutional Board provides management and control of the senior Mississippi public higher education institutions. These Board members are to be appointed by the Governor with the approval of the Senate. The IHL is considered a component unit of the State of Mississippi reporting entity.

The Board of Trustees consists of twelve members. Four members of the Board of Trustees shall be appointed from each of the three Mississippi Supreme Court districts and, as such vacancies occur, the Governor shall make appointments from the Supreme Court district having the smallest number of Board members until the membership includes four members from each district.

The members of the Board of Trustees as constituted on January 1, 2008, shall continue to serve until expiration of ten year terms of office. Appointments made in 2012 and thereafter will serve nine year terms of office.

The State of Mississippi Institutions of Higher Learning is considered a component unit of the State of Mississippi and is included in the general purpose financial statements of the State of Mississippi. Accounts of the MUW Foundation are not included in the financial statements as it is a legally separate entity and the University does not appoint any members of its board.

Basis of Presentation - The financial statements have been prepared in accordance with generally accepted accounting principles in the United States as prescribed by the Governmental Accounting Standards Board (GASB). The University follows the "business-type activities" reporting which provides a comprehensive presentation of the University's financial activities.

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Basis of Accounting - The financial statements of the University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay. All significant intra-institutional transactions 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.

New Accounting Standards – During fiscal year 2016, the University adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement generally requires investments to be measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques are required to be used that are appropriate with defined approaches. Disclosures are required to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The adoption of this statement had no impact on the financial statements beyond the disclosures added in note 3.

Recently Issued Accounting Standards – In June 2015, the GASB issued Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes financial reporting standards for Other Post Employment Benefit Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement is effective for fiscal years beginning after June 14, 2017.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to use estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The accompanying financial statements include estimates for items such as bad debt, accrued expenses and other liability accounts.

Cash Equivalents - For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

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

Investments - The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for*

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

External Investment Pools. 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 for which there are no quoted marked prices are not material.

Endowment Investments – The University’s endowment investments 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 institution to function similar to an endowment but may be fully expended at any time at the discretion of the institution.

Accounts Receivable, Net - Accounts receivable consist of tuition and fee charges to students. It also includes amounts due from federal and state governments and nongovernmental sources for financial aid and in connection with reimbursement of allowable expenses made pursuant to university grants and contracts. Accounts receivable are recorded net of an allowance for doubtful accounts.

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 as current assets on the Statement of Net Position. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Position.

Prepaid Expenses - Prepaid expenses consist of expenditures that are related to projects, programs, activities or revenues of future fiscal periods.

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

Capital Assets - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. For movable property, the IHL System’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note # 6 for additional details concerning useful lives, salvage values and capitalization thresholds.

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activity facilities.

Unearned Revenues - Unearned revenues include amounts received for tuition and fees and certain auxiliary and designated activities prior to the end of the fiscal year but related to the subsequent accounting period.

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.

Compensated Absences - 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 15 years of service; and from 15 years of service and over, 18 hours per month are earned. 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 annual leave.

Nine-month employees earn major medical leave at a rate of 13 1/3 hours per month for one month to three years of service; 14 1/5 hours per month for three to eight years of service; 15 2/5 hours per month for eight to 15 years of service; and from 15 years of service and over, 16 hours per month are earned. There is no limit on the accumulation of sick leave. At retirement, these employees are paid for up to 240 hours of accumulated major medical leave.

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

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

Government Advances Refundable – The University participates in the Federal Perkins Loan Program, which is 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 participation in the program. The portion that would

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

be refundable if the program were terminated has been presented as other long-term liabilities and approximated \$883,492 and \$1,006,946 as of June 30, 2017 and 2016, respectively.

Income Taxes – The University is considered an agency of the State and is treated as a governmental entity for tax purposes. As such, the University is generally not subject to federal and state income taxes. However, the University does remain subject to income taxes on any income that is derived from a trade or business regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded because, in the opinion of management, there is no significant amount of taxes on such unrelated business income.

Revenues and Expenditures - MUW has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenues and expenses have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods or services. Examples of operating revenues include (1) student tuition and fees; (2) sales and services of auxiliary enterprises; (3) most federal, state and local grants and contracts; and (4) other operating revenues. Examples of operating expenses include (1) employee compensation, benefits, and related expense; (2) scholarships and fellowships, net of scholarship discounts and allowances; (3) utilities, supplies and other services; (4) professional fees; and (5) depreciation expenses related to certain capital assets.

Non-operating revenues have the characteristics of non-exchange transactions. Examples of non-operating revenues include state appropriations, gifts, and contributions. Non-operating expenses are defined in GASB No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34. Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

Auxiliary Enterprise Activities - Auxiliary enterprises typically exist to furnish goods or services to students, faculty, or staff at 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 are residence halls, food services, and bookstores. The general public may be served incidentally by auxiliary enterprises.

Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements using the alternative method in accordance with GASB and generally accepted accounting principles. 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

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

statements as operating expenses, or scholarship allowances, which reduce 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 on a university basis 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.

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

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

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

Restricted, expendable net position includes resources that the University 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 – The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments and Auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used to meet current expenses for any purpose. These resources also include Auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 2 - Prior Period Adjustments

Net position at July 1, 2016 was increased by \$88,785 to recognize adjustments that pertained to prior periods, as detailed in the following table:

Explanation(s)	Additions (Deductions) at June 30, 2017
Capital Assets Adjustment	88,785
Total Adjustments \$	88,785

Net position at July 1, 2015 was increased by \$149,011 to recognize adjustments that pertained to prior periods, as detailed in the following table:

Explanation(s)	Additions (Deductions) at June 30, 2016
Capital Assets Adjustment	225,622
Accounts Payable Adjustments	(76,611)
Total Adjustments \$	149,011

Note 3 - Cash and Investments

Policies:

Cash and Cash Equivalents: Investment policies for cash and short-term investments as set forth by Board of Trustees policy and state statute authorize the University to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements. The system's investment policy is governed by Section 27-105-33, MS. Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998.

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents representing assets of the University's endowment are included in noncurrent investments. Short term investments are investments that are not cash equivalents but mature within the next fiscal year.

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 MS. Code Ann. (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

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 3 - Cash and Investments (continued)

event of 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 Depository Insurance Corporation.

Investments: Investment policies as set forth by Board policy as authorized by state statute (Section 37-101-15 MS Code Ann. 1972) and the Uniform Management of Institutional Funds Act of 1998, authorize the universities to invest in equity securities, bonds and other securities. Investments are reported at fair value.

The following table presents the fair value of investments at June 30, 2017 and 2016:

<u>Statement of Net Position Classification</u>	Fair Market Value	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Short term investments - current assets	\$ -	\$ -
Noncurrent assets		
Endowment investments	3,981,309	3,972,942
Other long term investments	<u>9,427,801</u>	<u>8,402,875</u>
Total	<u>\$ 13,409,110</u>	<u>\$ 12,375,817</u>

The following table presents the fair value of investments by type at June 30, 2017 and 2016:

Investment Type	Fair Market Value	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
U.S. Government Agency Obligations	\$ 11,693,463	8,624,093
Municipal Bonds	1,061,235	1,095,291
U.S. Treasury T-Bills	497,812	2,499,833
Money Market Funds	-	-
Certificate of Deposit	-	-
Land Grant	<u>156,600</u>	<u>156,600</u>
	<u>\$ 13,409,110</u>	<u>12,375,817</u>

Custodial credit risk for investments is 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. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy for custodial credit risk. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 3 - Cash and Investments (continued)

department or agent but not in the government's name. The University did not have any investments exposed to custodial credit risk as of June 30, 2017.

Interest Rate Risk

Interest rate risk is defined as the risk a government may face should interest rate variances affect the fair value of investments. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses interest rate risk. As of June 30, 2017 and 2016, the University had the following investments subject to interest rate risk:

June 30, 2017

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 12,191,275	\$ 4,537,148	\$ 4,811,524	\$ 2,322,515	\$ 520,088
Municipal Bonds	1,061,235	-	946,187	115,048	-
	<u>\$ 13,252,510</u>	<u>\$ 4,537,148</u>	<u>\$ 5,757,711</u>	<u>\$ 2,437,563</u>	<u>\$ 520,088</u>

June 30, 2016

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Obligations	\$ 11,123,926	\$ 2,499,833	\$ 2,950,751	\$ 4,512,723	\$ 1,160,619
Municipal Bonds	1,095,291	-	976,384	118,907	-
	<u>\$ 12,219,217</u>	<u>\$ 2,499,833</u>	<u>\$ 3,927,135</u>	<u>\$ 4,631,630</u>	<u>\$ 1,160,619</u>

Credit Risk

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses credit risk. The ratings are issued upon standards set by Standard & Poors or Moody's. As of June 30, the University had the following investments subject to credit risk:

	Fair Market Value	
	June 30, 2017	June 30, 2016
AAA	\$ -	\$ -
AA+	9,500,247	9,963,309
AA	1,061,234	1,095,291
A	-	-
Not Rated	2,691,029	1,160,617
Total	<u>\$ 13,252,510</u>	<u>\$ 12,219,217</u>

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 3 - Cash and Investments (continued)

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State of Mississippi Institutions of Higher Learning System does not presently have a formal policy that addresses concentration of credit risk. The University had the following investments that represent more than five percent of investments as of June 30:

	June 30, 2017	% of Total Investments	June 30, 2016	% of Total Investments
Federal Home Loan Bank	\$ 3,489,048	26%	\$ 599,734	5%
Federal Home Loan Mortgage Corporation	2,935,106	22%	4,012,972	33%
Federal Farm Credit Bank	1,244,385	9%	751,022	6%
Federal National Mortgage Association	1,244,072	9%	1,749,268	14%
Federal Fortgage Corporation (Freddie Mac)	1,105,197	8%	-	0%
First National Data Bank	1,061,235	8%	1,095,291	9%
Municipal Tax Bonds	-	0%	2,499,833	20%

Investment Fair Value Measurement

In compliance with GASB Statement No. 72, Fair Value Measurement and Application, the following tables present the financial assets carried at fair value by level within the valuation hierarchy, as of June 30, 2017 and 2016.

	2017			Total
	Level 1	Level 2	Level 3	
Investment strategy:				
Fixed income:				
U.S. Government securities	\$ -	\$ 12,754,698	\$ -	\$ 12,754,698
Corporate bonds	-	-	-	-
Certificates of deposit	-	-	-	-
Other fixed income securities	654,412	-	-	654,412
Total fixed income	<u>654,412</u>	<u>12,754,698</u>	<u>-</u>	<u>13,409,110</u>
Equities:				
Common stocks	\$ -	\$ -	\$ -	\$ -
Common stock funds	-	-	-	-
Mutual funds	-	-	-	-
Index funds	-	-	-	-
Total equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hedge funds	-	-	-	-
Venture capital	-	-	-	-
Other short-term investments	-	-	-	-
Total investments	<u>\$ 654,412</u>	<u>\$ 12,754,698</u>	<u>\$ -</u>	<u>\$ 13,409,110</u>

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 3 - Cash and Investments (continued)

	2016			Total
	Level 1	Level 2	Level 3	
Investment strategy:				
Fixed income:				
U.S. Government securities	\$ -	\$ 9,719,384	\$ -	\$ 9,719,384
Corporate bonds	-	-	-	-
Certificates of deposit	-	-	-	-
Other fixed income securities	2,656,433	-	-	2,656,433
Total fixed income	<u>\$ 2,656,433</u>	<u>\$ 9,719,384</u>	<u>\$ -</u>	<u>\$ 12,375,817</u>
Equities:				
Common stocks	\$ -	\$ -	\$ -	\$ -
Common stock funds	-	-	-	-
Mutual funds	-	-	-	-
Index funds	-	-	-	-
Total equities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hedge funds	-	-	-	-
Venture capital	-	-	-	-
Other short-term investments	-	-	-	-
Total investments	<u>\$ 2,656,433</u>	<u>\$ 9,719,384</u>	<u>\$ -</u>	<u>\$ 12,375,817</u>

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 government 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 within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 4 - Accounts Receivable

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

	June 30, 2017	Purging Memo Reclassification	June 30, 2017	June 30, 2016
Student tuition	\$ 4,729,611	\$ (300,601)	\$ 4,429,010	\$ 4,257,632
Auxiliary enterprises and other operating activities	70,178	-	70,178	25,571
Capital grants and contracts	-	-	-	-
Federal, state, and private grants and contracts	2,109,670	-	2,109,670	2,220,098
State appropriations	734,332	-	734,332	432,587
Accrued interest	151,666	-	134,430	101,241
Other	65,363	-	65,363	44,354
Total Accounts Receivable	\$ 7,860,820	\$ (300,601)	\$ 7,542,983	\$ 7,081,483
Less allowance for doubtful accounts	2,376,260	(300,601)	2,075,659	2,175,083
Net Accounts Receivable	\$ 5,484,560	\$ -	\$ 5,467,324	\$ 4,906,400

Purging Memo Reclassification: The University is precluded by statute from writing-off or discharging balances owed. This reclassification effectively purges all accounts prior to FY 2002 that have been reserved 100% in the allowance for doubtful accounts.

Note 5 - 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 the institution. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the institution at June 30, 2017 and 2016:

	Interest Rates	June 30, 2017	Current Portion	Non-Current Portion	June 30, 2016
Perkins student loans	3% to 9%	\$ 1,532,301	\$ 82,046	\$ 1,450,255	\$ 1,554,033
Institutional loans	0% to 9%	1,365	-	1,365	1,365
Total Notes Receivable		\$ 1,533,666	\$ 82,046	\$ 1,451,620	\$ 1,555,398
Less allowance for doubtful accounts		508,095	-	508,095	457,688
Net Notes Receivable		\$ 1,025,571	\$ 82,046	\$ 943,525	\$ 1,097,710

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 5 - Notes Receivable from Students (continued)

	Interest Rates	June 30, 2016	Current Portion	Non-Current Portion	June 30, 2015
Perkins student loans	3% to 9%	\$ 1,554,033	\$ 87,817	\$ 1,466,216	\$ 1,666,875
Institutional loans	0% to 9%	1,365	-	1,365	1,365
Total Notes Receivable		\$ 1,555,398	\$ 87,817	\$ 1,467,581	\$ 1,668,240
Less allowance for doubtful accounts		457,688	-	457,688	374,213
Net Notes Receivable		\$ 1,097,710	\$ 87,817	\$ 1,009,893	\$ 1,294,027

Note 6 - Capital Assets

Capital assets as of June 30, 2017, and capital asset activity for the years ended June 30, 2017 and 2016, respectively are summarized as follows:

	July 1, 2016	Additions	Deletions	Prior Period Adjustment	June 30, 2017
Nondepreciable Capital Assets:					
Land	\$ 2,428,606	\$ -	\$ -	\$ -	\$ 2,428,606
Historical Articles & Museum	13,345	-	-	-	13,345
Construction in Progress	967,955	4,913,436	230,057	-	5,651,334
Total Nondepreciable Capital Assets	\$ 3,409,906	\$ 4,913,436	\$ 230,057	\$ -	\$ 8,093,286
Depreciable Capital Assets:					
Improvements other than Buildings	\$ 7,722,700	\$ 131,344	\$ -	\$ -	\$ 7,854,044
Buildings	122,662,631	98,712	-	-	122,761,343
Equipment	4,917,309	48,290	111,452	-	4,854,147
Library Books	3,030,769	21,295	-	-	3,052,064
Total Depreciable Capital Assets	\$ 138,333,409	\$ 299,642	\$ 111,452	\$ -	\$ 138,521,599
Less Accumulated Depreciation for:					
Improvements other than Buildings	\$ 3,185,711	\$ 207,207	\$ -	\$ -	\$ 3,392,918
Buildings	33,861,061	2,262,415	-	88,785	36,212,261
Equipment	3,975,005	311,968	76,500	-	4,210,474
Library Books	2,954,719	-	-	-	2,954,719
Total Accumulated Depreciation	\$ 43,976,496	\$ 2,781,590	\$ 76,500	\$ 88,785	\$ 46,770,372
Capital Assets, Net	\$ 97,766,819	\$ 2,431,488	\$ 265,009	\$ (88,785)	\$ 99,844,513

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 6 - Capital Assets (continued)

	July 1, 2015	Additions	Deletions	Prior Period Adjustment	June 30, 2016
Nondepreciable Capital Assets:					
Land	\$ 2,428,606	\$ -	\$ -	\$ -	\$ 2,428,606
Historical Articles & Museum	13,345	-	-	-	13,345
Construction in Progress	762,528	2,388,052	2,408,249	225,622	967,953
Total Nondepreciable Capital Assets	\$ 3,204,479	\$ 2,388,052	\$ 2,408,249	\$ 225,622	\$ 3,409,904
Depreciable Capital Assets:					
Improvements other than Buildings	\$ 7,528,937	\$ 193,763	\$ -	\$ -	\$ 7,722,700
Buildings	120,448,145	2,214,486	-	-	122,662,631
Equipment	4,881,222	219,273	183,185	-	4,917,310
Library Books	3,257,046	63,621	289,898	-	3,030,769
Total Depreciable Capital Assets	\$ 136,115,350	\$ 2,691,143	\$ 473,083	\$ -	\$ 138,333,410
Less Accumulated Depreciation for:					
Improvements other than Buildings	\$ 2,986,047	\$ 199,664	\$ -	\$ -	\$ 3,185,711
Buildings	31,722,972	2,138,088	-	-	33,861,060
Equipment	3,732,870	368,290	126,155	-	3,975,005
Library Books	3,204,106	40,511	289,898	-	2,954,719
Total Accumulated Depreciation	\$ 41,645,995	\$ 2,746,553	\$ 416,053	\$ -	\$ 43,976,495
 Capital Assets, Net	 \$ 97,673,833	 \$ 2,332,642	 \$ 2,465,279	 \$ 225,622	 \$ 97,766,819

As of June 30, 2017 and 2016, capital assets included assets under capital leases with an original cost basis of approximately \$725,000 and accumulated amortization of approximately \$80,857 and \$53,904, respectively.

The following policies are used to compute depreciation:

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	\$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3 - 15 years	1 - 10%	2,000
Library books	10 years	0%	-

Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016

Note 7 – Accounts Payable

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Payable to vendors and contractors	\$ 1,088,994	\$ 645,034
Accrued salaries, wages and employee withholdings	1,640,985	2,059,050
Other	47,182	59,942
Total	<u>\$ 2,777,161</u>	<u>\$ 2,764,026</u>

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

Note 8 – Unearned Revenues

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unearned summer school revenue	\$ 1,287,810	\$ 1,316,230
Other	96,463	100,342
Total	<u>\$ 1,384,273</u>	<u>\$ 1,416,572</u>

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

Note 9 - Long term Liabilities

Long term liabilities of the University consist of capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2017. This contingency represents the federal portion of the Perkins Loan program, which would be due and payable to the U.S. government if the University ceases to participate in this program.

The University participates in the master lease/purchase programs, which are centralized program maintained by the IHL Board office of the Mississippi Institutions of Higher Learning in which the universities' essential governmental-use equipment needs are consolidated into and financed as one request. A similar program is maintained by the Department of Finance and Administration for all state agencies. The University also participates in that program. The consolidation of these needs means that the cost of issuance is lower, and the universities and agencies collectively receive a better interest rate than they would have received individually. Lease terms for equipment purchased through the master lease/purchase program cover a period not to exceed five years. The University has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 9 - Long term Liabilities (continued)

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.

Information regarding original issue amounts, interest rates and maturity dates for capital leases included in the long term liabilities balance at June 30, 2017 is listed in the following schedules. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

Description and Purpose	Original Issue	Annual Interest Rate	Maturity				June 30, 2017	Due Within	
				July 1, 2016	Additions	Deletions		One Year	June 30, 2016
Network Core Upgrade & Golf Carts	10-Oct-13	2.76%	10-Oct-18	\$ 374,916	\$ -	\$ 146,890	\$ 228,026	\$ 150,973	\$ 374,916
Total Capital Leases				\$ 374,916	\$ -	\$ 146,890	\$ 228,026	\$ 150,973	\$ 374,916
Other Long-term Liabilities									
- Accrued leave liabilities				\$ 1,259,354	\$ 116,103	\$ -	\$ 1,375,457	\$ 55,018	\$ 1,259,354
- Federal portion of Perkins Loans				1,006,946	-	123,454	883,492	-	1,006,946
Total Other Liabilities				\$ 2,266,300	\$ 116,103	\$ 123,454	\$ 2,258,949	\$ 55,018	\$ 2,266,300
Total				\$ 2,641,216	\$ 116,103	\$ 270,344	\$ 2,486,975	\$ 205,991	\$ 2,641,216
Due within one year							197,265		197,265
Total Long-Term liabilities							\$ 2,289,710		\$ 2,443,951

The scheduled maturities of long term liabilities are as follows:

Fiscal Year	Capital Leases	Interest	Total
2018	\$ 150,973	\$ 5,259	\$ 156,232
2019	77,053	1,063	78,116
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023-2027	-	-	-
2028-2032	-	-	-
Totals	\$ 228,026	\$ 6,322	\$ 234,348

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 10 – Operating Leases

Leased property under operating leases is composed of equipment. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30,	Amount
2018	\$32,631
2019	24,810
2020	15,236
2021	3,747
2022	<u>490</u>
Payments Required	<u>\$76,913</u>

Total rental expense for all operating leases, except those with terms of one month or less that were not renewed, for the fiscal years ending June 30, 2017 and 2016, was \$41,465 and \$82,961, respectively.

Note 11 - Funds Held in Trust by Others

The University has a beneficial interest in \$156,600 of land grant principal that has been assumed by the State of Mississippi. This interest is included in Endowment Investments. The state legislature makes an annual appropriation from the State General Fund, which approximates 6% interest on this amount.

Note 12 – Foundations and Affiliated Parties

The various institutions comprising the State of Mississippi Institutions of Higher Learning are each affiliated with one or more foundations, which are independent corporations formed for the purpose of receiving funds for the sole benefit of the respective institutions. These foundations and affiliated parties are separately audited and have not been included in these financial statements.

Note 13 – Federal Direct Lending and FFEL Programs

The University distributed \$14,404,133 and \$14,034,037 for the years ended June 30, 2017 and 2016, respectively, for student loans through the U.S. Department of Education lending programs. These distributions and their related funding sources are included as “Non-Capital Financing” distributions and receipts in the Cash Flow Statement.

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 14 - Construction Commitments and Contingent Liabilities

The University has contracted for a construction project as of June 30, 2017. Estimated costs to complete this project and the sources of anticipated funding are as follows:

	Total Costs to Complete	Funded by			
		Federal Sources	State Sources	Institutional Sources	Other Sources
McDevitt Fire Suppression	249,304	-	-	249,304	-
Total	<u>\$ 249,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>249,304</u>	<u>\$ -</u>

The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

In the normal course of its activities, the University has been a party in various legal actions. Historically, the University has not experienced significant losses from such actions. After taking into consideration legal counsel's evaluation of pending actions, the University is of the opinion that the outcome thereof will not have a material effect on its financial statements.

Note 15 - Natural Classifications with Functional Classifications

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

FY2017									
Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,427,196	\$ 4,700,833	\$ 117,691	\$ 967,281	\$ -	\$ -	\$ 314,506	\$ -	\$ 16,527,507
Research	177,951	75,043	22,303	196,753	-	-	85,948	-	557,998
Public Service	208,498	87,858	3,900	92,968	-	-	111,257	-	504,480
Academic Support	4,784,314	2,262,326	100,052	1,172,159	236,458	-	1,079,636	-	9,634,945
Student Services	1,747,285	823,839	73,374	350,083	373	-	222,683	-	3,217,636
Institutional Support	3,206,721	1,491,055	50,823	699,818	10,171	-	90,665	-	5,549,252
Operation of Plant	428,057	222,601	1,233	2,691,624	1,928,674	-	80,400	-	5,352,589
Student Aid	-	-	-	-	-	6,078,916	-	-	6,078,916
Auxiliary Enterprises	478,688	134,114	14,404	2,044,231	527,300	-	189,250	-	3,387,987
Depreciation	-	-	-	-	-	-	-	2,705,091	2,705,091
Other	-	-	-	-	-	-	-	-	-
Total Operating Expenses	<u>\$ 21,458,709</u>	<u>\$ 9,797,668</u>	<u>\$ 383,779</u>	<u>\$ 8,214,917</u>	<u>\$ 2,702,976</u>	<u>\$ 6,078,916</u>	<u>\$ 2,174,344</u>	<u>\$ 2,705,091</u>	<u>\$ 53,516,401</u>

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 15 - Natural Classifications with Functional Classifications (continued)

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	\$ 10,324,705	\$ 3,738,829	\$ 156,433	\$ 862,864	\$ -	\$ -	\$ 377,292	\$ -	\$ 15,460,123
Research	190,115	66,215	12,037	185,999	-	-	71,062	-	525,428
Public Service	237,521	69,056	4,023	112,160	-	-	112,995	-	535,755
Academic Support	4,733,182	1,822,823	79,188	1,061,004	276,547	-	913,903	-	8,886,647
Student Services	1,537,012	584,767	86,415	305,004	345	-	252,826	-	2,766,369
Institutional Support	3,196,949	1,195,241	70,027	845,583	9,124	-	193,433	-	5,510,357
Operation of Plant	460,470	201,661	5,481	2,883,184	1,876,540	-	101,801	-	5,529,137
Student Aid	-	-	-	-	-	6,053,736	-	-	6,053,736
Auxiliary Enterprises	567,358	127,781	22,225	2,182,073	534,868	-	185,818	-	3,620,123
Depreciation	-	-	-	-	-	-	-	2,330,500	2,330,500
Other	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 21,247,312	\$ 7,806,373	\$ 435,829	\$ 8,437,871	\$ 2,697,424	\$ 6,053,736	\$ 2,209,130	\$ 2,330,500	\$ 51,218,175

Note 16 – Donor Restricted Endowments

The net appreciation on investments of donor restricted endowments that is available for authorization for expenditure approximated \$28,760 and \$27,543 as of June 30, 2017 and 2016, respectively. These amounts are included in the accompanying statement of net position in “net position – expendable for other purposes”, and “net position – expendable for scholarships and fellowships.”

Note 17 – Pension and Other Employee Benefit Plans

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

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

The employees of the University are covered by one of the pension plans outlined above (collectively, the Plans). The Plans do not provide for measurements of assets and pension benefit obligations for individual entities. The measurement date of the Plans is June 30, 2016 and 2015 for fiscal years 2017 and 2016, respectively.

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

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

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Note 17 – Pension and Other Employee Benefit Plans (continued)

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

Disclosure under GASB 68

The pension disclosures that follow for fiscal years 2017 and 2016 include all disclosures for GASB 68 using the latest valuation reports available (June 30, 2016). For fiscal year 2017, the measurement date for the PERS defined benefit plan is June 30, 2016. For fiscal year 2016, the measurement date for the PERS defined benefit plan is June 30, 2015. The University is presenting net pension liability as of June 30, 2016 and 2015 for the fiscal year 2017 and 2016 financials, respectively.

(a) PERS Defined Benefit Plan
Plan Description

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

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June 30, 2017 and 2016

Note 17 – Pension and Other Employee Benefit Plans (continued)

each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before

July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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

Contributions

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

Policies for PERS provide for employer and member contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. PERS members were required to contribute 9% of their annual pay. The institution's contractually required contribution rate for the years ended June 30, 2017 and 2016, was 15.75% for each year of annual payroll. Employer contribution rates consist of an amount for service cost; the amount estimated to finance benefits earned by current members during the year; and an amount for amortization of the unfunded actuarial accrued liability. For determining employer contribution rates, the actuary evaluates the assets of the plans based on a five-year smoothed expected return with 20% of a year's excess or shortfall of expected return recognized each year for five years. Contribution rates are determined using the entry age actuarial cost method and include provisions for an annual 3.0% cost-of-living increase calculated according to the terms of the respective plan. Contributions from the University are recognized when legally due, based on statutory requirements.

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 17 – Pension and Other Employee Benefit Plans (continued)

Employer Contributions

Mississippi University for Women’s contributions to PERS for the years ended June 30, 2017 and 2016 were \$2,387,085 and \$2,345,662, respectively. The University’s proportionate share was calculated on the basis of historical contributions. Although GASB 68 encourages the use of the employer’s projected long-term contribution effort to the retirement plan, allocation on the basis of historical employer contributions is considered acceptable. Employer contributions recognized by the University 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 institution’s contributions used in the determination of its proportionate share of collective pension amount reported:

<u>Plan</u>	<u>Proportionate share of contributions</u>	<u>Allocation percentage of proportionate share of collective pension amount</u>	<u>Change in proportionate share of collective pension amount</u>
PERS Defined Benefit:			
2017	\$ 2,345,662	0.232805 %	0.003155 %
2016	2,259,689	0.229650	0.006487

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

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Note 17 – Pension and Other Employee Benefit Plans (continued)

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

Net Pension Liability

Mississippi University for Women’s proportion of the net pension liability at June 30, 2017 and 2016 is as follows:

<u>Plan</u>	<u>Proportion of net pension liability</u>	<u>Proportionate share of net pension liability</u>
PERS Defined Benefit:		
2017	0.232805 %	\$ 41,584,769
2016	0.229650	35,499,410

Discount rate

For the years ended June 30, 2017 and 2016, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%) for the years ended June 30, 2017 and 2016. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following tables present Mississippi University for Women’s proportionate share of the net pension liability of the cost-sharing plan for 2017 and 2016, calculated using the discount rate of 7.75%, as well as what the University’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:

**Mississippi University for Women
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Note 17 – Pension and Other Employee Benefit Plans (continued)

	<u>1% Decrease (6.75%)</u>	<u>Current discount rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Mississippi University for Women proportionate share of net pension liability			
2017	53,320,998	41,584,769	31,847,504
2016	46,791,451	35,499,410	26,129,095

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Mississippi state statute requires that an actuarial experience study be completed at least once in each five-year period. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The latest experience study was performed after the June 30, 2016 valuation was complete; it covers the four-year period from July 1, 2012 to June 30, 2016 and was issued on April 18, 2017.

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

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

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

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

For the years ended June 30, 2017 and 2016, Mississippi University for Women’s proportionate share of pension expense was \$5,117,983 and \$3,377,148, respectively, related to the PERS defined benefit plan. Deferred outflows of resources were related to differences between expected and actual experience, differences between projected and actual investment earnings 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

**Mississippi University for Women
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Note 17 – Pension and Other Employee Benefit Plans (continued)

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.

At June 30, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between Employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
\$ 1,159,709	1,960,054	886,321	2,333,680	2,816,674	9,156,438	-	110,483	\$ 110,483

2016

Deferred outflows					Deferred inflows			
Differences between expected and actual experience	Changes of assumptions	Changes in proportion and differences between Employer contributions and proportionate share of contributions	Contributions subsequent to the measurement date	Net difference between projected and actual investment earnings on pension plan investments	Total deferred outflows of resources	Net difference between projected and actual investment earnings on pension plan investments	Changes of assumptions	Total deferred inflows of resources
\$ 816,880	3,058,149	1,006,883	2,316,938	-	7,198,850	867,858	-	\$ 867,858

Contributions subsequent to the measurement date of \$2,333,680 and \$2,316,938 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the years ended June 30, 2017 and 2016, respectively.

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

**Mississippi University for Women
Notes to Financial Statements
June 30, 2017 and 2016**

Note 17 – Pension and Other Employee Benefit Plans (continued)

2018	2019	2020	2021	2022	Thereafter	Total
\$ 2,591,091	\$ 1,868,133	\$ 1,542,161	\$ 821,373	\$ -	\$ -	\$ 6,822,758

Deferred Inflow of Resources Year Ended June 30						
2018	2019	2020	2021	2022	Thereafter	Total
\$ 44,550	\$ 44,550	\$ 21,383	\$ -	\$ -	\$ -	\$ 110,483

(b) ORP Defined Contribution Plan

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

The ORP uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices. Employees immediately vest in plan contributions upon entering the plan. Mississippi University for Women's contributions to the ORP for the years ended June 30, 2017 and 2016 were \$853,925 and \$791,639, respectively, which equaled its required contribution for the period.

Note 18 – Impairment of Capital Assets

GASB No. 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. There were no capital assets considered impaired in fiscal year 2017.

Note 19 – Subsequent Events

There have been no events subsequent to June 30, 2017 which would materially affect the financial statements as presented.